

**DEERESEARCH LIMITED
ANNUAL REPORT 2017**

The directors of DEEResearch Limited (the 'Company') have pleasure in presenting the 2017 annual report to our shareholders Deer Industry New Zealand and AgResearch Ltd. The report includes all information required to be disclosed under the Companies Act 1993 excluding specific disclosures exempted by the Companies Act 1993 section 211(3) approved by shareholders.

Principal Activity

The principal activity of the Company is deer research and extension.

Registered Office

Level 5, 154 Featherston Street, Wellington.

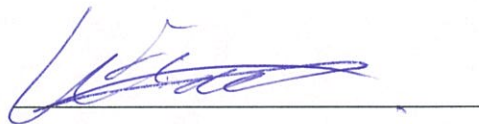
Financial Performance

The Company reported an after tax surplus of \$520 for the year ended 30 June 2017 (2016: Deficit \$97,615). The detailed financial statements of the Company are presented on pages 1 to 11.

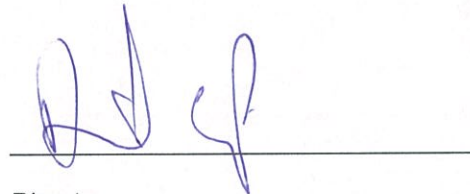
Shareholders

All ordinary shares of the Company are owned by Deer Industry New Zealand and AgResearch Ltd.

For and on behalf of the Board of Directors:



Director



Director

10 November 2017

Date

10 November 2017

Date

DEEResearch Limited

Statement of Comprehensive Revenue and Expense For the year ending 30 June 2017

	Notes	2017 \$	2016 \$
Research Revenue			
Exchange Revenue			
Deer Industry New Zealand Research Trust		502,445	563,174
Deer Industry New Zealand Research Trust - Research Joint Ventures		35,000	64,997
Deer Industry New Zealand Research Trust - Research Other		408,000	444,281
Deer Industry New Zealand Research Trust - Research Other		59,445	53,896
Non-Exchange Revenue			
AgResearch Limited		1,333,000	1,333,000
Joint Venture Research Consortium - Share of MBIE Grant Funding	1	31,000	65,000
Other Exchange Revenue			
Deer Industry New Zealand - Administration Funding		11,630	13,775
AgResearch Limited - Administration Funding		11,630	13,775
Joint Venture Research Consortium - Share of Other Revenue	1	2,000	9,000
		1,891,705	1,997,724
Total Income			
Less Expenditure			
Research Expenditure			
Funded by MBIE through AgResearch		1,333,000	1,333,000
Pastoral Greenhouse Gas Consortium - Share of Research Expenditure	56,000		68,000
Pastoral Genomics Consortium	-		29,997
Johnes Disease Research Consortium - Share of Research Expenditure	(2,000)		107,000
		54,000	204,997
Hitting Targets - AgResearch Ltd		413,220	439,281
Research Projects - Other		-	5,000
Project Management		59,445	53,896
		1,859,665	2,036,174
Total Research Expenditure			
Administration Expenditure			
Director's Fees and Expenses		5,319	12,436
Audit Fees		9,460	10,640
Accounting Fees		-	3,000
Sundry Expenses		10,691	33,110
		25,470	59,186
Total Administration Expenditure	2		
Communication Expenditure			
Annual Report		2,790	3,364
		2,790	3,364
Total Communication Expenditure			
Total Expenditure		1,887,925	2,098,724
Total Comprehensive Revenue and Expenses Before Taxation and Interests in Joint Ventures		3,780	(101,000)
Change in Proportionate Share in Consortium Net Assets		(3,260)	3,385
Total Comprehensive Revenue and Expenses Before Taxation		520	(97,615)
Taxation		-	-
Total Comprehensive Revenue and Expenses After Taxation		520	(97,615)

These Financial Statements should be read in conjunction with the notes to the Financial Statements.

DEEResearch Limited
Statement of Changes in Equity
For the year ending 30 June 2017

	Notes	2017 \$	2016 \$
Opening Accumulated Funds		23,995	121,610
Total Comprehensive Revenue and Expenses After Taxation		520	(97,615)
		<u>520</u>	<u>(97,615)</u>
Closing Accumulated Funds		<u>24,515</u>	<u>23,995</u>

DEEResearch Limited
Statement of Financial Position
As at 30 June 2017

		2017 \$	2016 \$
Share Capital	3	120	120
Retained Earnings		24,395	23,875
Accumulated Funds		<u>24,515</u>	<u>23,995</u>
<i>Represented by:</i>			
Current Assets			
Cash & Cash Equivalents	4	40,997	121,950
Accounts Receivable	5	209,583	228,689
Share Capital Due		60	120
Total Current Assets		<u>250,640</u>	<u>350,759</u>
Current Liabilities			
Accounts Payable	6	36,198	133,755
Related Parties Payables	7	189,927	193,009
Total Current Liabilities		<u>226,125</u>	<u>326,764</u>
Net Assets		<u>24,515</u>	<u>23,995</u>

These Financial Statements should be read in conjunction with the notes to the Financial Statements.

DEEResearch Limited
Cash Flow Statement
For the year ending 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from Operating Activities			
Receipts from Deer Industry New Zealand Research Trust		508,063	585,380
Receipts from Government Funding		31,000	65,000
Receipts - Administration Funding		25,748	43,288
Payments to Research Providers		(617,564)	(668,164)
Payments for Administration		(28,260)	(62,550)
		<hr/>	<hr/>
Net cash outflow from Operating Activities		(81,013)	(37,046)
Net cash flows from Investing Activities		-	-
Cash flows from Financing Activities			
Share Capital received		60	-
		<hr/>	<hr/>
Net cash inflow from Financing Activities		60	-
		<hr/>	<hr/>
Net decrease in Cash and cash equivalents		(80,953)	(37,046)
Cash and cash equivalents at the beginning of the year		121,950	158,996
Cash and cash equivalents at the end of the year	4	<u>40,997</u>	<u>121,950</u>

These Financial Statements should be read in conjunction with the notes to the Financial Statements.

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ending 30 June 2017

REPORTING ENTITY

These are the financial statements for DEEResearch Limited, a company registered under the Companies Act 1993 and incorporated on 20 August 2001.

The shareholders of DEEResearch Limited (the 'Company') are AgResearch Limited ('AgResearch') (50%) and Deer Industry New Zealand ('DINZ') (50%). The objectives of the Company are to research non-velvet related deer products.

The shareholders have agreed to work together and apply their respective capacities for their mutual benefit and the benefit of the New Zealand deer industry. In particular, the shareholders will participate on a long-term basis in research and development relevant to deer farming and processing of deer products except velvet antler.

The Company is designated as a public benefit entity (PBE) for financial reporting purposes. The financial statements for the Company are for the year ended 30 June 2017, and were approved by the Board on 10 November 2017.

BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period. The Company is supported by its shareholder entities (AgResearch and DINZ)

Statement of Compliance

The financial statements of Deer Industry New Zealand are required to comply with Public Benefit Entity Accounting Standards Reduced Disclosure Regime (PBE Standard RDR).

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards. The Company is eligible to report using Tier 2 PBE accounting standards due to it being non-publicly accountable and non-large.

The Company has taken full advantage of the exemptions available under the framework.

These financial statements comply with PBE accounting standards.

Presentation Currency and Rounding

The financial statements are presented in New Zealand dollars and rounded to the nearest dollar.

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ending 30 June 2017

Goods and Services Tax

The financial statements are prepared exclusive of GST with the exception of receivables and payables, which are stated inclusive of GST.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

The specific accounting policies for significant revenue items are explained below:

Funding from the Deer Industry New Zealand Research Trust (Exchange revenue)

The Company receives grant funding following application to the Deer Industry Research Trust (DINZRT). If an application is approved by the trustees of DINZRT, funding is only released on achievement of milestones. Where milestones have been achieved funding is accrued in the financial statements and recognised as revenue.

Joint Venture Funding from the Ministry of Business, Employment and Innovation (MBIE) (Non-exchange revenue)

The research joint ventures receive grant funding following application to MBIE. Funding is recognised when received and when the expected milestones have been achieved and the conditions of MBIE funding have been met. Funding is recognised as revenue in proportion to the Company's ownership interest in each consortium.

Funding from AgResearch Core Funding from MBIE (Non-exchange revenue)

AgResearch's contribution to the Company is via their Core Funding contract with the Crown, the benefit of which is vested in the Company. The expenditure related to this funding is reported in the financial statements of the Company and is also accounted for within AgResearch. Revenue is recorded exactly equal in amount to the expenditure associated with this research.

While AgResearch consults with the deer industry and with the Company in the development of these funding proposals, the Company does not have control of nor responsibility for activity as part of this programme.

Interests in Joint Ventures

The Company holds a direct interest in three unincorporated joint venture research consortiums (the 'Consortiums'), which are Pastoral Greenhouse Gas Research Consortium 1.34% holding (2016: 1.37%), Pastoral Genomics Research Consortium 0.325% holding (2016: 1.27%) and Johnes Disease Research Consortium 0% holding (2016: 12.0%) respectively. The interests in the unincorporated joint ventures have been accounted for using the proportionate method which best reflects the Company's contribution and share of the joint, across industry initiatives.

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ending 30 June 2017

On 9 October 2015 the Company gave notice to the Pastoral Genomics Research Consortium that it intended to cease funding of the consortium at the conclusion of the financial year ending 30 June 2016. One equity contribution of \$29,997 was outstanding at prior year end and this was paid in October 2015.

The carrying value of the Company's proportionate share of Pastoral Genomics net assets was impaired to nil at 30 June 2015.

The Johne's Disease Research Consortium completed its final year of operation on 30 June 2016. The Consortium has been wound up and the remaining intellectual property was transferred back to the partners in proportion to their share in the consortium in May 2017.

The proportionate method of accounting for joint ventures applies the following principles for the Company's share in each with separate disclosure of:

- MBIE non-exchange revenue,
- Other revenue,
- Research expenditure, and
- Administration expenditure.

The Company's contracted funding for each joint venture has been eliminated on proportionate consolidation.

The share of cash contributions in each consortium is not always consistent amongst partners annually which creates a variance between net asset movement and the proportionate surplus or deficit reported by each of the joint ventures. Adjustments to reflect this annually are recognised in the Statement of Comprehensive Revenue and Expense as "Change in Proportionate Share in Consortium Net Assets".

The unincorporated joint ventures have balance dates of 30 June 2017.

Income Tax

The income tax expense charged against the profit for the year is the estimated liability in respect of that profit and is calculated after an allowance for permanent differences.

Future tax benefits attributable to tax losses or timing differences are only recognised when it is probable that taxable profits will be available against which the tax losses or timing differences can be utilised.

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ending 30 June 2017

Research

All research expenditure incurred by the Company during the year has been expensed.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with registered banks and other short term highly liquid investments with original maturities of three months or less.

Accounts Receivable

Accounts receivable are stated at expected realisable value.

Accounts Payable

Short term payables are recorded at their face value.

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ending 30 June 2017

1. Joint Venture Revenue

The Company's share of joint venture revenue comprises of:

Research Grant Funding	2017	2016
	\$	\$
Pastoral Greenhouse Gas Research Consortium	31,000	32,000
Johne's Disease Research Consortium	-	33,000
	31,000	65,000

Other Revenue	2017	2016
	\$	\$
Pastoral Greenhouse Gas Research Consortium	1,000	1,000
Johne's Disease Research Consortium	1,000	8,000
	2,000	9,000

2. Administration Expenditure

The composition of administration expenditure between the Company and its joint venture proportionate share is as follows:

	2017	2016
	\$	\$
The Company		
Director's Fees and Expenses	6,319	8,436
Audit Fees	9,460	9,640
Accounting Fees	-	3,000
Sundry Expenses	4,691	3,110
	20,470	24,186
Joint Ventures		
Director's Fees and Expenses	(1,000)	4,000
Audit Fees	-	1,000
Sundry Expenses	6,000	30,000
	5,000	35,000

3. Share Capital

	2017	2016
	\$	\$
120 ordinary shares (AgResearch Ltd unpaid)	120	120

All shares have equal voting rights and share equally in dividends and surplus on winding up. During the year, Deer Industry New Zealand paid up its uncalled capital.

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ending 30 June 2017

4. Cash and Cash Equivalents

Cash and cash equivalents comprise of:

	2017	2016
	\$	\$
Cash at bank	3,997	950
Share of Joint Ventures		
Pastoral Greenhouse Gas Research Consortium	37,000	42,000
Johne's Disease Research Consortium	-	79,000
	40,997	121,950

5. Accounts Receivable

Accounts receivable comprise of:

	2017	2016
	\$	\$
Related Party - Deer Industry New Zealand Research Trust	187,962	193,580
Other Related Party Receivables	21,621	22,109
Share of Joint Venture Accounts Receivable		
Pastoral Greenhouse Gas Research Consortium	-	5,000
Johne's Disease Research Consortium	-	8,000
	209,583	228,689

6. Accounts Payable

Accounts payable comprise:

	2017	2016
	\$	\$
Accounts payable and accruals	18,635	18,673
Share of Joint Venture Accounts Payable		
Pastoral Greenhouse Gas Research Consortium	17,563	36,602
Johne's Disease Research Consortium	-	78,480
	36,198	133,755

7. Related Parties

During the year to 30 June 2017 funding contributions were made to Pastoral Greenhouse Gas Research Consortium \$35,000 (2016: \$35,000). No funding was made to Pastoral Genomics Research Consortium (2016: \$29,997).

8. AgResearch Limited research revenue contribution to the Company

In addition to research funded directly by the Company, AgResearch also invests in research relevant to the deer industry.

During the year to 30 June 2017, AgResearch carried out a deer (non-velvet) research programme to the value of \$1,333,000 (2016: \$1,333,000) which was funded from their Core Funding.

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ending 30 June 2017

9. Directors Remuneration

The Company paid directors fees of \$6,000 (2016: \$6,000) to Collier Isaacs (Chairman). No other directors' fees were paid to directors of the Company.

10. Commitments

The following funding arrangements have been made by the Company subject to milestones being achieved. These commitments are as follows:

Contracted	2017	2016
	\$	\$
Not later than one year	35,000	35,000
Later than 1 year and not later than 2 years	35,000	35,000
Later than 2 years and not later than 5 years	-	35,000
Approved but not contracted	2017	2016
	\$	\$
Not later than one year	408,000	-
Later than 1 year and not later than 2 years	-	-
Later than 2 years and not later than 5 years	-	-
Later than 5 years	-	-

11. Financial Instruments

The Company is party to financial instruments as part of its everyday operations. These include instruments such as bank balances, accounts receivable and trade creditors.

Revenues and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Revenue and Expense. All financial instruments are recognised in the Statement of Financial Position.

The Company does not utilise foreign currency or interest rate derivatives.

12. Contingencies

The Company has unconditional guarantees to the other partners in the unincorporated joint ventures (Pastoral Greenhouse Gas Research Consortium and Pastoral Genomics Research Consortium) which:

- a. guarantee the due performance and observance of the guaranteed obligations by the unincorporated joint ventures; and
- b. indemnify against any loss or damage due to any breach of the unincorporated joint venture agreements.

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ending 30 June 2017

13. Subsequent Events

There were no events subsequent to the balance date requiring disclosure in the financial statements for the 2017 financial year.