Half Year Report

Pūrongo a Haurua Tau
2020

agresearch

āta mātai, mātai whetū

Driving prosperity by transforming agriculture

Ānga taurikura whakamua mā te whakaumu ahuwhenua

Contents

Chair and Chief Executive's review

The period under review has been a time of significant success and change for the company and our people. We completed our refreshed Science Plan, and are currently implementing it. We also confirmed our Four Campus strategy to grow our sites into national and regional centres of excellence, and made significant progress on our infrastructure programme to ensure AgResearch remains relevant and fit for the sector's future needs.

Our Science Plan is the result of an extensive consultation process, both internally and with external stakeholders and collaborators. It is a critical strategic document that guides all of our science activities and organisational initiatives, and contains measurable outcomes so that we can readily track and assess our progress. Its three overarching principles, which summarise the Science Plan's strategic goals, are prosperous land-based enterprises; protected, enhanced and sustained natural resources; and added-value foods and bio-based products that meet consumer needs. We are confident this Plan will pave the way for AgResearch to achieve our vision of driving New Zealand's prosperity by transforming agriculture.

AgResearch continues to make a strong impact with our science. Our New Zealand Bioeconomy in the Digital Age platform continues at pace, with 12 case studies well under way in preparation for delivering a proof of concept that digital technologies can transform New Zealand land-based food production. The tools used in the case studies are those of a successful bioeconomy – advanced engineering, nanotechnology, sensor technology, precision measurement, communications, genetics, automation, robotics, analytics, and decision support tools that can transform production systems and ensure a safe and traceable product supply. Collaboration with stakeholders and engagement with end-users forms a key part of this process and will be ongoing as the case studies are further developed in the coming months.

Not surprisingly, a large part of implementing our strategy successfully depends upon AgResearch engaging effectively with collaborators and stakeholders. To that end, we have worked hard to implement our engagement model to build diversity, breadth and resilience into our stakeholder base. Internationally, AgResearch has partnerships and customers in 57 countries around the world, resulting in more than 250 current collaborations. Closer to home, we continue to actively explore new business opportunities across our four science workstreams. An engagement highlight of this period was presenting our findings on the healing properties of the native tree fern mamaku at Taupiri Marae. This project was in collaboration with Ora Limited, and funded by the Vision Mātauranga Capability Fund. Over this time, we also participated in the Ministry of Business, Innovation and Employment's review of our science capability, and began engaging with its Te Pae Kahurangi initiative, which includes a collective review of Crown Research Institutes.

Our infrastructure programme has made pleasing progress in the last six months. Our joint food science facility in Palmerston North, Te Ohu Rangahau Kai, is set to open in April. This facility is a modern teaching and learning environment, and will house up to 140 researchers. It will have 1800m2 of laboratories and 900m2 of meat and dairy pilot plants, as well as office space. We are excited about the benefits our co-location with Massey University and the Riddet Institute will bring to New Zealand's food industry. Further south, we have made solid progress on the new facility at Lincoln, with the Single Stage Business Case approved in October. Work has now commenced on the Implementation Business Case.

AgResearch has completed the first half of the 2020 year in a sound financial position, and is on track to achieve our budget. Revenue and profitability are growing, and this is expected to rise gradually but steadily in the coming years as we build new facilities.

AgResearch's net assets at 31 December 2019 were $235.6 million. This represents a net tangible asset value per share of $4.93 ($5.16 a share at 31 December 2018).

The performance is summarised in the table below:

in thousands of New Zealand dollars	Unaudited 6 months to Dec 2019	Unaudited 6 months to Dec 2018	Audited 12 months to Jun 2019
Revenue	**64,264**	64,415	157,311
Expenditure	**72,333**	71,429	162,155
Surplus/(deficit) before tax	**(8,069)**	(7,014)	(4,844)
Tax expense/(benefit)	**(2,166)**	(2,259)	2,164
Net surplus/(deficit) after tax for the year	**(5,903)**	(4,755)	(7,008)

AgResearch is in a strong position to seize the opportunities and challenges that lie ahead. We look forward to progressing our work programme and strategic initiatives to deliver innovative science outcomes for the benefit of New Zealand.

Dr Paul Reynolds
Chair
13 February 2020

Tony Hickmott
Acting Chief Executive
13 February 2020

Consolidated statement of comprehensive income

For the six months ended 31 December 2019

in thousands of New Zealand dollars	Note	Unaudited 6 months to Dec 2019	Restated Unaudited 6 months to Dec 2018	Audited 12 months to Jun 2019
Revenue				
Ministry of Business, Innovation and Employment				
- Strategic Science Investment Fund		**21,944**	19,444	43,899
- Our Land & Water National Science Challenge		**2,041**	1,889	6,424
- Other		**7,761**	9,109	22,495
Commercial		**24,318**	24,760	62,199
Farm produce		**1,971**	2,203	4,956
Other revenue		**6,229**	7,010	17,348
Total operating revenue		**64,264**	64,415	157,311
Operating expenditure	**3**	**(73,208)**	(71,836)	(153,800)
Other gains/(losses)	**4**	**1,569**	532	(7,073)
Finance costs		**(474)**	(7)	(16)
Share of deficit of associates		**(220)**	(118)	(1,266)
Surplus/(deficit) before tax		**(8,069)**	(7,014)	(4,844)
Tax expense/(benefit)		**(2,166)**	(2,259)	2,164
Net surplus/(deficit) after tax for the year		**(5,903)**	(4,755)	(7,008)
Other comprehensive income for the year net of tax		**-**	-	-
Total comprehensive income for the year net of tax		**(5,903)**	(4,755)	(7,008)
Net surplus/(deficit) is attributable to:				
Equity holders of the parent		**(5,903)**	(4,755)	(7,008)
Total comprehensive income is attributable to:				
Equity holders of the parent		**(5,903)**	(4,755)	(7,008)

The statement of accounting policies and the accompanying notes form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2019

in thousands of New Zealand dollars	Note	Unaudited Dec 2019	Restated Unaudited Dec 2018	Audited Jun 2019
Current assets				
Cash and cash equivalents		**38,577**	26,080	48,186
Trade and other receivables		**20,108**	17,835	31,798
Prepayments		**2,882**	1,889	2,021
Lease receivable		**256**	-	-
Biological assets - livestock		**5,331**	5,087	4,190
Inventory		**1,440**	1,095	1,027
Derivative financial instruments		**-**	7	5
Property held for sale		**-**	763	-
Current tax		**-**	3,081	-
Total current assets		**68,594**	55,837	87,227
Non-current assets				
Investments in associates and joint ventures		**6,039**	17,142	6,068
Other investments	**6**	**2,229**	3,180	2,241
Property, plant and equipment	**7**	**209,756**	204,021	204,963
Biological assets - forestry		**1,157**	966	1,157
Other non-current receivables		**-**	4,629	-
Goodwill		**907**	1,043	907
Intangible assets		**1,667**	978	1,745
Lease receivable		**131**	-	-
Right-of-use assets		**26,814**	-	-
Total non-current assets		**248,700**	231,959	217,081
Total assets		**317,294**	287,796	304,308
Less:				
Current liabilities				
Trade and other payables		**33,680**	22,411	39,721
Derivative financial instruments		**22**	-	-
Provisions	**8**	**5,284**	5,201	5,406
Current tax		**358**	-	718
Lease liability		**1,962**	-	-
Other current liabilities		**-**	21	9
Total current liabilities		**41,306**	27,633	45,854
Non-current liabilities				
Deferred tax		**14,126**	15,795	16,368
Lease liability		**25,483**	-	-
Other non-current liabilities		**736**	796	766
Provisions - non-current	**8**	**23**	34	35
Total non-current liabilities		**40,368**	16,625	17,169
Total liabilities		**81,674**	44,258	63,023
Net assets		**235,620**	243,538	241,285
Equity				
Share capital		**47,268**	47,268	47,268
Revaluation reserves		**93,111**	102,211	93,111
Retained earnings		**95,241**	94,059	100,906
Total equity		**235,620**	243,538	241,285

The statement of accounting policies and the accompanying notes form an integral part of these financial statements.

Dr Paul Reynolds
Chair
13 February 2020

Kim Wallace
Director
13 February 2020

Consolidated statement of changes in equity

For the six months ended 31 December 2019

in thousands of New Zealand dollars	Share capital	Revaluation reserves Property, plant and equipment	Revaluation reserves Investments	Retained earnings	Total equity
Unaudited 6 months to December 2018 (Restated)					
Balance at 30 June 2018	**47,268**	**102,211**	**669**	**98,871**	**249,019**
Effect of adoption of NZ IFRS 15	-	-	-	(726)	**(726)**
FVTPL election on adoption of NZ IFRS 9	-	-	(669)	669	-
Balance at 1 July 2018	**47,268**	**102,211**	**-**	**98,814**	**248,293**
Deficit after tax for the year	-	-	-	(4,755)	**(4,755)**
Revaluation of properties	-	-	-	-	-
Changes in fair value of investments	-	-	-	-	-
Transfer of revaluation reserve on sold assets	-	-	-	-	-
Income tax relating to components of other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**(4,755)**	**(4,755)**
Balance at 31 December 2018 (Restated)	**47,268**	**102,211**	**-**	**94,059**	**243,538**
Audited 12 months to June 2019					
Balance at 30 June 2018	**47,268**	**102,211**	**669**	**98,871**	**249,019**
Effect of adoption of NZ IFRS 15	-	-	-	(726)	**(726)**
FVTPL election on adoption of NZ IFRS 9	-	-	(669)	669	-
Balance at 1 July 2018	**47,268**	**102,211**	**-**	**98,814**	**248,293**
Deficit after tax for the period	-	-	-	(7,008)	**(7,008)**
Revaluation of properties	-	-	-	-	-
Changes in fair value of investments	-	-	-	-	-
Transfer of revaluation reserve on sold assets	-	(9,100)	-	9,100	-
Income tax relating to components of other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**(9,100)**	**-**	**2,092**	**(7,008)**
Balance at 30 June 2019	**47,268**	**93,111**	**-**	**100,906**	**241,285**
Unaudited 6 months to December 2019					
Balance at 30 June 2019	**47,268**	**93,111**	**-**	**100,906**	**241,285**
Effect of adoption of NZ IFRS 16	-	-	-	238	**238**
Balance at 1 July 2019	**47,268**	**93,111**	**-**	**101,144**	**241,523**
Deficit after tax for the period	-	-	-	(5,903)	**(5,903)**
Revaluation of properties	-	-	-	-	-
Changes in fair value of investments	-	-	-	-	-
Transfer of revaluation reserve on sold assets	-	-	-	-	-
Income tax relating to components of other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**(5,903)**	**(5,903)**
Balance at 31 December 2019	**47,268**	**93,111**	**-**	**95,241**	**235,620**

The statement of accounting policies and the accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows

For the six months ended 31 December 2019

in thousands of New Zealand dollars	Note	Unaudited 6 months to Dec 2019	Unaudited 6 months to Dec 2018	Audited 12 months to Jun 2019
Cash received from operating activities				
Receipts from customers		**81,626**	75,108	161,082
Interest received		**700**	752	1,227
Dividends received		**-**	-	5
Total cash received from operating activities		**82,326**	**75,860**	**162,314**
Cash disbursed on operating activities				
Payments to employees		**36,776**	33,766	67,664
Payments to suppliers		**36,180**	41,970	79,374
Restructuring		**333**	572	812
Income tax paid		**435**	256	306
Interest paid		**474**	7	16
Total cash disbursed on operating activities		**74,198**	76,571	148,172
Net cash flow from operating activities	**12**	**8,128**	(711)	14,142
Cash received from investing activities				
Disposal of property, plant and equipment		**-**	3	19,404
Disposal of investments and intangible assets		**741**	-	626
Total cash received from investing activities		**741**	3	20,030
Cash disbursed on investing activities				
Investment in property, plant and equipment		**15,967**	15,783	30,289
Purchase of other investments and intangible assets		**915**	3,746	1,096
Partner contribution to research consortiums		**-**	-	925
Total cash disbursed on investing activities		**16,882**	19,529	32,310
Net cash flow from investing activities		**(16,141)**	(19,526)	(12,280)
Cash disbursed on financing activities				
Repayment of the lease liabilities		**1,593**	-	-
Total cash disbursed on financing activities		**1,593**	-	-
Net cash flow from investing activities		**(1,593)**	-	-
Total net cash flow		**(9,606)**	(20,237)	1,862
Cash at beginning of period		**48,186**	46,316	46,316
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(3)**	1	8
Cash at end of period		**38,577**	26,080	48,186

The statement of accounting policies and the accompanying notes form an integral part of these financial statements.

Notes to and forming part of the consolidated financial statements

For the six months ended 31 December 2019

1 Basis of preparation

These consolidated condensed interim financial statements of AgResearch Limited and its subsidiaries (the Group) have been prepared in accordance with the requirements of the Crown Research Institutes Act 1992, the Public Finance Act 1989, the Crown Entities Act 2004 and the Companies Act 1993.

These interim financial statements have been prepared in accordance with New Zealand Equivalent to International Accounting Standard (NZ IAS) 34 Interim Financial Reporting. The Group is profit-orientated.

During the period the Group applied New Zealand International Financial Reporting Standard (NZ IFRS) 16 Leases for the first time. The impact of first time adoption of NZ IFRS 16 is disclosed in Note 2. With the exception of NZ IFRS 16, the consolidated condensed interim financial statements of the Group for the six months ended 31 December 2019 have been prepared applying the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group's Annual Report for the year ended 30 June 2019.

The same significant judgements, estimates and assumptions included in the notes to the financial statements in the Group's Annual Report for the year ended 30 June 2019 have been applied to these interim financial statements.

The financial statements were authorised for issue by the Directors on 13 February 2020.

2 Changes in accounting policies and disclosures

The Group adopted NZ IFRS 16 from 1 July 2019. NZ IFRS 16 introduces new or amended requirements with respects to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requirements and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The details of the new accounting policy and the impact of first time adoption is described below.

The Group as lessee

The Group assesses whether a contract is or contains lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease repayments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the transition date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate unless the lease payments change is due to a change in a floating interest rate, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the transition date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the transition date of the lease.

The Group applies NZ IAS 36 to determine whether a right-of-use asset is impaired.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use assets. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the statement of comprehensive income.

The Group as lessor

The Group enters into lease arrangements as a lessor. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group applied NZ IFRS 16 using the modified retrospective approach. The cumulative effect of initially applying NZ IFRS 16 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under NZ IAS 17 and related Interpretations.

The effect of adopting NZ IFRS 16 as at 1 July 2019 is outlined in the following tables.

Consolidated statement of financial position as at 1 July 2019

in thousands of New Zealand dollars	Increase/ (Decrease)
Assets	
Right-of-use assets	28,495
Lease receivable	753
Property, plant and equipment	(515)
Total assets	**28,733**
Liabilities	
Lease liabilities	28,495
Total liabilities	**28,495**
Total adjustment on equity	
Retained earnings	238
Total equity	**238**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The rate applied for leased buildings is 3.3% and the rate applied for other assets is 3.7%.

Set out below, are the amounts by which each Financial Statement line item is affected as at and for the six months ended 31 December 2019 as a result of the adoption of NZ IFRS 16. The first column shows amounts prepared under NZ IFRS 16 and the second column shows what the amounts would have been had NZ IFRS 16 not been adopted:

Consolidated statement of profit or loss for the period ended 31 December 2019

	Amounts prepared under		
in thousands of New Zealand dollars	NZ IFRS 16	NZ IAS 17	Increase/ (Decrease)
Operating revenue	64,264	64,631	(367)
Operating expenditure	73,208	73,045	163
Finance costs	**474**	**7**	467
Surplus/(deficit) before tax	**(8,069)**	**(7,072)**	**(997)**
Tax expense/(benefit)	(2,166)	(1,887)	(279)
Net surplus/(deficit) after tax	**(5,903)**	**(5,185)**	**(718)**

Consolidated statement of financial position as at 31 December 2019

	Amounts prepared under		
in thousands of New Zealand dollars	NZ IFRS 16	NZ IAS 17	Increase/ (Decrease)
Equity			
Retained earnings	95,241	95,721	(480)
Total equity	**235,620**	**236,100**	**(480)**
Assets			
Right-of-use assets	26,814	-	26,814
Lease receivable	387	-	387
Property, plant and equipment	209,756	210,271	(515)
Total assets	**317,294**	**290,608**	**26,686**
Liabilities			
Lease liability	27,445	-	27,445
Current tax liability	358	637	(279)
Total liabilities	**81,674**	**54,508**	**27,166**
Total equity and liabilities	**317,294**	**290,608**	**26,686**

Consolidated statement of cash flows for the period ended 31 December 2019

in thousands of New Zealand dollars	Amounts prepared under NZ IFRS 16	NZ IAS 17	Increase/ (Decrease)
Cash disbursed on operating activities			
Interest paid	474	7	467
Net cash flow from operating activities	**8,128**	**6,535**	**1,593**
Cash disbursed on financing activities			
Repayment of the lease liabilities	1,593	-	1,593
Net cash flow from financing activities	**(1,593)**	**-**	**(1,593)**
Total net cash flow	**(9,606)**	**(9,606)**	**-**
Cash at end of year	**38,577**	**38,577**	**-**

The Group applied NZ IFRS 15 and NZ IFRS 9 for the first time in 2019 and the nature and effect of the changes of the adoption of NZ IFRS 15 and NZ IFRS 9 are disclosed in the Group's Annual Report for the year ended 30 June 2019. The comparative amounts for the six months ended 31 December 2018 are restated under NZ IFRS 15 and NZ IFRS 9 in these condensed interim financial statements. The summary of the restatement is disclosed as following:

- The application of NZ IFRS 15 has resulted in an increase of $436,000 in operating revenue for the six month ended 31 December 2018. The net positive impact on the net deficit after tax for the period is $314,000.
- The application of NZ IFRS 15 has resulted in an increase of $1,593,000 in total assets and a corresponding increase of $1,593,000 in total liabilities as at 31 December 2018.
- The application of NZ IFRS 9 has resulted in a transfer of $392,000 from available for sale assets revaluation reserve to retained earnings for the six month ended 31 December 2018.

3 Operating expenditure

in thousands of New Zealand dollars	Unaudited 6 months to Dec 2019	Unaudited 6 months to Dec 2018	Audited 12 months to Jun 2019
Employee related			
*Salary and wages	**35,900**	33,422	66,138
Superannuation contribution	**956**	860	1,741
Operational			
Amortisation and impairment of intangible assets	**271**	194	620
Depreciation	**5,120**	4,658	9,571
Depreciation of right-of-use assets	**1,756**	-	-
Operating lease expenses	**-**	1,684	3,201
Other operating expenses	**11,095**	11,658	25,383
Science third party sub-contracts	**6,885**	6,755	21,490
Site and property expenses	**3,032**	3,177	5,882
Supplies	**6,448**	7,433	16,874
Financial and administration			
Auditors' remuneration	**196**	155	278
Bad debts	**(5)**	-	14
Change in provision for doubtful debts	**(10)**	543	(103)
Directors' fees	**136**	141	282
Donations	**4**	-	2
Financial and legal expenses	**1,424**	1,156	2,427
	73,208	71,836	153,800

*Key management personnel remuneration is included in the salary and wages line above.

AgResearch's remuneration policy is to reward employees at all levels of the organisation fairly and consistently under the following principles:

- Market relativity (market practice, market position, labour market conditions);
- Ability to pay (balancing company responsibilities with commitment to competitive market positioning);
- Internal relativity (recognising different levels of complexity and accountability between roles); and
- Performance (reward for deliver and high performance).

Total remuneration is made up of fixed remuneration and variable remuneration.

Fixed remuneration includes two components: base salary and employer contribution of Kiwisaver.

Base salary is agreed with reference to the fixed pay market median data provided by external independent advisors and is reviewed by the Board annually.

Variable remuneration for the Executive Team (ET) is an at-risk performance payment designed to motivate and reward for individuals' performance in the financial year.

in thousands of New Zealand dollars	Unaudited 6 months to Dec 2019	Unaudited 6 months to Dec 2018	Audited 12 months to Jun 2019
Salary and other short term benefits of the Chief Executive and ET	**2,022**	1,467	3,082

There were 10 full time equivalent Executive Team members (including the Chief Executive) during the six months to 31 December 2019 (2018:7.7).

A number of key management personnel provide directorship services to subsidiaries and other entities as part of their employment without receiving any additional remuneration.

The Group purchases directors and officers insurance for the benefit of key management personnel in relation to the services they provide to the Group.

4 Other gains/(losses)

in thousands of New Zealand dollars	Unaudited 6 months to Dec 2019	Unaudited 6 months to Dec 2018	Audited 12 months to Jun 2019
Net gain (loss) from foreign currency exchange	**(25)**	14	(30)
Net gain (loss) on sale of property, plant and equipment	**-**	-	2,430
Net gain (loss) on distribution of other investments	**225**	25	-
Net gain (loss) on sale of non-current assets held for sale	**-**	170	-
Change in fair value of other investments	**133**	(385)	(805)
Change in fair value of derivative financial instruments	**(27)**	(51)	(53)
Change in fair value of forestry	**-**	-	192
Change in fair value of livestock	**1,288**	784	22
(Impairment)/write ups of property, plant and equipment	**-**	-	8
Impairment of investments	**(25)**	(25)	(8,837)
	1,569	532	(7,073)

5 Subsidiaries

During the period there were no changes to the subsidiaries of AgResearch.

6 Other investments

There were no significant changes to the other investments held by AgResearch as at 31 December 2019.

7 Property, plant and equipment

in thousands of New Zealand dollars	Unaudited 6 months to Dec 2019	Unaudited 6 months to Dec 2018	Audited 12 months to Jun 2019
Balance at beginning of period	**204,963**	193,852	193,852
NZ IFRS 16 adjustment	**(515)**	-	-
Additions	**10,428**	14,827	32,832
Disposals	**-**	-	(12,158)
Write up (Impairments)	**-**	-	8
Depreciation	**(5,120)**	(4,658)	(9,571)
Balance at end of period	**209,756**	204,021	204,963

8 Provisions

in thousands of New Zealand dollars	Unaudited 6 months to Dec 2019	Unaudited 6 months to Dec 2018	Audited 12 months to Jun 2019
Current			
ACC Levies	**363**	292	269
Employee entitlements	**4,648**	4,793	4,795
Restructuring	**46**	116	115
Other provision	**227**	-	227
Total current	**5,284**	5,201	5,406
Non-current			
Employee entitlements	**23**	34	35
Total non-current	**23**	34	35
Total provisions	**5,307**	5,235	5,441

9 Contingencies and commitments

There are no significant known contingent liabilities or pending litigation. As at 31 December 2019, the total capital commitments were $6.7m.

Contingent Assets
Currently there is a claim with the Group's insurer in respect of damage as a result of the Christchurch earthquakes. The quantum is still to be determined.

10 Seasonality of business

The timing of research contracts negotiations and delivery gives rise to a higher level of income in the second half of the year.

11 Fair value measurement recognised in the statement of financial position

The following table provides an analysis of items that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

in thousands of New Zealand dollars	Level 1	Level 2	Level 3	Total
31 December 2019				
Financial assets				
Other investments	1,951	248	29	**2,228**
Non-financial assets				
Livestock	-	-	5,331	**5,331**
Forestry	-	-	1,157	**1,157**
Land and land improvements	-	-	69,757	**69,757**
Buildings	-	-	119,173	**119,173**
Financial liabilities				
Derivative financial liabilities	22	-	-	**22**
	1,951	**248**	**195,447**	**197,646**
31 December 2018				
Financial assets				
Derivative financial assets	7	-	-	7
Other investments	2,253	869	48	3,170
Non-financial assets				
Livestock	-	-	5,087	5,087
Forestry	-	-	966	966
Land and land improvements	-	-	78,011	78,011
Buildings	-	-	101,463	101,463
	2,260	869	185,575	188,704
30 June 2019				
Financial assets				
Derivative financial assets	5	-	-	5
Other investments	1,776	455	10	2,241
Non-financial assets				
Livestock	-	-	4,190	4,190
Forestry	-	-	1,157	1,157
Land and land improvements	-	-	68,904	68,904
Buildings	-	-	114,379	114,379
	1,781	455	188,640	190,876

12 Reconciliation of net surplus/(deficit) after tax with net cash flow from operating activities

in thousands of New Zealand dollars	Unaudited 6 months to Dec 2019	Unaudited 6 months to Dec 2018	Audited 12 months to Jun 2019
Surplus/(deficit) after tax	**(5,903)**	(4,755)	(7,008)
Non-cash items:			
Depreciation	**5,120**	4,658	9,571
Intangible assets amortisation and impairment	**271**	194	620
Depreciation of right-of-use	**1,756**	-	-
Net (gain)/loss on sale of property, plant and equipment	**-**	-	(2,429)
Share of deficit of associates	**220**	118	1,266
Investment write down/revaluation	**25**	25	8,837
Change in fair value of forestry	**-**	-	(192)
Change in fair value of livestock	**(1,288)**	(784)	(1,729)
Change in fair value of other investments	**(133)**	385	805
Property, plant and equipment impairment/(write up)	**-**	-	(8)
Net (gain)/loss from foreign currency exchange	**25**	(14)	30
Change in fair value of derivative financial instruments	**27**	51	53
Net (gain)/loss on distribution of investments and intangible assets	**(225)**	(25)	-
Bad debt provision	**(15)**	543	(103)
Other non-cash items	**(126)**	(931)	(991)
Movements in working capital:			
Change in current taxation	**(360)**	(2,526)	1,395
Change in deferred tax	**(2,241)**	(110)	463
(Increase)/decrease in inventory	**(438)**	(36)	32
(Increase)/decrease in livestock	**145**	307	2,151
(Increase)/decrease in receivables	**12,244**	17,057	1,785
(Increase)/decrease in prepayments	**(861)**	178	46
(Increase)/decrease in right-of-use assets	**(76)**	-	-
(Increase)/decrease in lease receivable	**366**	-	-
(Increase)/decrease in property held for sale	**-**	-	763
Increase/(decrease) in provisions	**(133)**	(1,113)	(908)
Increase/(decrease) in payables	**(6,459)**	(17,000)	2,237
Increase/(decrease) in lease liability	**(1,050)**	-	-
Items classified as investing and financing activities:			
Increase/(decrease) in property, plant and equipment, intangibles and investment accruals	**5,644**	3,067	(2,544)
Repayment of the lease liabilities	**1,593**	-	-
Net cash flow from operating activities	**8,128**	(711)	14,142

13 Significant events after reporting date

There are no significant events post balance date.

Preparing the report

In preparing this Half Year Report and the consolidated condensed interim financial statements contained herein, I certify on the behalf of the Board that the Company has operated in accordance with provisions of the Crown Research Institutes Act 1992, the Public Finance Act 1989, the Crown Entities Act 2004 and the Companies Act 1993.

Dr Paul Reynolds
Chair
13 February 2020

Statement of responsibility

For the six months ended 31 December 2019

AgResearch Limited certifies that:

1. The Board of AgResearch Limited accepts responsibility for the preparation of the consolidated condensed interim financial statements and judgements used in them;

2. The Board of AgResearch Limited accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and

3. In the opinion of the Board of AgResearch Limited, the consolidated condensed interim financial statements for the six months ended 31 December 2019 fairly reflect the financial position and operations of AgResearch Limited and its subsidiaries that collectively comprise the Group.

Dr Paul Reynolds
Chair
13 February 2020

Kim Wallace
Director
13 February 2020

Directory

Executive Team

Tony Hickmott
Acting Chief Executive
(Effective from October 2019)

Sharon Cresswell
Interim Finance and Business Performance Director
(Effective from November 2019)

Dr Trevor Stuthridge
Research Director

Stuart Hall
Partnerships and Programmes Director

Jo Brady
Communications and Marketing Director

Greg Rossiter
Technology and Digital Services Director

John O'Dea
Infrastructure Director

Fleur Evans
Acting People and Culture Director
(Effective from November 2019)

Natasha Barnett
Health, Safety and Environment Director

Chris Koroheke
Kaiurungi Ahuwhenua Māori

Dr Tom Richardson
Chief Executive
(Until October 2019)

Lee Gardiner
People and Culture Director
(Until October 2019)

Board of Directors

Dr Paul Reynolds QSO
Chair
(Appointed September 2019)

Kim Wallace
Chair – Audit and Risk Committee

Jacqueline Lloyd
Chair – People and Culture Committee

Colin Armer
Director

Rukumoana Schaafhausen
Director

Dr Peter Stone
Director
(Until September 2019)

Information

Auditors
Deloitte on behalf of the Auditor-General

Bankers
ANZ Bank New Zealand Limited
Westpac Banking Corporation

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agresearch
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