

# Half-year Report

for the period ended 31 December 2016



Cover image: The AgResearch scientists, via the Better Border Biosecurity research collaboration with additional funding from MPI, who assisted the Department of Conservation and other industry partners in the eradication of the great white butterfly from the Nelson area. From left to right: Nicky Richards, John Kean, Craig Phillips and Scott Hardwick. Absent: Ela Sawicka.

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## Chair and Chief Executive's Review

The first half of the 2016/17 financial year has seen AgResearch travelling well in terms of its strategic direction and key initiatives, including excellent progress with Future Footprint Programme staffing relocations and new building projects.

However, the year so far has not been without its challenges. While we have secured funding for many exciting and innovative research projects, and invested along with the sector to catalyse new opportunities, a significant portion of our budgeted on-farm and environmental research will not go ahead following the decisions within NSC, MPI and the MBIE Partnership Fund.

The impact on our full year FY17 bottom line of these decisions is forecast to be material. The reduced ability to progress our science in areas that would deliver considerable benefit to New Zealand's economy is frustrating for AgResearch and our sector partners.

AgResearch is in the midst of a major, multi-year transformation programme that is reshaping its capability, the location and infrastructure that capability works from, and how the wider sector (tertiary institutions, commercial firms and industry organisations) work together to enhance the talent pool and sector performance. This is illustrated most clearly by the two innovation hubs it is catalysing – Food HQ at Palmerston North and Lincoln Hub.

Following the reduction of AgResearch scientists from areas not attracting funding, the organisation is now lean in structure but with targeted capabilities in research growth areas.

While we feel we now have the best balance of capabilities across our pastoral science disciplines, any change in direction by central Government funders or decrease in funding through sector organisations will increase the pressure on AgResearch's ability to deliver benefits.

As an agile and adaptable organisation, we are working to maximise our work in the areas we have previously identified as offering the greatest benefit in pastoral science. We have committed to address any staffing utilisation challenges in innovative ways which will support our continued development and collaboration, and our leadership within the science community.

That commitment includes our investment in establishing Otago and Southland's first dedicated dairy research farm, the Southern Dairy Hub.

Along with DairyNZ and the Southern Dairy Development Trust, we have secured the required land and consents to convert two sheep and beef farms into the new dairy facility, with the aim of being productive for the 2017 milking season.

This investment will enable the application of science to assist and grow the dairying industry in the Otago and Southland regions. The applied science we and our partners do at the Hub will ensure the unique features of dairying in the southern-most regions are explored and understood, and enable farming systems to be streamlined and adapted for the specific conditions.

The farm's conversion was highlighted in November by the then-Science and Innovation Minister Steven Joyce, who applied a hands-on approach using an excavator to contribute to an early stage of the site's earthworks.

There continues to be significant investment in the Future Footprint Programme (FFP), with its building programmes in Lincoln and Palmerston North each approaching critical milestones.

The next stage for the Lincoln Hub is to approve the preliminary design, feeding into the Lincoln Hub Project Business Case, which will cement all of the necessary funding. The Food Science Facility at Massey has already moved through its preliminary design approval and the developed design stage has begun.

Staff who have chosen to relocate with their roles under the FFP changes are now starting to move, with 32 already in their new locations.

The Science Advisory Panel (SAP) meeting for the collaborative Pastoral Genomics Plus programme was held in November with the SAP members, investor representatives (NZ Agriseeds, Grasslands Innovation Limited, Beef+Lamb New Zealand, Ministry for Building, Innovation and Employment) and the AgResearch project team.

It was good to hear the SAP complimenting AgResearch's research progress as well as its constructive recommendations for fine-tuning future milestones to better deliver to stakeholder needs.

Our science excellence has been recognised in many ways, including the personal accolade for Invermay-based scientist Dr Jenny Juengel who was made a Fellow to the Royal Society of New Zealand for her work on explaining how genetic mutations in sheep have influenced their reproductive outcomes.

Former AgResearch scientist Professor Grant Montgomery was made an honorary fellow. Professor Montgomery co-founded the New Zealand sheep genomics programme and pioneered the introduction of genome mapping methods in farm animals.

Other notable work included:

- AgResearch – working alongside co-funder Australian Wool Innovation (AWI) and UK-based New Zealand company Armadillo Merino – has been exploring how wool base layer or “next to skin” garments respond to flame and intense heat, to see what level of protection wool garments can give those in the emergency services and military.
- AgResearch and other stakeholders are investing \$25 million over five years into genetically modified forages research, in particular enhancing ryegrass to allow it to retain more energy and nutrition. The research suggests animals feeding on these modified grasses will be healthier, and therefore better producers for the farm. The result could deliver a major boost for the agricultural economy.
- AgResearch scientists involved in the Next Generation Biopesticides Programme are following promising leads to identify effective environmentally benign microbial seed treatments for use by arable farmers. These treatments are based on soil bacteria that have been isolated from New Zealand pastures and shown to kill grass grub. The grubs are significant pests in autumn sown cereal crops and crops that follow pastures in a rotation are particularly at risk when the pasture has harboured high numbers of grass grubs.
- AgResearch has been awarded \$4.25m in funding to develop sensors which will accurately measure the quality of export beef, lamb and venison in order to enhance consumer confidence in New Zealand’s meat.

Two AgResearch publications on the Argentine stem weevil reported reasons for both optimism and concern with respect to this pest. The good news from the research team was that the stem weevil was unlikely to pose a threat to native tussock grasses, despite the fact that the weevil is commonly found in natural grasslands.

On the other hand, another study showed that weevil parasitism levels have declined significantly since the parasitoid wasp biocontrol for this pest was first introduced in the early 1990s. The possibility of evolved resistance by the weevil to the parasitoid poses a risk that the cost of the weevil’s damage to the pastoral sector will increase significantly over time as the biocontrol becomes progressively less effective. This example shows it is not always possible to permanently solve a problem of this sort – especially when dealing with evolving and changing biological systems.

For this reason, AgResearch is researching alternative control measures including the potential to use different strains of endophytes that might provide a deterrent to insects, such as the weevil. This research is in its early stages.

AgResearch has also forged new international relationships to increase collaboration with other scientific organisations, build excellent science and capability.

A partnership with Uruguay’s National Institute of Agricultural Research (INIA), Catalonia’s Research & Technology & Food & Agriculture (IRTA) and Ireland’s Agriculture and Food Development Authority (Teagasc) will focus on sustainability of the dairy, beef and sheep sectors.

In Uruguay, AgResearch is part of a family farm improvement project funded by the Ministry of Foreign Affairs and Trade. Using knowledge built up in New Zealand, this will help lift the productivity and profitability of family farming in Uruguay, as well as helping retain farmers in remote areas.

A second key new relationship is a cooperation agreement between AgResearch and Teagasc, with a focus on developing the next generation of scientists in both New Zealand and Ireland. The agreement will mean co-funding seven PhD students who spend time between the two countries, and working in key areas that include greenhouse gas emissions, food safety and parasite control.

The first half of the financial year was a busy one with respect to applying for and contracting contestable funds from various sources.

This included applying for projects with the Global Partnerships in Livestock Emissions Research fund, the Sustainable Farming Fund and New Zealand’s Biological Heritage NSC, and receiving the results of the most recent Sustainable Land Management & Climate Change research fund, MBIE Endeavour Fund, Primary Growth Partnership contestable processes, and of proposals to the Meat Industry Association, Bioprocessing Alliance and Wool Industry Research Ltd.

We had many successful bids in collaboration with our research partners and we congratulate the AgResearch staff who developed the excellent science and stakeholder relationships that secured those projects.

The second half of the financial year will be busy as our teams advance the design phases for the new buildings at Palmerston North and Lincoln Hub, both of which are progressing on target through their respective design programmes.

Our work with our stakeholders to submit proposals for new MBIE and MPI programmes is now the focus for many of our key scientists, and we will continue working hard to ensure all of our projects are delivered to the satisfaction of our investors.

Year-on-year revenue to date has decreased by \$7.5 million, with a continuing decline in MPI funding and a drop in commercial revenue across a number of areas. Our responses to reduced revenue in the prior year and an ongoing focus on savings means that expenditure has decreased by \$5.5 million.

AgResearch's net assets at 31 December 2016 were \$224 million. This represents a net tangible asset value per share of \$4.71 (\$4.77 a share at 31 December 2015).

The performance is summarised in the table below:

	Unaudited 6 months to Dec 2016	Unaudited 6 months to Dec 2015	Audited 12 months to Jun 2016
<i>in thousands of New Zealand dollars</i>			
Revenue	57,988	65,513	147,361
Expenditure	63,266	68,801	147,696
<b>Surplus/(deficit) before tax</b>	<b>(5,278)</b>	<b>(3,288)</b>	<b>(335)</b>
Tax expense/(tax benefit)	(1,467)	(732)	(992)
<b>Surplus/(deficit) after tax for the period</b>	<b>(3,811)</b>	<b>(2,556)</b>	<b>657</b>



**Sam Robinson**  
Chair  
17 February 2017



**Tom Richardson**  
Chief Executive  
17 February 2017



*Minister Steven Joyce  
breaks ground at the  
Southern Dairy Hub*

## Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2016

<i>in thousands of New Zealand dollars</i>	Note	Unaudited 6 months to Dec 2016	Unaudited 6 months to Dec 2015	Audited 12 months to Jun 2016
<b>Revenue</b>				
Ministry of Business, Innovation and Employment				
- Core funding		19,444	19,444	38,889
- Other		11,288	10,574	22,992
Commercial		19,338	26,514	64,779
Farm produce		1,699	2,125	5,189
Other revenue		6,219	6,856	15,512
<b>Total operating revenue</b>		<b>57,988</b>	<b>65,513</b>	<b>147,361</b>
Operating expenditure	2	(64,729)	(69,131)	(149,695)
Other gains and (losses)	3	1,641	541	2,754
Finance costs		(4)	(7)	(6)
Share of deficit of associates		(174)	(204)	(749)
<b>Surplus/(deficit) before tax</b>		<b>(5,278)</b>	<b>(3,288)</b>	<b>(335)</b>
Tax expense/(tax benefit)		(1,467)	(732)	(992)
<b>Surplus/(deficit) after tax for the period</b>		<b>(3,811)</b>	<b>(2,556)</b>	<b>657</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to surplus or deficit:</i>				
Impairment of revalued properties		-	(8)	(8)
		-	(8)	(8)
<i>Items that may be reclassified subsequently to surplus or deficit:</i>				
Changes in fair value of available-for-sale financial assets		281	582	310
		281	582	310
Income tax relating to components of other comprehensive income		(77)	(163)	(87)
<b>Other comprehensive income for the period net of tax</b>		<b>204</b>	<b>411</b>	<b>215</b>
<b>Total comprehensive income for the period net of tax</b>		<b>(3,607)</b>	<b>(2,145)</b>	<b>872</b>
<b>Surplus/(deficit) is attributable to:</b>				
<b>Equity holders of the parent</b>		<b>(3,811)</b>	<b>(2,556)</b>	<b>657</b>
<b>Total comprehensive income is attributable to:</b>				
<b>Equity holders of the parent</b>		<b>(3,607)</b>	<b>(2,145)</b>	<b>872</b>

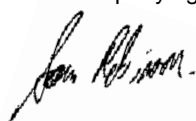
The accompanying notes form an integral part of these interim financial statements.

## Consolidated Statement of Financial Position

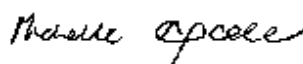
As at 31 December 2016

<i>in thousands of New Zealand dollars</i>	Note	Unaudited Dec 2016	Unaudited Dec 2015	Audited Jun 2016
<b>Current assets</b>				
Cash and cash equivalents		58,075	59,757	57,087
Trade and other receivables		18,227	20,719	33,060
Prepayments		2,238	1,545	2,561
Biological assets - livestock		5,108	4,988	3,717
Current tax		771	1,144	726
Inventory		909	1,118	849
Assets held for sale		-	11	-
<b>Total current assets</b>		<b>85,328</b>	<b>89,282</b>	<b>98,000</b>
<b>Non-current assets</b>				
Investments in associates	5	5,710	855	484
Other investments		4,280	5,193	4,367
Property, plant and equipment	6	162,863	160,396	162,944
Biological assets - forestry		1,041	794	1,041
Other non-current receivables		4,246	4,059	4,153
Intangible assets		1,037	1,033	903
<b>Total non-current assets</b>		<b>179,177</b>	<b>172,330</b>	<b>173,892</b>
<b>Total assets</b>		<b>264,505</b>	<b>261,612</b>	<b>271,892</b>
<b>Less:</b>				
<b>Current liabilities</b>				
Trade and other payables		24,707	18,456	26,238
Derivative financial instruments		1	30	41
Finance leases - current		5	5	5
Provisions - current	7	4,781	5,203	5,472
Other current liabilities		83	-	83
<b>Total current liabilities</b>		<b>29,577</b>	<b>23,694</b>	<b>31,839</b>
<b>Non-current liabilities</b>				
Deferred tax		10,399	12,602	11,853
Finance leases - term		1	3	1
Other non-current liabilities		715	774	744
Provisions - non-current	7	48	184	83
<b>Total non-current liabilities</b>		<b>11,163</b>	<b>13,563</b>	<b>12,681</b>
<b>Total liabilities</b>		<b>40,740</b>	<b>37,257</b>	<b>44,520</b>
<b>Net assets</b>		<b>223,765</b>	<b>224,355</b>	<b>227,372</b>
<b>Equity</b>				
Share capital		47,268	47,268	47,268
Revaluation reserves		85,194	85,259	84,995
Retained earnings		91,303	91,828	95,109
<b>Total equity</b>		<b>223,765</b>	<b>224,355</b>	<b>227,372</b>

The accompanying notes form an integral part of the interim financial statements.



**Sam Robinson**  
Chair  
17 February 2017



**Michelle Alexander**  
Director  
17 February 2017

## Consolidated Statement of Changes in Equity

For the six months ended 31 December 2016

	Revaluation reserves				
<i>in thousands of New Zealand dollars</i>	Share capital	Property, plant and equipment	Available-for-sale assets	Retained earnings	Total equity
<b>Unaudited 6 months to December 2016</b>					
<b>Balance at beginning of period</b>	<b>47,268</b>	<b>84,314</b>	<b>681</b>	<b>95,109</b>	<b>227,372</b>
Deficit after tax for the period	-	-	-	(3,811)	(3,811)
Changes in fair value of available-for-sale financial assets	-	-	281	-	281
Income tax relating to components of other comprehensive income	-	-	(77)	-	(77)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>204</b>	<b>(3,811)</b>	<b>(3,607)</b>
Transfer of revaluation reserve on sold assets	-	-	(5)	5	-
<b>Balance at end of period</b>	<b>47,268</b>	<b>84,314</b>	<b>880</b>	<b>91,303</b>	<b>223,765</b>
<b>Unaudited 6 months to December 2015</b>					
<b>Balance at beginning of period</b>	<b>47,268</b>	<b>84,390</b>	<b>482</b>	<b>94,360</b>	<b>226,500</b>
Deficit after tax for the period	-	-	-	(2,556)	(2,556)
Impairment of revalued properties	-	(8)	-	-	(8)
Gain from available-for-sale financial assets	-	-	582	-	582
Income tax relating to components of other comprehensive income	-	-	(163)	-	(163)
<b>Total comprehensive income</b>	<b>-</b>	<b>(8)</b>	<b>419</b>	<b>(2,556)</b>	<b>(2,145)</b>
Transfer of revaluation reserve on sold assets	-	-	(24)	24	-
<b>Balance at end of period</b>	<b>47,268</b>	<b>84,382</b>	<b>877</b>	<b>91,828</b>	<b>224,355</b>
<b>Audited 12 months to June 2016</b>					
<b>Balance at beginning of period</b>	<b>47,268</b>	<b>84,390</b>	<b>482</b>	<b>94,360</b>	<b>226,500</b>
Deficit after tax for the period	-	-	-	657	657
Revaluation increases/(decreases) from available-for-sale financial assets	-	(8)	310	-	302
Transfer of revaluation reserve on assets held for sale	-	(68)	(24)	92	-
Income tax relating to components of other comprehensive income	-	-	(87)	-	(87)
<b>Total comprehensive income</b>	<b>-</b>	<b>(76)</b>	<b>199</b>	<b>749</b>	<b>872</b>
<b>Balance at end of period</b>	<b>47,268</b>	<b>84,314</b>	<b>681</b>	<b>95,109</b>	<b>227,372</b>

The accompanying notes form an integral part of these interim financial statements.

## Consolidated Statement of Cash Flows

For the six months ended 31 December 2016

<i>in thousands of New Zealand dollars</i>	Note	Unaudited 6 months to Dec 2016	Unaudited 6 months to Dec 2015	Audited 12 months to Jun 2016
<b>Cash received from operating activities</b>				
Receipts from customers		77,076	74,208	145,177
Interest received		1,044	1,287	2,249
Dividends received		56	-	233
<b>Total cash received from operating activities</b>		<b>78,176</b>	<b>75,495</b>	<b>147,659</b>
<b>Cash disbursed on operating activities</b>				
Payments to employees		31,882	36,151	68,410
Payments to suppliers		35,121	33,865	68,670
Restructuring		384	581	3,900
Income tax paid		117	646	671
Interest paid		4	6	6
<b>Total cash disbursed on operating activities</b>		<b>67,508</b>	<b>71,249</b>	<b>141,657</b>
<b>Net cash flow from operating activities</b>	<b>11</b>	<b>10,668</b>	<b>4,246</b>	<b>6,002</b>
<b>Cash received from investing activities</b>				
Disposal of property, plant and equipment		91	47	125
Disposal of investments and intangible assets		1,175	10	3,314
<b>Total cash received from investing activities</b>		<b>1,266</b>	<b>57</b>	<b>3,439</b>
<b>Cash disbursed on investing activities</b>				
Investment in property, plant and equipment		4,828	3,814	10,789
Purchase of other investments and intangible assets		5,725	318	480
Partner contribution to research consortiums		400	400	975
<b>Total cash disbursed on investing activities</b>		<b>10,953</b>	<b>4,532</b>	<b>12,244</b>
<b>Net cash flow from investing activities</b>		<b>(9,687)</b>	<b>(4,475)</b>	<b>(8,805)</b>
<b>Total net cash flow</b>		<b>981</b>	<b>(229)</b>	<b>(2,803)</b>
<b>Cash at beginning of the period</b>		<b>57,087</b>	<b>59,915</b>	<b>59,915</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies		7	71	(25)
<b>Cash at end of the period</b>		<b>58,075</b>	<b>59,757</b>	<b>57,087</b>

The accompanying notes form an integral part of these interim financial statements,

# Notes to and forming part of the Consolidated Financial Statements

For the six months ended 31 December 2016

## 1 Presentation and Accounting Policies

These consolidated condensed interim financial statements of AgResearch Limited and its subsidiaries (the Group) have been prepared in accordance with New Zealand Equivalent to International Accounting Standard (NZ IAS) 34 Interim Financial Reporting. The Group is profit-orientated.

The consolidated condensed interim financial statements of the Group for the six months ended 31 December 2016 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 2016.

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 2016 have been applied to these interim financial statements.

The financial statements were authorised for issue by the Directors on 17 February 2017.

## 2 Operating Expenditure

	Unaudited 6 months to Dec 2016	Unaudited 6 months to Dec 2015	Audited 12 months to Jun 2016
<i>in thousands of New Zealand dollars</i>			
<i>Employee related</i>			
Salary and wages	30,660	33,978	68,984
Defined contribution plans	818	917	1,748
<i>Operational</i>			
Amortisation of intangible assets	165	135	292
Depreciation	4,806	4,593	9,310
Operating lease expenses	1,451	1,673	3,291
Other operating expenses	10,893	11,930	24,844
Science 3rd party sub-contracts	7,158	6,745	20,653
Site and property expenses	3,141	3,323	6,216
Supplies	5,440	5,703	13,165
<i>Financial and administration</i>			
Auditors' remuneration - for services as auditors	-	11	277
Bad debts	-	-	8
Change in provision for doubtful debts	2	(69)	(40)
Directors' fees	162	192	378
<i>Impairments and write downs</i>			
Impairment of investments	33	-	302
Impairment of available-for-sale financial assets	-	-	267
	<b>64,729</b>	<b>69,131</b>	<b>149,695</b>

### 3 Other Gains and (Losses)

	Unaudited 6 months to Dec 2016	Unaudited 6 months to Dec 2015	Audited 12 months to Jun 2016
<i>in thousands of New Zealand dollars</i>			
Net gain (loss) from foreign currency exchange	(3)	(86)	(20)
Net gain (loss) on sale of property, plant and equipment	56	25	12
Net gain (loss) on sale of other investments	357	7	2,869
Net gain (loss) on sale of non-current assets held for sale	-	-	50
Change in fair value of derivative financial instruments	40	(14)	(25)
Change in fair value of forestry	-	-	235
Change in fair value of livestock	1,191	628	(367)
Net gain/(loss) on sale of available-for-sale financial assets	-	(19)	-
	<b>1,641</b>	<b>541</b>	<b>2,754</b>

### 4 Subsidiaries

- Phytagro Corp and Phytagro LLC (US based Subsidiaries) were wound up effective from 31 December 2016.

### 5 Investments

The following significant changes have arisen in relation to our investments in the period:

- During the period AgResearch invested \$5 million into the Southern Dairy Hub partnership.

### 6 Property, Plant and Equipment

	Unaudited 6 months to Dec 2016	Unaudited 6 months to Dec 2015	Audited 12 months to Jun 2016
<i>in thousands of New Zealand dollars</i>			
Balance at beginning of period	<b>162,944</b>	161,141	161,141
Additions	<b>4,760</b>	3,889	11,190
Disposals	<b>(35)</b>	(22)	(69)
Reclassified as 'Assets Held for Sale'	-	(11)	-
Revaluations	-	(8)	(8)
Depreciation	<b>(4,806)</b>	(4,593)	(9,310)
<b>Balance at end of period</b>	<b>162,863</b>	<b>160,396</b>	<b>162,944</b>

## 7 Provisions

	Unaudited 6 months to Dec 2016	Unaudited 6 months to Dec 2015	Audited 12 months to Jun 2016
<i>in thousands of New Zealand dollars</i>			
<b>Current</b>			
ACC Levies	345	381	293
Employee entitlements	4,300	4,743	4,758
Restructuring	136	79	421
<b>Total current</b>	<b>4,781</b>	<b>5,203</b>	<b>5,472</b>
<b>Non-current</b>			
Employee entitlements	48	184	83
<b>Total non-current</b>	<b>48</b>	<b>184</b>	<b>83</b>
<b>Total Provisions</b>	<b>4,829</b>	<b>5,387</b>	<b>5,555</b>

## 8 Contingencies and Commitments

There are no significant known contingent liabilities or pending litigation.  
As at 31 December 2016, the total capital commitments are \$24,746 million.

### Contingent Assets

- Currently there is a claim with the Company's insurer in respect of damage as a result of the Christchurch earthquake which has been accepted by the insurer. The quantum of the claim is currently being assessed, but the insurance proceeds are expected to approximate \$1.8 million.

## 9 Seasonality of Business

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

## 10 Fair Value Measurement of Financial Instruments

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).

<i>in thousands of New Zealand dollars</i>	Level 1	Level 2	Level 3	Total
<b>31 December 2016</b>				
<b>Available-for-sale financial assets</b>				
Other investments	3,053	957	-	<b>4,010</b>
<b>Financial liabilities designated at fair value</b>				
Derivative financial liabilities	1	-	-	<b>1</b>
	<b>3,052</b>	<b>957</b>	<b>-</b>	<b>4,009</b>
<b>31 December 2015</b>				
<b>Available-for-sale financial assets</b>				
Other investments	3,033	753	-	3,786
<b>Financial liabilities designated at fair value</b>				
Derivative financial liabilities	30	-	-	30
	<b>3,003</b>	<b>753</b>	<b>-</b>	<b>3,756</b>
<b>30 June 2016</b>				
<b>Available-for-sale financial assets</b>				
Other investments	2,772	595	-	3,367
<b>Financial liabilities designated at fair value</b>				
Derivative financial liabilities	-	41	-	41
	<b>2,772</b>	<b>554</b>	<b>-</b>	<b>3,326</b>

There were no transfers between Level 1 and Level 2 during the six months ended 31 December 2016 (six months ended 31 December 2015: Nil; and year ended 30 June 2016: Nil).

## 11 Reconciliation of net surplus/(deficits) after tax with net cash flow from operating activities

	Unaudited 6 months to Dec 2016	Unaudited 6 months to Dec 2015	Audited 12 months to Jun 2016
<i>in thousands of New Zealand dollars</i>			
<b>Deficit after tax</b>	<b>(3,811)</b>	<b>(2,556)</b>	<b>657</b>
<b>Non-cash items:</b>			
Depreciation	4,806	4,593	9,310
Intangible assets amortisation and impairment	165	135	292
Share of deficit of associates	174	204	749
Investment write down and revaluation	33	18	-
Change in fair value of forestry	-	-	(235)
Change in fair value of livestock	(1,191)	(628)	367
Change in fair value of financial assets or liabilities designated at fair value	-	-	593
Net (gain)/loss from foreign currency exchange	(3)	(71)	(25)
Change in fair value of derivative financial instruments	(40)	14	25
Change in current taxation	(1,176)	(1,131)	(713)
Decrease in deferred tax	(291)	(113)	(949)
Change in other non-current liabilities	(29)	(30)	-
Change in other receivables	(93)	(93)	-
Other non-cash items	(96)	(56)	(247)
<b>Movements in working capital:</b>			
(Increase)/decrease in inventory	(60)	380	650
(Increase)/decrease in livestock	(200)	(106)	170
(Increase)/decrease in receivables	14,827	9,372	(2,969)
(Increase)/decrease in prepayments	323	776	(238)
Increase/(decrease) in provisions	(726)	(1,212)	(1,100)
Increase/(decrease) in payables	(1,531)	(5,178)	2,587
<b>Items classified as investing activities:</b>			
Net (gain)/loss on sale of property, plant and equipment	(56)	(25)	(63)
Net (gain)/loss on sale of investments and intangible assets	(357)	(7)	(2,869)
Increase/(decrease) in property, plant & equipment, intangible assets & investments accruals	-	(40)	-
Add items reclassified as investing activities	-	-	10
<b>Net cash flow from operating activities</b>	<b>10,668</b>	<b>4,246</b>	<b>6,002</b>

## 12 Significant events after reporting date

The detailed Lincoln Hub Stage 1 Project Business Case was approved by the AgResearch Board and Lincoln Council, and subsequently submitted to MBIE, in January 2017. The Business Case focuses on the construction of education and research facilities on the Lincoln University campus and the co-location of Lincoln University, Dairy NZ and AgResearch within those facilities, working together under an integrated operating model. The Business Case also seeks approval for the \$100m of government funding previously given in-principle to Lincoln University to support its contribution to the development.

## Preparing the report

In preparing this Half-Year Report and the 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 (including the Principles of Operation in Section 5 of the Act), the Crown Entities Act 2004 and the Companies Act 1993



**Sam Robinson**

Chair

17 February 2017

## Statement of Responsibility

For the six months ended 31 December 2016

### AgResearch Limited certifies that:

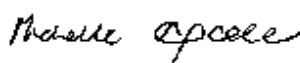
1. The Board of AgResearch Limited accepts responsibility for the preparation of the interim financial statements and judgements used in them;
2. The Board of AgResearch Limited accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and
3. In the opinion of the Board of AgResearch Limited, the interim financial statements for the six months ended 31 December 2016 fairly reflect the financial position and operations of AgResearch Limited and its subsidiaries that collectively comprise the Group.



**Sam Robinson**

Chair

17 February 2017



**Michelle Alexander**

Director

17 February 2017

## Directory

### Executive Team

**Dr Tom Richardson**

Chief Executive

**Greg Murison**

Research Director

Acting Partnerships and Programmes Director

**Andrew McSweeney**

Shared Services Director

**Sharon Cresswell**

Finance and Business Performance Director

**Monique Devereux**

Communications and Marketing Director

**Chris Koroheke**

Kaiurungi Ahuwhenua

**Andy Anderson**

National Manager Health and Safety

### Information

**Auditors**

Deloitte on behalf of the Auditor-General

**Bankers**

Westpac Banking Corporation

**Solicitors**

Buddle Findlay, Auckland

**Patent Attorney**

AJ Park, Wellington

### Board of Directors

**Sam Robinson**

Chair

**Michelle Alexander**

Director

**Jeff Grant**

Director

**Andrew Macfarlane**

Director

**Dr Paul Reynolds**

Director

**Tania Simpson**

Director

**Dr Peter Stone**

Director

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