



# Half-year Report

for the period ended 31 December 2015

Cover image: AgResearch Scientists Dr Karl Fraser and Dr Arvind Subbaraj and Research Associate Heike Schwendel working with a LC-MS instrument at the Metabolomics Facility, Grasslands campus. Metabolomics is an important tool for biomarker discovery to be utilised within many of the High-Value Nutrition National Science Challenge projects, helping validate health claims for New Zealand food and beverages and adding value to exports.

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## Chair and Chief Executive's review

The first half of FY2015/16 has seen some significant wins and highlights in what is a challenging year for many in our sector. We have continued driving prosperity by transforming agriculture through quality science, building research collaborations, strategically investing our Core Funding and capital, strengthening relationships with stakeholders and end-users, and transferring technology and knowledge.

Milestones achieved include the submission of our updated Future Footprint business case and the Lincoln Hub programme business case to our shareholding ministers; the signing of a Heads of Agreement with Massey University for a new Food Science building; the approval of the business case for the Our Land and Water National Science Challenge; success in the MBIE contestable investment rounds and winning a large portion of funding awarded by the High Value Nutrition Challenge.

We have to constantly balance shifts in our sector's and Government's anticipated needs with the need to respond to emerging science opportunities. A consequence of this over the last six months has been the decision to reduce science and technician roles in areas of shrinking demand, and also recruit in areas of growing demand. This is never easy, but it is necessary to ensure we can fulfil our role of enhancing the value, productivity and profitability of New Zealand agriculture.

During this time our people continued to engage well with stakeholders and collaborators to build new research opportunities and deliver R&D for New Zealand's benefit.

The quality of our scientists' work has been recognised both nationally and internationally. Particular achievements during the first six months include:

- AgResearch scientists working with the Pastoral Greenhouse Gas Research Consortium and the New Zealand Agricultural Greenhouse Gas Research Centre published important results from international collaborations. They showed that supplementing feeding with nitrate reduced the amount of methane produced per unit of milk production. These projects demonstrate it could be possible to mitigate ruminant methane emissions by developing strategies that target the few dominant methanogens, and that one of the candidate strategies was potentially very valuable, in terms of both reducing emissions and increasing production.
- An AgResearch team found that drenching ewes pre-lambing with long-acting moxidectin drench can select for resistant worms in the lambs through the transfer of drug in the ewe's milk. This suggests that this common practice is high-risk and that farmers should use pre-lamb drenching with caution.
- Dr Jeanne Jacobs became a Fellow of the New Zealand Institute of Agricultural and Horticultural Science, recognising her significant contribution to the applications of genetics, genomics and biotechnology to crop improvement.
- Lester Fletcher was awarded the Jubilee Medal by the New Zealand Institute of Agricultural and Horticultural Science for his work in recognising the central role of the fungal endophyte *Epichloa* as the cause of ryegrass staggers in livestock.
- Dr Jiafa Luo won the Gallagher Agricultural Science Award at the KuDos Science Excellence Awards for his research looking at the greenhouse gas (GHG) inventory and mitigation.
- Dr Alec Mackay received the Ray Brougham Trophy from the New Zealand Grasslands Association for his contribution to soil research, land management and farming systems in hill country.
- Dr Nick Roberts was awarded the leading Biotechnologist of the Year at the NZBIO conference for developing PhotoSeed™, a genetic modification that delivers increases in growth, yields and stored energy in crops used for animal feeds.

Technological and knowledge transfer is an important part of our work. Examples of this in the first six months are:

- Contributing to the Ministry for Primary Industries' (MPI) successful project to eradicate the Queensland fruit fly (Qfly). Modelling by AgResearch population ecologists improved the trapping grids used for early detection and helped MPI understand when they could make the

announcement that New Zealand was Qfly free – helping contain the more than \$13.6 million project cost.

- Involvement in Waikato Regional Council's Healthy Rivers Waioira policy process to help restore and protect the health of the Waikato and Waipa river catchments.
- Hosting more than 50 international journalists attending the International Federation of Agricultural Journalists' 2015 Congress in Hamilton during October. AgResearch staff addressed the Congress on topics including animal welfare, how international market demand is shaping farming practices, goat research, life cycle analysis and pasture research.
- Continuing to strengthen our flagship decision support tools, OVERSEER® and Farmax. An establishment board has been created for OVERSEER. We have also explored new potential partnerships for Farmax that would enable more farmers to benefit from its sophisticated farm system management support.

Close engagement with our stakeholders is central to our strategy, and we have strengthened existing relationships and forged new ones in the first half of the year. Examples include:

- Holding the second annual meeting between the Beef+Lamb New Zealand and AgResearch Boards and executive in August. Highlights of our work with them include the Beef+Lamb Genetics programme and contributing to the development of their science strategy.
- Working with Waikato Tainui and the Waikato Raupatu River Trust Strategy to discuss tribal aspirations, growth strategies and needs.
- Supporting Alliance Group and the Headwaters producer group to deliver research within their recently-contracted High Health Lamb Primary Growth Partnership programme.

Highlights in our international activity during the first six months included our participation in a trade mission to Thailand and Viet Nam organised by Government to Government Know How. This has led to three immediate opportunities and other potential projects.

Our growing work with Chinese food companies, each of whom partner with New Zealand food companies to develop and distribute New Zealand foods and ingredients within China, will benefit those companies' New Zealand partners and is improving our scientists' understanding of customer needs in New Zealand's international markets.

Our success in the 2015 MBIE Contestable Round, in which we were successful in six out of 11 proposals, and in which two out of three cross-organisation Lincoln Hub proposals were successful, reinforced our work aligning our science closely with stakeholder needs and assembling the best teams across New Zealand and international research organisations.

We had similar success in the High Value Nutrition National Science Challenge funding rounds. In the priority research round, we were allocated \$3.6 million for an AgResearch-led project into gut health. The research is aimed at fast-tracking opportunities helping New Zealand's food and beverage industry to develop and market foods with validated health benefits, such as improved gut function and comfort. AgResearch staff will also be working in four other teams from the Malaghan Institute of Medical Research, University of Auckland, Massey University and Plant & Food Research that also received priority research grants. In the High Value Nutrition contestable funding round, AgResearch is leading three of the seven proposals awarded.

These excellent results show the implementation of our Food Sciences Roadmap, focusing our research on increasing value for food exports through scientifically validated claims including health, is proving successful.

We continued to make good progress on our Future Footprint (FFP) initiative with an updated business case being submitted to our owners in December 2015. The original business case set out to catalyse the development of innovation hubs and has succeeded. The Lincoln Hub Business Case was also submitted in December. The updated FFP case reflects a greater focus on research outcomes that we believe will be achieved through the development of innovation hubs.

## Financial Results

AgResearch had a deficit before tax of \$3.3 million for the six months ending 31 December 2015. While this is better than budgeted, the variance is largely timing. Based on the November 2015 forecast, the full year result is expected to be in line with budget.

Compared to the same period last year (refer to table below) revenue has increased by \$1.8 million and expenditure has decreased by \$3.2 million. This resulted in a net deficit before tax which is \$5 million better than last year.

AgResearch's net assets at 31 December 2015 were \$224 million, an increase of \$14 million over the last 12 months. This represents a "net tangible asset value per share" of \$4.77 (\$4.44 a share at 31 December 2014).

The performance for the half-year is summarised in the table below.

	Actual to Dec 2015	Budget to Dec 2015	Actual to Dec 2014
<i>in thousands of New Zealand dollars</i>			
Revenue	65,513	62,975	63,725
Less Expenditure	68,801	75,984	72,012
<b>Surplus/(deficit) before tax</b>	<b>(3,288)</b>	<b>(13,009)</b>	<b>(8,287)</b>
Tax benefit	732	3,496	1,792
<b>Surplus/(deficit) after tax</b>	<b>(2,556)</b>	<b>(9,513)</b>	<b>(6,495)</b>



**Sam Robinson**  
Chair  
19 February 2016



**Tom Richardson**  
Chief Executive  
19 February 2016



## Consolidated statement of comprehensive income

### For the six months ended 31 December 2015

<i>in thousands of New Zealand dollars</i>	Note	Unaudited 6 months to Dec 2015	Unaudited 6 months to Dec 2014	Audited 12 months to Jun 2015
<b>Revenue</b>				
Ministry of Business, Innovation and Employment				
- Core funding		19,444	19,444	38,889
- Other		10,574	9,585	21,810
Commercial		26,514	25,435	72,581
Farm produce		2,125	2,555	5,816
Other revenue		6,856	6,706	16,283
<b>Total operating revenue</b>		<b>65,513</b>	<b>63,725</b>	<b>155,379</b>
Operating expenditure	2	(69,131)	(72,462)	(154,408)
Other gains and (losses)	3	541	673	264
Finance costs		(7)	(3)	(3)
Share of deficit of associates		(204)	(220)	(928)
<b>Surplus/(deficit) before tax</b>		<b>(3,288)</b>	<b>(8,287)</b>	<b>304</b>
Tax expense/(tax benefit)		(732)	(1,792)	417
<b>Surplus/(deficit) after tax for the period</b>		<b>(2,556)</b>	<b>(6,495)</b>	<b>(113)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to surplus or deficit:</i>				
Revaluation of properties		-	-	16,693
Impairment of revalued properties		(8)	(529)	(3,585)
		<b>(8)</b>	<b>(529)</b>	<b>13,108</b>
<i>Items that may be reclassified subsequently to surplus or deficit:</i>				
Unrealised gain (loss) from available-for-sale financial assets		582	107	(546)
		<b>582</b>	<b>107</b>	<b>(546)</b>
Income tax relating to components of other comprehensive income		(163)	119	(2,679)
<b>Other comprehensive income for the period net of tax</b>		<b>411</b>	<b>(303)</b>	<b>9,883</b>
<b>Total comprehensive income for the period net of tax</b>		<b>(2,145)</b>	<b>(6,798)</b>	<b>9,770</b>
<b>Surplus/(deficit) is attributable to:</b>				
<b>Equity holders of the parent</b>		<b>(2,556)</b>	<b>(6,495)</b>	<b>(113)</b>
<b>Total comprehensive income is attributable to:</b>				
<b>Equity holders of the parent</b>		<b>(2,145)</b>	<b>(6,798)</b>	<b>9,770</b>

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

## Consolidated statement of financial position

### As at 31 December 2015

<i>in thousands of New Zealand dollars</i>	Note	Unaudited Dec 2015	Unaudited Dec 2014	Audited Jun 2015
<b>Current assets</b>				
Cash and cash equivalents		59,757	58,779	59,915
Trade and other receivables		20,719	15,810	30,091
Prepayments		1,545	2,131	2,321
Biological assets - livestock		4,988	5,397	4,254
Current tax		1,144	2,496	13
Inventory		1,118	1,670	1,498
Derivative financial instruments		-	11	-
Assets held for sale	4	11	-	-
<b>Total current assets</b>		<b>89,282</b>	<b>86,294</b>	<b>98,092</b>
<b>Non-current assets</b>				
Investments in associates	5	855	858	660
Other investments		5,193	6,075	4,714
Property, plant and equipment	6	160,396	150,344	161,141
Biological assets - forestry		794	744	794
Other non-current receivables		4,059	3,872	3,966
Intangible assets		1,033	674	968
<b>Total non-current assets</b>		<b>172,330</b>	<b>162,567</b>	<b>172,243</b>
<b>Total assets</b>		<b>261,612</b>	<b>248,861</b>	<b>270,335</b>
<b>Less:</b>				
<b>Current liabilities</b>				
Trade and other payables		18,456	21,903	23,634
Derivative financial instruments		30	-	16
Finance leases - current		5	-	4
Provisions - current	7	5,203	5,285	6,415
<b>Total current liabilities</b>		<b>23,694</b>	<b>27,188</b>	<b>30,069</b>
<b>Non-current liabilities</b>				
Deferred tax		12,602	10,438	12,715
Finance leases - term		3	-	7
Provisions - non-current	7	184	320	240
Other non-current liabilities		774	834	804
<b>Total non-current liabilities</b>		<b>13,563</b>	<b>11,592</b>	<b>13,766</b>
<b>Net assets</b>		<b>224,355</b>	<b>210,081</b>	<b>226,500</b>
<b>Equity</b>				
Share capital		47,268	47,268	47,268
Revaluation reserves		85,259	72,636	84,872
Retained earnings		91,828	90,177	94,360
<b>Total equity</b>		<b>224,355</b>	<b>210,081</b>	<b>226,500</b>

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



**Sam Robinson**  
Chair  
19 February 2016



**Michelle Alexander**  
Director  
19 February 2016



## Consolidated statement of changes in equity

### For the six months ended 31 December 2015

<i>in thousands of New Zealand dollars</i>	Revaluation reserves				Total equity
	Share capital	Property, plant and equipment	Available-for-sale assets	Retained earnings	
<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>Unaudited 6 months to December 2014</b>					
<b>Balance at beginning of period</b>	<b>47,268</b>	<b>72,740</b>	<b>882</b>	<b>95,989</b>	<b>216,879</b>
Deficit after tax for the period	-	-	-	(6,495)	(6,495)
Impairment of revalued properties	-	(529)	-	-	(529)
Loss from available-for-sale financial assets	-	-	107	-	107
Income tax relating to components of other comprehensive income	-	149	(30)	-	119
<b>Total comprehensive income</b>	<b>-</b>	<b>(380)</b>	<b>77</b>	<b>(6,495)</b>	<b>(6,798)</b>
Transfer of revaluation reserve on sold assets	-	(683)	-	683	-
<b>Balance at end of period</b>	<b>47,268</b>	<b>71,677</b>	<b>959</b>	<b>90,177</b>	<b>210,081</b>
<b>Audited 12 months to June 2015</b>					
<b>Balance at beginning of period</b>	<b>47,268</b>	<b>72,740</b>	<b>882</b>	<b>95,989</b>	<b>216,879</b>
Deficit after tax for the period	-	-	-	(113)	(113)
Revaluation of properties	-	16,693	-	-	16,693
Impairment of revalued properties	-	(3,585)	-	-	(3,585)
Revaluation increases/(decreases) from available-for-sale financial assets	-	-	(546)	-	(546)
Transfer of revaluation reserve on assets held for sale	-	-	(10)	10	-
Income tax relating to components of other comprehensive income	-	(2,835)	156	-	(2,679)
Prior period adjustments transferred to retained earning through the Statement of comprehensive income	-	2,322	-	(2,471)	(149)
<b>Total comprehensive income</b>	<b>-</b>	<b>12,595</b>	<b>(400)</b>	<b>(2,574)</b>	<b>9,621</b>
Transfer of revaluation reserve on sold assets	-	(945)	-	945	-
<b>Balance at end of period</b>	<b>47,268</b>	<b>84,390</b>	<b>482</b>	<b>94,360</b>	<b>226,500</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 2015

<i>in thousands of New Zealand dollars</i>	Note	Unaudited 6 months to Dec 2015	Unaudited 6 months to Dec 2014	Audited 12 months to Jun 2015
<b>Cash received from operating activities</b>				
Receipts from customers		74,208	81,574	153,423
Interest received		1,287	1,101	2,354
Dividends received		-	35	87
<b>Total cash received from operating activities</b>		<b>75,495</b>	<b>82,710</b>	<b>155,864</b>
<b>Cash disbursed on operating activities</b>				
Payments to employees		36,151	38,086	72,631
Payments to suppliers		33,865	36,293	69,102
Restructuring		581	1,393	1,937
Income tax paid		646	930	1,173
Interest paid		6	3	3
<b>Total cash disbursed on operating activities</b>		<b>71,249</b>	<b>76,705</b>	<b>144,846</b>
<b>Net cash flow from operating activities</b>	<b>13</b>	<b>4,246</b>	<b>6,005</b>	<b>11,018</b>
<b>Cash received from investing activities</b>				
Disposal of property, plant and equipment		47	795	897
Disposal of investments and intangible assets		10	68	74
<b>Total cash received from investing activities</b>		<b>57</b>	<b>863</b>	<b>971</b>
<b>Cash disbursed on investing activities</b>				
Investment in property, plant and equipment		3,814	3,244	6,531
Purchase of other investments and intangible assets		318	214	448
Partner contribution to research consortiums		400	468	976
<b>Total cash disbursed on investing activities</b>		<b>4,532</b>	<b>3,926</b>	<b>7,955</b>
<b>Net cash flow from investing activities</b>		<b>(4,475)</b>	<b>(3,063)</b>	<b>(6,984)</b>
<b>Total net cash flow</b>		<b>(229)</b>	<b>2,942</b>	<b>4,034</b>
<b>Cash at beginning of the period</b>		<b>59,915</b>	<b>55,838</b>	<b>55,838</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies		71	(1)	43
<b>Cash at end of the period</b>		<b>59,757</b>	<b>58,779</b>	<b>59,915</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 2015

### 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 2015 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 2015.

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 2015 have been applied to these interim financial statements.

The financial statements were authorised for issue by the Directors on 19 February 2016.

### 2 Operating expenditure

<i>in thousands of New Zealand dollars</i>	Unaudited 6 months to Dec 2015	Unaudited 6 months to Dec 2014	Audited 12 months to Jun 2015
<i>Employee related</i>			
Salary and wages	33,978	35,649	70,785
Defined contribution plans	917	1,006	1,929
<i>Operational</i>			
Amortisation of intangible assets	135	127	246
Depreciation	4,593	4,842	9,715
Operating lease expenses	1,673	1,663	3,223
Other operating expenses	10,855	11,641	23,158
Science 3rd party sub-contracts	6,745	6,754	20,367
Site and property expenses	3,323	3,341	6,419
Supplies	5,703	6,105	13,968
<i>Financial and administration</i>			
Auditors' remuneration - for services as auditors	11	3	272
Bad debts	-	-	8
Change in provision for doubtful debts	(69)	49	74
Directors' fees	192	192	384
Donations	-	1	1
Financial and legal expenses	1,075	1,089	2,331
<i>Impairments and write downs</i>			
Impairment of available-for-sale financial assets	-	-	647
Impairment of property, plant and equipment	-	-	881
	<b>69,131</b>	<b>72,462</b>	<b>154,408</b>

### 3 Other gains and (losses)

<i>in thousands of New Zealand dollars</i>	Unaudited 6 months to Dec 2015	Unaudited 6 months to Dec 2014	Audited 12 months to Jun 2015
Net gain (loss) from foreign currency exchange	(86)	44	155
Net gain (loss) on sale of property, plant and equipment	25	9	65
Net gain (loss) on sale of other investments	7	4	(32)
Net gain (loss) on sale of non-current assets held for sale	-	(46)	(46)
Change in fair value of derivative financial instruments	(14)	38	11
Change in fair value of forestry	-	-	69
Change in fair value of livestock	628	720	(411)
Change in fair value of financial assets or liabilities available-for-sale	(19)	(96)	-
Change in fair value of financial assets or liabilities designated at fair value	-	-	453
	<b>541</b>	<b>673</b>	<b>264</b>

#### 4 Assets held for sale

	Unaudited 6 months to Dec 2015	Unaudited 6 months to Dec 2014	Audited 12 months to Jun 2015
<i>in thousands of New Zealand dollars</i>			
<b>Non-current assets held for sale include:</b>			
Buildings	10	-	-
Plant and equipment, vehicles and software	1	-	-
	11	-	-

#### 5 Investments

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

- The investment holding in Pastoral Greenhouse Gas Research Consortium increased from 20% to 21%.

#### 6 Property, plant and equipment

	Unaudited 6 months to Dec 2015	Unaudited 6 months to Dec 2014	Audited 12 months to Jun 2015
<i>in thousands of New Zealand dollars</i>			
Balance at beginning of period	161,141	152,214	152,214
Additions	3,889	3,520	6,756
Disposals	(22)	(17)	(341)
Reclassified as 'Assets Held for Sale'	(11)	-	-
Revaluations	-	-	13,108
Revaluation reversal	(8)	(531)	-
Impairments	-	-	(881)
Depreciation	(4,593)	(4,842)	(9,715)
<b>Balance at end of period</b>	<b>160,396</b>	<b>150,344</b>	<b>161,141</b>

#### 7 Provisions

	Unaudited 6 months to Dec 2015	Unaudited 6 months to Dec 2014	Audited 12 months to Jun 2015
<i>in thousands of New Zealand dollars</i>			
<b>Current</b>			
ACC Levies	381	471	477
Employee entitlements	4,743	4,814	5,503
Restructuring	79	-	435
<b>Total current</b>	<b>5,203</b>	<b>5,285</b>	<b>6,415</b>
<b>Non-current</b>			
Employee entitlements	184	320	240
<b>Total non-current</b>	<b>184</b>	<b>320</b>	<b>240</b>
<b>Total Provisions</b>	<b>5,387</b>	<b>5,605</b>	<b>6,655</b>

#### 8 Term loans

AgResearch Limited has a multi-option credit facility of up to \$2,000,000 (2014: \$2,000,000) secured by way of a negative pledge covenant agreement against which Nil (2014: Nil) was drawn at 31 December 2015.

#### 9 Contingent liabilities

As at 31 December 2015, there are personal grievances against AgResearch. The liability is estimated at \$35,000 (2014: \$15,000).

There are no other known contingent liabilities or pending litigation.

## 10 Commitments

Asset purchases committed and contracted for at 31 December 2015 total \$563,000 (2014: \$1,236,000).

Capital commitments to joint ventures total \$3,650,000 (2014: \$1,135,000).

Committed funds to the Lincoln Hub as at 31 December 2015 total \$100,000 (2014: \$100,000).

## 11 Seasonality of business

The nature of the negotiations in respect of research contracts gives rise to a higher level of income in the second half of the year.

## 12 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 2015</b>				
<b>Available-for-sale financial assets</b>				
Other investments	3,033	753	-	<b>3,786</b>
<b>Financial liabilities designated at fair value</b>				
Derivative financial liabilities	30	-	-	<b>30</b>
	<b>3,003</b>	<b>753</b>	-	<b>3,756</b>
<b>31 December 2014</b>				
<b>Financial assets designated at fair value</b>				
Derivative financial assets	11	-	-	11
<b>Available-for-sale financial assets</b>				
Other investments	3,178	640	-	3,818
	<b>3,189</b>	<b>640</b>	-	<b>3,829</b>
<b>30 June 2015</b>				
<b>Available-for-sale financial assets</b>				
Other investments	2,520	498	-	3,018
<b>Financial liabilities designated at fair value</b>				
Derivative financial liabilities	16	-	-	16
	<b>2,504</b>	<b>498</b>	-	<b>3,002</b>

There were no transfers between Level 1 and Level 2 during the six months ended 31 December 2015 (six months ended 31 December 2014: Nil; and year ended 30 June 2015: Nil)

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

	Unaudited 6 months to Dec 2015	Unaudited 6 months to Dec 2014	Audited 12 months to Jun 2015
<i>in thousands of New Zealand dollars</i>			
<b>Deficit after tax</b>	<b>(2,556)</b>	<b>(6,495)</b>	<b>(113)</b>
<b>Non-cash items:</b>			
Depreciation	4,593	4,842	9,715
Intangible assets amortisation and impairment	135	127	246
Share of deficit of associates	204	220	928
Investment write down and revaluation	18	96	647
Change in fair value of forestry	-	-	(69)
Change in fair value of financial assets or liabilities designated at fair value	-	-	(453)
Asset impairment/write down	-	-	881
Net (gain)/loss from foreign currency exchange	(71)	1	(43)
Change in fair value of derivative financial instruments	14	(38)	(11)
Change in current taxation	(1,131)	(2,539)	(56)
Decrease in deferred tax	(113)	(179)	(730)
Change in other non-current liabilities	(30)	834	-
Change in other receivables	(93)	94	-
Other non-cash items	(56)	(79)	680
<b>Movements in working capital:</b>			
(Increase)/decrease in inventory	380	558	730
(Increase)/decrease in livestock	(734)	(908)	235
(Increase)/decrease in receivables	9,372	16,609	2,609
(Increase)/decrease in prepayments	776	(310)	(502)
Increase/(decrease) in provisions	(1,212)	(1,315)	(159)
Increase/(decrease) in payables	(5,178)	(5,421)	(3,711)
<b>Items classified as investing activities:</b>			
Net (gain)/loss on sale of property, plant and equipment	(25)	37	(19)
Net (gain)/loss on sale of investments and intangible assets	(7)	(4)	32
Increase/(decrease) in property, plant & equipment, intangible assets & investments accruals	(40)	(137)	(9)
Add items reclassified as investing activities	-	12	190
<b>Net cash flow from operating activities</b>	<b>4,246</b>	<b>6,005</b>	<b>11,018</b>

### 14 Significant events after reporting date

There were no significant events after 31 December 2015 that would have a material effect on the financial statements.



## Preparing the report

In preparing this half-year report and the financial statements contained herein, I certify on 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  
19 February 2016

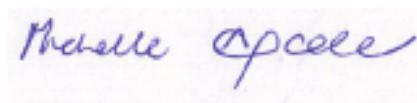
## Statement of responsibility For the six months ended 31 December 2015

### AgResearch Limited certifies that:

1. The Board of AgResearch Limited accepts responsibility for the preparation of the interim financial statements and the 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 2015 fairly reflect the financial position and operations of AgResearch Limited and its subsidiaries that collectively comprise the Group.



**Sam Robinson**  
Chair  
19 February 2016



**Michelle Alexander**  
Director  
19 February 2016

## Directory

### Executive Team

**Dr Tom Richardson**  
Chief Executive

**David Godwin**  
Finance & Business Performance Director

**Dr Warren McNabb**  
Research Director

**Andrew McSweeney**  
Shared Services Director

**Dr Greg Murison**  
Partnership & Programme Director

### Board of Directors

**Sam Robinson**  
Chair

**Barry Harris**  
Deputy Chair

**Michelle Alexander**  
Director

**Teresa Ciprian**  
Director

**Jeff Grant**  
Director

**Andrew Macfarlane**  
Director

**Dr Paul Reynolds**  
Director

**Tania Simpson**  
Director

**Dr Peter Stone**  
Director

### Information

**Auditors**  
Deloitte on behalf of the Auditor-General

**Bankers**  
Westpac Banking Corporation

**Solicitors**  
Buddle Findlay, Auckland

**Patent Attorney**  
James & Wells, Hamilton

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