



ANNUAL REPORT

2015/2016





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This is the Annual Report for OSPRI New Zealand Limited (OSPRI).

OSPRI was established on 1 July 2013. It currently manages the National Animal Identification and Tracing (NAIT) programme through its subsidiary National Animal Identification and Tracing (NAIT) Limited and the TBfree New Zealand programmes through its subsidiary TBfree New Zealand Limited (TBfree). Together, OSPRI, NAIT, and TBfree are referred to in this Annual Report as the OSPRI Group.



OSPRI New Zealand's shareholders:

DairyNZ

DEER INDUSTRY
NEW ZEALAND

beef+lamb
new zealand

OSPRI New Zealand's Stakeholders' Council comprises representatives from:

Beef + Lamb New Zealand
Dairy Companies Association of New Zealand
DairyNZ
Deer Industry New Zealand
Federated Farmers Dairy
Federated Farmers Meat and Fibre
Local Government New Zealand
Meat Industry Association New Zealand
Ministry for Primary Industries
New Zealand Deer Farmers Association
New Zealand Stock and Station Agents Association

This Annual Report, dated 22 September 2016, is authorised for and on behalf of the OSPRI Board on by

Jeff Grant
Chair

Lesley Campbell
Director

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CHAIRMAN & CEO REPORT



Jeff Grant
Chairman



Michelle Edge
Chief Executive

It was another successful year for the TBfree programme, with further gains made in our efforts to eradicate TB. We have now cleared TB from 1.5 million hectares out of the 2.5 million targeted for eradication by 2026. At the end of June 2016 infected herd numbers continue to sit at low levels with 43 and we have maintained a period prevalence well below the 0.4% target of 0.16%. We also completed further work to prove eradication is possible by targeting two challenging proof of concept areas – the Hokonui Hills, Hauhungaroa and Rangitoto Ranges. Along with our wider research and development programme this work has been integral to validating the feasibility of the eradication goal under the new TB plan.

During the past year, OSPRI sought to undertake a more collaborative approach in defining its annual activities and work programme which included the development of the Annual Operating Plan for 2015-2016. The AOP outlines the specific priorities, activities and projects we planned to undertake for the financial year and was developed in partnership with our investors and shareholders. The AOP presented key priorities for 2015/16:

- Delivering on NAIT objectives for our stakeholders
- NAIT and TBfree provide value-add for industry
- Continuing the eradication of bovine TB
- Engage our stakeholders and build trust and confidence in our work

A key programme of work for the past year was the review and subsequent approval of the TB plan. This review was undertaken collaboratively, with involvement of Government and industry agencies and other stakeholders with the support of independent Chair and technical and scientific representatives. Highlights of the review included confirmation that TB can, with current methodologies and operational approaches, be eradicated from New Zealand. In accordance with this agreed conclusion, new targets were established that OSPRI as the management agent can work towards over the next 10 years. Alongside, it was recognised that these targets can be achieved with reduced funding and subsequently OSPRI

set about undertaking a significant company re-structure to focus resources in the required areas and ensure efficiency in service delivery for reduced cost. OSPRI's new structure will also see greater focus on engagement with stakeholders including, regional councils, Government, industry agencies, associations and companies and the community. Having worked through these key structural changes, OSPRI is now well placed to deliver the new TB Plan and wider programme of work for the coming year. Work has already commenced towards the development of the approach for implementing the new TB Plan and this will continue over the course of the next 12 months.

For the NAIT program, our primary focus has been on improving industry and supply chain uptake. Central to this has been training and extension activities to engage with primary sector representatives. We also sought to develop and enhance the NAIT system in areas as required by NAIT users, industry and Government.

In what is an encouraging development for OSPRI, we have been working with Government and key primary industry players to develop an online and mobile tool that captures key information about livestock status and movements as they move through the supply chain. This project looks to build on the Animal Status Declaration (ASD) form currently required when animals are moved from a property and when they are received. This is an important project that highlights how OSPRI can add further value to industry and our shareholders.

A number of challenges and opportunities present themselves this coming year. Mainly, these relate to ensuring OSPRI continues to deliver its core business. In addition, OSPRI will build its Strategic Plan in consultation with shareholders and stakeholders and revise its industry consultation arrangements while maintaining a focus on regional delivery.

In relation to the TBfree programme, specific challenges will include developing the National Operating Plan and suite of policies that will enact the new TB Plan. Further key activities will include forming the new consultation and engagement strategy, re-zoning New Zealand in accordance with TB management areas that our operations for eradication will target, and planning the sequence of operations that will enable the intended eradication targets to be met. In terms of NAIT, the focus remains on supporting the NAIT review, refining the NAIT performance targets and implementing an enhanced reporting platform to ensure its delivery for Government and industry.

We look forward to working with our shareholders, farmers and wider industry partners to tackle these challenges.



Jeff Grant
Chairman



Michelle Edge
Chief Executive

STAKEHOLDERS' COUNCIL REPORT



Anders Crofoot
Chair, Stakeholders' Council

The Stakeholders' Council (Council) provides a key advisory role to support the strategic direction and delivery of OSPRI programmes and for the selection and appointment of Directors on the OSPRI Board.

This past year has focussed on establishing the new TB Plan with both its reduced funding and new goals relating to TB eradication.

The Council has been pleased to see further progress towards the eradication of bovine tuberculosis. The benefits for farmers include seeing large areas of New Zealand cleared of TB, infected herd numbers steadily reducing, livestock testing requirements reducing and movement restrictions changing as a consequence.

It is most pleasing that this progress is being made while at the same time overall expenditure has been reduced.

The Council held two meetings in October 2015 and April 2016 with total expenditure incurred of \$2,600. The Council was also involved in director candidate selection for the OSPRI Board in 2015.

In an economic environment requiring improved efficiencies in the face of constantly increasing costs, the progress in TB management is heartening.

Likewise, a streamlined OSPRI is making good progress towards operational improvements and the ongoing adoption of technical solutions that deliver the benefits of smarter farming practices.

The beginning of the review of the NAIT programme will see the value of NAIT to New Zealand's rural sector being realised.

The Council has appreciated the efforts of the Board in facing the challenge of restructuring OSPRI's operations and positioning the company to remain agile and responsive to the opportunities ahead.

A handwritten signature in dark ink, appearing to read 'Anders Crofoot'.

Anders Crofoot
Chair, Stakeholders' Council

STAKEHOLDER CONSULTATION

There are several core consultation arrangements that support OSPRI with input and advice towards its programme activities and investments.

First, OSPRI engages its shareholders and investors, DairyNZ, Beef + Lamb NZ, Deer Industry NZ and the Ministry of Primary Industries (MPI) in dedicated discussions to help plan activities and ensure support for annual budgets.

In addition, to gain agreement towards activities concerning the development, delivery and implementation of both NAIT and TBfree, OSPRI management and the Board of Directors engage with the OSPRI Stakeholders' Council for advisory purposes. The Stakeholders' Council comprises representatives from across the livestock supply chain that are nominated by shareholder and stakeholder agencies with the role and responsibility of providing dedicated advice on OSPRI's activities and programmes.

Second, OSPRI seeks advice, input, industry and practice information from its TBfree Committees and OSPRI Committees, established for advisory purposes but with dedicated membership at a more local level within the farming community.

Third, OSPRI engages with MPI to ensure effective underpinning of the Biosecurity

and NAIT Acts and to ensure appropriate policy development and implementation activities are undertaken in a timely manner. Accordingly, OSPRI meets with MPI on a regular basis for strategic planning and information sharing purposes, alongside a range of ongoing engagements directed at formalising agreements and reporting by OSPRI as the management agent for TBfree and NAIT on behalf of Government.

OSPRI also seeks to undertake regular evaluations of its programmes and outputs, including independent reviews. In terms of the TBfree programme, this has occurred through the scientific reviews of the TBfree programme. In terms of corporate activities, this occurs in a range of areas including, but not restricted to Health and Safety (Deloitte, 2016), Procurement (Deloitte, 2015), and across a range of internal and external audit and assurance activities.

For NAIT, independent evaluations are now being undertaken in context of the NAIT review. Prior to this, internal evaluation, usability studies, surveys of industry and field experimental work have informed the development of NAIT over time. The objective of the proposed NAIT review is to evaluate the performance of the current NAIT system against its stated aims, commencing with independent programme level (operational) evaluation, a review of the incentives and drivers of the NAIT scheme and an International Comparison of livestock (cattle) RFID systems.



OSPRI AT A GLANCE

Effective animal health management and surveillance, and the control of animal diseases and pests that threaten biosecurity and the natural environment in New Zealand, relies on the co-operation of government agencies, industry organisations and businesses, communities and individuals in the primary sector.

The Ministry for Primary Industries (MPI) is tasked with maximising export opportunities, improving agricultural productivity, ensuring the food we produce is safe, increasing sustainable resource use and protecting New Zealand from biological risks. Accordingly, the Ministry advises on animal health policy including animal disease surveillance and control, emergency preparedness and response, chemical residues, livestock identification and animal welfare.

In support of these initiatives, the Government and industry partners co-invest in two major programmes: TBfree (the management of the National Bovine Tuberculosis Pest Management Plan) and NAIT (the National Animal Identification and Tracing programme).

OSPRI is the management agency appointed for the implementation of the TBfree and NAIT programmes. OSPRI has capability in areas of biosecurity, animal health, traceability and pest management. OSPRI represents a partnership between industry and government, where these agencies co-invest and collaborate for the delivery of the TBfree and NAIT programmes. OSPRI also plays a key role in developing policy and technical guidelines; providing system and database support and management; undertaking animal health monitoring and surveillance; delivering operational pest management; and implementing extension and community engagement programmes.

OUR CORE PROGRAMMES



OSPRI's National Animal Identification and Tracing (NAIT) programme links people, property and livestock in New Zealand through a traceability system.

NAIT was established as an industry-led initiative to improve New Zealand's animal tracing ability and to develop a national system for delivering traceability. Under the scheme, cattle and deer are traced using NAIT-approved radio frequency identification device (RFID) ear tags. Once tagged, animals are registered in a national database.

The details recorded include:

- the animal's location
- movements in the animal's life, and
- contact details for the person in charge of that animal.

NAIT has been in a three-year transition phase of implementation, with increasingly good results in terms of uptake by participating industries.



The TBfree programme aims to eradicate bovine TB in New Zealand's cattle and deer herds. Bovine TB is an infectious disease spread by close contact between animals. TB can cause production loss and animal health issues in farmed cattle and deer.

In New Zealand, possums also carry and spread TB, requiring extensive pest control as part of the TBfree programme. TBfree,

managed by OSPRI, is responsible for the implementing the National Pest Management Plan (NPMP) for bovine TB.

The current NPMP seeks to:

- eradicate TB from large areas of land across New Zealand by 2026
- keep infected herd numbers as low as possible, and
- prove that TB eradication is possible in challenging areas (what is called "proof of concept").

GOVERNANCE

OSPRI New Zealand Ltd (OSPRI) as a parent company was incorporated on 6 June 2013 by the acquisition of Animal Health Board Incorporated (now TBfree Limited) and National Animal Identification and Tracing Limited (NAIT).

OSPRI recognises the value of strong corporate governance. As a company responsible for the investment of funds by its shareholders and the Crown, OSPRI must meet and demonstrate sound governance processes to shareholders and stakeholders.

OSPRI's shareholders are DairyNZ Limited, Beef + Lamb New Zealand Limited and Deer Industry New Zealand Limited. OSPRI has a Stakeholder Council comprising representatives of the Shareholders and Ministry for Primary Industries and seven other interested stakeholder groups which include the New Zealand Deer Farmers Association, Local Government New Zealand, New Zealand Stock and Station Agents Association, Federated Farmers Dairy, Federated Farmers Meat and Fibre, Meat Industry Association New Zealand and the Dairy Companies Association of New Zealand.

An outline of OSPRI's governance framework.

GOVERNANCE ELEMENT	REQUIREMENT TO BE ADDRESSED BY OSPRI GROUP
Enabling Legislation	<p>TBfree New Zealand Limited (TBfree) manages the National Pest Management Plan (NPMP) for bovine tuberculosis (TB) as Pest Management Agent, in accordance with the provisions of the Biosecurity Act 1993 and the Biosecurity (National Bovine Tuberculosis Pest Management Plan) Order 1998 – reprint 2013</p> <p>NAIT Limited is responsible for implementing New Zealand's National Animal Identification and Tracing (NAIT) programme and operates under the National Animal Identification and Tracing Act 2012 as the NAIT Organisation.</p>
Governance Legislation	<p>OSPRI, TBfree and NAIT are provided for with separate constitutional requirements and recognised under the Companies Act 1993 and the Charities Act 2005. The Shareholders engage with OSPRI through a formal Shareholder Agreement and through the constitutional consultation mechanism of the Stakeholder Council which operates in accordance with agreed stated rules.</p>
Financial Control	<p>The OSPRI Group maintains accounts and records of transactions and affairs in accordance with New Zealand's accepted accounting practices for large companies (NZGAAP). OSPRI and its subsidiaries are each not-for-profit public entities.</p>
Audit Process	<p>Independent internal and external audits are applied to the OSPRI group to review and assess financials, risk, fraud, quality of internal financial and governance processes and policies.</p>
Fraud and Risk Management	<p>The OSPRI Group's fraud and risk management framework through the company's Audit and Risk Committee includes processes for project, programme and portfolio level risk management, general compliance and operational risk management and financial risk management.</p>
Monitoring Performance	<p>The OSPRI Group monitors, measures and evaluates its performance to continually improve its effectiveness and efficiency. These measures are reported to Stakeholders on a regular basis.</p>
Reporting to Stakeholders	<p>The OSPRI Group reports to Stakeholders on an annual and a quarterly basis and more regularly through their technical advisory groups, the regional TBfree and national OSPRI Committees. Specific reports to Shareholders and the Ministry for Primary Industries are made in accordance with OSPRI's regulatory requirements and deliverables.</p>
Planning and reporting	<p>The OSPRI Group's corporate planning and reporting approach includes an Annual Operating Plan that outlines the annual budget, workplans, resources and research requirements for the year. This provides the opportunity for the Stakeholders' Council and Shareholders to respond to changing strategic requirements and external drivers for the company Annual Report that provides information on the projects and activities of the OSPRI Group in relation to the goals set in the Annual Operational Plan for a given financial year.</p>



KEY HIGHLIGHTS

NUMBER OF ANIMALS REGISTERED IN NAIT

11 Million

HECTARES COVERED BY PEST CONTROL ACTIVITIES

5,883,107

HECTARES OF MOVEMENT
CONTROL AREAS REDUCED

2.18 Million

HECTARES DECLARED FREE OF TB
SINCE 2011 (2.5M TARGET BY 2026)

1.6 Million

NUMBER OF INFECTED
HERDS AS AT 30 JUNE 2016

43

FARMERS ACTIVELY USING NAIT

85,000

400 CONTRACTORS SPENT
ALMOST **410,000** HOURS
SETTING AND INSPECTING
MORE THAN **420,000** TRAPS
AND DETECTION DEVICES

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GOVERNANCE

The OSPRI Board of Directors (the OSPRI Board) is responsible for and committed to maintaining the highest standards of corporate governance, ensuring transparency and accountability to shareholders and stakeholders.

Nomination and appointment of directors and the Chief Executive

Procedures for the appointment and removal of directors are governed by the company's constitution.

The major shareholders, DairyNZ and Beef + Lamb, are each entitled to appoint one director. The Crown currently does not hold shares and therefore is not eligible to appoint a director.

The Stakeholders' Council identifies and nominates candidates to fill up to five director positions for the approval by shareholders. The maximum term for which a director may be appointed is three years. A director is eligible for re-appointment or re-election after the expiry of his or her term of appointment.

OSPRI New Zealand Limited has appointed directors to the boards of each of the two subsidiaries, TBfree New Zealand Limited, and National Animal Identification and Tracing (NAIT) Limited.

Director changes

Fenton Wilson was appointed as a new director of OSPRI New Zealand Limited by shareholders at the AGM in October 2015, and was appointed as director of TBfree New Zealand Limited and National Animal Identification and Tracing (NAIT) Limited by the OSPRI Board in October 2015.

Ted Coats completed his directorship of OSPRI New Zealand Limited at the AGM in October 2015 and subsequently ceased to be a director of TBfree New Zealand Limited and National Animal Identification and Tracing (NAIT) Limited at that time.

Keith Sutton resigned as a director after the end of the period on 1 July 2016.

Board committees

The Board has established the following committees to examine proposals and make recommendations.

Audit and Risk Committee

The committee consists of at least three board members. Collectively, people appointed to the audit and risk committee need to have:

- financial expertise;
- knowledge of governance, assurance, and risk management best practice;
- other attributes as deemed appropriate (for example, legal or information technology experience).

The Chairman of the committee shall not be the Chairman of the OSPRI New Zealand Board. The membership shall be for one year and shall provide for both continuity of membership and contribution of fresh perspectives. The committee undertakes the following:

- liaison with internal and external auditors;
- review of annual audit plan, for both internal and external audit functions;
- review of audit findings and consequential actions;
- review of monthly, six-monthly and annual financial statements;
- prior approval and clearance of financial statements in reports, public releases or media;
- review of the quality and integrity of financial reporting
- review of accounting policies, procedures, and other governance, legislative and statutory compliance processes;
- supervision of any special investigations requested by the Board;
- oversight of the risk management system for the Company;
- adequacy of the internal control system for financial reporting integrity.

Human Resources Committee

The objective of the committee is to assist the board in setting policy and standards for employees relating to remuneration, and employment. The committee also oversees the OSPRI Director Mentoring Programme.

Board and committee meetings

The Board normally meets at least 10 times a year and/or whenever necessary to deal with specific matters. The table below documents the directors' board attendance and committee members' attendance at meetings during the year ending 30 June 2016.

	Board	AR Committee	HR Committee
Jeff Grant	12	1	2
Lesley Campbell	12	1	2
Ted Coats (Retired Oct 2015)	5	1	1
Barry Harris	9	2	
Keith Sutton	10	3	
Deborah Roche	9	2	
Fenton Wilson (appointed Oct 2015)	5		1



Jeff Grant
Chair



Lesley Campbell
Director



Barry Harris
Director



Deborah Roche
Director



Keith Sutton
Director



Fenton Wilson
Director



Michelle Edge
Chief Executive



Matthew Hall
Chief Operating Officer



Stu Hutchings
Group Manager, Programme Design, and Partnerships Company Secretary



Kayo Sakey
Group Manager, Strategy Development and Innovation

The audit and risk committee comprised Keith Sutton (Chair), Barry Harris, Fenton Wilson and Deborah Roche.
The human resources committee comprised Lesley Campbell (Chair), Jeff Grant and Fenton Wilson.
The chairman of the Board is an ex-officio member of all committees of the Board.

REMUNERATION REPORT

Directors' remuneration

Directors' fees

These fees have been applied for the year from 1 July to 30 June.

Position	2015/16	2014/15
Chairman	\$70,000	\$70,000
Director	\$35,000	\$35,000
Committee Chair	\$4,000	\$4,000

Remuneration details of directors

Details of the total remuneration and the value of other benefits received by each OSPRI director for the 2016 financial year are as follows. Directors' fees exclude GST where appropriate. In addition, Board members are entitled to be reimbursed for costs directly associated with carrying out their duties, including travel costs. Some Board members are appointed to the NAIT Data Access Panel and remunerated for their time spent.

Details of the Board's approval of director remuneration has been entered into OSPRI's interests register.

Director	Position	2015/16		2014/15
		Fees	NAIT Data Access Panel	Fees
J Grant	Chairman	\$70,000	–	\$70,000
E Coats*	Director	\$11,667	\$1,500	\$35,000
L Campbell	Director	\$39,000	\$3,231	\$39,000
B Harris	Director	\$35,000	\$4,731	\$35,000
K Sutton	Director	\$39,000	\$4,731	\$39,000
F Wilson**	Director	\$23,333	–	–
Total		\$218,000	\$14,193	\$218,000

*Denotes a director who retired during the period.

**Denotes a director who was appointed during the period.

Deborah Roche is a director of OSPRI but receives remuneration and benefits solely as an employee of the Ministry for Primary Industries. She receives no remuneration or benefits from OSPRI.

Employee remuneration

The table below shows the number of OSPRI employees who received remuneration and other contracted benefits (including redundancy or termination payments) during FY2016 of at least \$100,000.

The remuneration figures analysed include all monetary payments actually paid during the course of FY2016 whether in respect of FY2016 or other periods.

Remuneration bands	# employees 2015/16	# employees 2014/15
\$100,000 - \$109,999	9	5
\$110,000 - \$119,999	5	5
\$120,000 - \$129,999	9	4
\$130,000 - \$139,999	4	4
\$140,000 - \$149,999	3	5
\$150,000 - \$159,999	1	2
\$160,000 - \$169,999	3	
\$170,000 - \$179,999	3	2
\$180,000 - \$189,999		1
\$200,000 - \$209,999		1
\$210,000 - \$219,999		1
\$220,000 - \$229,999	1	
\$230,000 - \$239,999	1	1
\$260,000 - \$269,999		1
\$270,000 - \$279,999		1
\$290,000 - \$299,999	1	
\$330,000 - \$339,999	2	
\$770,000 - \$779,999		1
Total	42	34

Neither NAIT nor TBfree have any employees.

Auditors remuneration

KPMG was appointed auditors of OSPRI group. The following amounts were paid to the auditors of OSPRI and its subsidiaries during the year.

Auditor	Work Undertaken	2015/16	2014/15
KPMG	For Audit Work	\$35,000	\$35,000
KPMG	For Other Work	\$20,000	\$57,445

Neither NAIT or TBfree made any payments to its auditors (whether for audit work or otherwise) during the period.

STATUTORY DISCLOSURES

Disclosures of interests by directors

The following are particulars of general disclosures of interest by directors holding office as at 30 June 2016, pursuant to section 140(2) of the Companies Act 1993. Each such director will be regarded as interested in all transactions between OSPRI and the disclosed entity.

J J Grant	
AgResearch Ltd	Director
Copper Valley Holdings Limited	Director/Shareholder
DNG Holdings Limited	Director/Shareholder
Finance Now Limited	Director
Milford Sound Development Authority	Chairman
Mt Linton Station	Chairman
National Animal Identification and Tracing (NAIT) Limited	Chairman
New Zealand Young Farmers	Director
SBS Bank	Director
TBfree New Zealand Limited	Chairman
The Plantations	Partner/Owner
Tower Hill Trust	Partner/Trustee
Southern Institute of Technology	Director
L A Campbell	
FishServe Innovations NZ Ltd	Director
National Animal Identification and Tracing (NAIT) Limited	Director
Seafood Innovations Ltd	Director
Seafood Standards Council	Chair
TBfree New Zealand Limited	Director
B S Harris	
AgResearch Ltd	Deputy Chairman
Agricultural Service Ltd (ASL)	Chairman
DairyNZ Ltd	Director
Food Innovation Waikato	Chairman
McFall Fuels Ltd	Chairman
National Animal Identification and Tracing (NAIT) Limited	Director
New Zealand Food Innovation Network	Director
Primary ITO	Director
TBfree New Zealand Limited	Director
WEL Networks Ltd	Director
D J Roche	
Ministry for Primary Industries	DDG Policy and Trade
Finroc Limited	Director/Shareholder
National Animal Identification and Tracing (NAIT) Limited	Director
TBfree New Zealand Limited	Director

K G Sutton

Antipodean Lands Limited	Director
Bangor Farm Limited	Shareholder/Director
Bangor Park Limited	Shareholder/Director
Gisborne Rural Trustee Limited	Director
Gough Group Limited	Director
Maori Trustee Advisory Board	Member
Moanui Farm Limited	Director
National Animal Identification and Tracing (NAIT) Limited	Director
Rangatira Forests Limited	Shareholder/Director
Run 351 Limited	Shareholder/Director
Rural Livestock Limited	Director
Sutton McCarthy Limited	Shareholder/Director
Taranaki Investment Management Ltd	Chairman
Tasman Farms Limited and related entities	Chairman
TBfree New Zealand Limited	Director
Te Hau Station Limited	Director
Te Tarake Forests Limited	Shareholder/Director
The Van Diemen's Land Company	Governor
Waitangi Falls Trust	Trustee
Wellington International Airport Ltd	Director
Wools of New Zealand Ltd	Director

F D Wilson

AH Gordon Trust	Trustee
Gary Wilson Family Trust	Trustee
Hawke's Bay Civil Defence Joint Committee	Chairman
Hawke's Bay Regional Council	Chairman
Local Government New Zealand	National Council member
National Animal Identification and Tracing (NAIT) Limited	Director
Oruru Land Company Ltd	Shareholder/Director
Smedley Station Advisory Board	Member
St Veda's Trust	Trustee
TBfree New Zealand Limited	Director
Wairoa Community Development Trust	Chairman

Indemnity and insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the company, OSPRI has continued to indemnify and insure its directors and officers, including directors of subsidiary and associated companies, against potential liability or costs incurred in any proceeding, excluding actions for gross negligence, criminal liability, breach of fiduciary duty or breach of directors' duties.

Details of the Board's approval of this indemnity and insurance have been disclosed in OSPRI's interests register.

Donations

No company in the OSPRI Group made donations in the 2015-2016 year.

Subsidiary company directors

NAIT and TBfree had the same directors as OSPRI as at 30 June 2016, and experienced the same changes to its directors during the period. None of NAIT's or TBfree's directors are paid any fees for their role as directors of those companies. However, the cost of fees paid by OSPRI to its directors are allocated across the OSPRI Group. Also, each general disclosure of an interest by a director of OSPRI on pages 20 or 21 of this Annual Report have also been disclosed by each director in NAIT's and TBfree's interest register (except where that general disclosure relates to the subsidiary in question).

Subsidiaries

The Group has the following subsidiaries:

Name	Holding	Principal Activity	Charity #
National Animal Identification and Tracing (NAIT) Ltd	100%	Implementing and maintaining the animal identification and tracing scheme	CC47735
TBfree New Zealand Ltd	100%	Implementation of the National Pest Management Plan for Bovine Tuberculosis	CC49248

Neither subsidiary is equity accounted as they are charitable entities. OSPRI will not receive any future tangible financial benefit from either subsidiary nor will OSPRI be entitled to any distributions on winding up.

Other Interests

Except where an interest has been disclosed elsewhere in this Annual Report, no entry has been made in any of OSPRI's, NAIT, or TBfree's interest register during the period.

Stakeholder Council

The stakeholder's council performs the functions required of it by the constitution.

Its obligations are:

- Approve the appointment or election of directors
- Recommend annual board remuneration
- Convey the stakeholders view to the Board
- Review and comment on the groups long term strategies, the annual budget and business plan, the half year and annual reports
- Consult on new funding and business opportunities and other specific projects that warrant consideration of the Board.
- Consider and consult on constitution changes

The Stakeholders' Council representatives during 2015/16 were:

Stakeholder	Representative
Beef + Lamb New Zealand	Andy Fox
Dairy Companies Association of New Zealand	Kevin Old
DairyNZ	Jim van der Poel
Deer Industry New Zealand	Dan Coup
Federated Farmers Dairy	Katie Milne
Federated Farmers Meat and Fibre	Anders Crofoot (Chairman)
Local Government New Zealand	Andrew Robb
Meat Industry Association of New Zealand	Tim Ritchie
Ministry for Primary Industries	Matthew Stone
New Zealand Deer Farmers' Association	Paddy Boyd
New Zealand Stock and Station Agents' Association	Andrew Clark (resigned April 2016)
New Zealand Stock and Station Agents' Association	Terry Cairns (appointed April 2016)

CONSOLIDATED GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2016

<i>In thousands of New Zealand Dollars</i>	Note	2016	2015 Restated
Revenue			
Revenue from non-exchange transactions	7	88,437	91,658
Revenue from exchange transactions		440	279
Total revenue		88,877	91,937
Expenditure			
NAIT operations		3,232	3,832
Contact centre and compliance		1,914	2,181
Pest control and management		49,920	53,276
Disease management and testing		14,219	16,417
Research		2,040	2,383
Business service support		9,110	10,794
Total expenditure	8	80,435	88,883
Surplus before financing costs		8,442	3,054
Interest income		237	395
Net finance costs		237	395
Surplus for the year		8,679	3,449
Total comprehensive revenue and expense for the year		8,679	3,449

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

<i>In thousands of New Zealand Dollars</i>	Note	Contributed capital	Retained earnings	NAIT reserve	Beef industry reserve	Dairy industry reserve	Deer industry reserve	Total equity
Balance at 1 July 2014 (restated)	20	-	5,438	5,908	2,518	748	542	15,154
Changes in equity for 2015								
Total comprehensive revenue and expense for the year		-	3,449	-	-	-	-	3,449
Transfers between reserves	12	-	(2,888)	(989)	2,403	1,497	(23)	-
Balance at 30 June 2015 (restated)	20	-	5,999	4,919	4,921	2,245	519	18,603
Changes in equity for 2016								
Total comprehensive revenue and expense for the year		-	310	-	4,617	4,177	(425)	8,679
Transfers between reserves		-	(955)	955				-
Balance at 30 June 2016		-	5,354	5,874	9,538	6,422	94	27,282

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2016

<i>In thousands of New Zealand Dollars</i>	Note	2016	2015 Restated
Assets			
Cash and cash equivalents		21,260	12,833
Receivables and other current assets	9	5,875	6,687
Current assets		27,135	19,520
Property, plant and equipment		1,035	1,391
Intangible assets	10	8,982	8,900
Non-current assets		10,017	10,291
Total assets		37,152	29,811
Liabilities			
Payables from exchange transactions and other liabilities		8,533	10,791
Revenue received in advance	11	1,337	417
Current liabilities		9,870	11,208
Total liabilities		9,870	11,208
Equity			
Retained earnings		5,354	5,999
Reserves	12	21,928	12,604
Total equity		27,282	18,603
Total equity and liabilities		37,152	29,811

APPROVAL BY THE DIRECTORS

The Financial Statements were authorised on behalf of the OSPRI Board of Directors on 18 August 2016:



J J Grant
Chair of the Board



I C Marshall
Chair of the Audit and Risk Committee

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

<i>In thousands of New Zealand Dollars</i>	Note	2016	2015 Restated
Cash flows from operating activities			
Revenue from operations		89,871	93,498
Cash paid to employees and suppliers		(79,756)	(89,916)
Net cash from/(used in) operating activities	15	10,115	3,582
Cash flows from investing activities			
Proceeds from maturing term deposits		-	5,545
Interest income		237	276
Purchase of property, plant and equipment		(39)	(119)
Purchase of intangible assets		(1,886)	(2,301)
Investment in term deposits		-	(2,045)
Net cash from/(used in) investing activities		(1,688)	1,356
Net increase in cash and cash equivalents		8,427	4,938
Cash and cash equivalents at 1 July		12,833	7,895
Cash and cash equivalents at 30 June		21,260	12,833

The notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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Note 1: Reporting entity

OSPRI New Zealand Limited ('OSPRI' or the 'Company') is a charity domiciled in New Zealand and registered under the Charities Act 2005. The consolidated financial statements have been prepared in accordance with the requirements of that Act. The registered office of OSPRI is located on Level 9, CallActive House, 15 Willeston Street, Wellington 6011.

These consolidated financial statements for the year ended 30 June 2016 comprise the controlling entity OSPRI and its two subsidiaries TBFree New Zealand Limited ('TBFree') and National Animal Identification and Tracing (NAIT) Limited ('NAIT'), together referred to as the 'Group'. For the purposes of financial reporting, OSPRI and the Group are designated as not-for-profit public benefit entities.

OSPRI was incorporated on the 6 June 2013 and the Group was formed upon the acquisition of TBFree and NAIT. All entities with the Group are domiciled in New Zealand and are registered under the Companies Act 1993. TBFree manages the National Pest Management Plan (NPMP) for Bovine Tuberculosis in accordance with the provisions of the Biosecurity Act 1993. NAIT is responsible for implementing New Zealand's National Animal Identification and Tracing Scheme and operates under the National Animal Identification and Tracing Act 2012.

Note 2: Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with and comply with New Zealand Generally Accepted Accounting practice (NZ GAAP). They comply with Tier 1 PBE Accounting Standards (Not-For-Profit) (PBE).

These consolidated financial statements are the first financial statements presented in accordance with Tier 1 PBE Accounting Standards and PBE FRS 46 First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs has been applied. An explanation of how the transition to Tier 1 PBE Accounting Standards has affected the reported financial position, financial performance and cash flows of the Group is provided in Note 20.

The consolidated financial statements were authorised for issue by the Board of Directors on 18 August 2016.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis and on an accrual basis.

(c) Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is the functional and reporting currency of the Group and all values are rounded to the nearest thousand (\$000) except where indicated otherwise.

Note 3: Use of estimates and judgements

The preparation of the financial statements in conformity with NZ GAAP Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 10 – capitalisation of internally generated software

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2016 is included in the following notes:

- Note 10 – assessment of useful lives and residual values
- Note 10 – impairment of non-financial assets – non-cash generating assets

Note 4: Significant accounting policies

The accounting policies set out below and in the notes to the consolidated financial statements have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group. Reference should be made to Note 20 which details the transition adjustments required to move the Group from accounting policies based on New Zealand Equivalents to International Financial Reporting Standards as applicable to PBEs [NZ IFRS (PBE)] to Tier 1 PBE Accounting Standards (Not-For-Profit). All comparatives have been restated.

(a) Income tax

OSPRI and its subsidiaries are registered as charitable entities with the Charities Services and are therefore exempt from income tax on normal operations.

(b) Good and Services Tax

The Consolidated Statement of Comprehensive Revenue and Expenses has been prepared so that all components are stated exclusive of GST. All items in the Consolidated Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(c) Impairment of non-financial assets

The Group has determined that all property, plant and equipment and intangible assets are non-cash generating assets, as they are held to provide activities and services that benefit biosecurity and industry good in New Zealand, rather than for a commercial return.

Impairment of non-cash-generating assets

The Group assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. Impairment losses are recognised in the Consolidated Statement of Comprehensive Revenue and Expenses.

(d) Impairment of financial assets

The Group's financial assets are classified as loans and receivables and are assessed at each reporting date to determine whether there is objective evidence that they are impaired. Objective evidence that financial assets are impaired includes default or delinquency by the counterparty. The Group considers evidence of impairment for financial assets measured at amortised costs at a specific level. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in surplus and deficit and reflected in an allowance account against the financial asset. When an event occurring after the impairment causes the impairment loss to be reduced, the decrease in impairment loss is reversed through surplus and deficit.

Note 5: New standards and interpretations not yet adopted

The Group has elected to early adopt Disclosure Initiative (Amendments to PBE IPSAS 1), issued in July 2015, that apply for reporting periods beginning on or after 1 January 2016. There are no other new standards, amendments to standards and interpretations that have been issued but are not yet effective that are applicable to the Group for the year ended 30 June 2016.

Note 6: Segment information

The Group is organised and reports to its directors on the basis of three functional areas: OSPRI New Zealand Limited (OSPRI) and both subsidiaries, National Animal Identification and Tracing Limited (NAIT) and TBFree New Zealand Limited (TBFree).

Inter-segment allocations – segment expenses include expenses arising from business support services provided by OSPRI to its subsidiaries. These transfers are accounted for at cost and are eliminated on consolidation. The total amount charged for these services was \$1 million (2015: \$1 million).

Operating statement segment information

2016

<i>In thousands of New Zealand Dollars</i>	OSPRI	NAIT	TBFree	Elimination of inter-segment transactions	Group
Operating income					
Crown revenue	-	2,228	29,149	-	31,377
Slaughter levies	-	2,265	30,247	-	32,512
Tag levies	-	3,326	-	-	3,326
Industry and regional funding	-	-	21,204	-	21,204
TB animal reactor proceeds	-	-	18	-	18
Other income	1,440	-	-	(1,000)	440
Total operating income	1,440	7,819	80,618	1,000	88,877
Operating expenditure					
Disease management and testing	-	-	14,217	-	14,217
Research	-	-	2,040	-	2,040
NAIT operations	-	3,232	-	-	3,232
Contact centre and compliance	-	927	987	-	1,914
Pest control and management	-	-	49,921	-	49,921
Business service support	986	3,894	5,230	(1,000)	9,110
Total operating expenditure	986	8,053	72,395	1,000	80,434
Net operating surplus/(deficit) for the year	454	(234)	8,223	-	8,443
Interest income	2	89	145	-	236
Total comprehensive revenue and expense for the year	456	(145)	8,368	-	8,679

2015 (Restated)

<i>In thousands of New Zealand Dollars</i>	OSPRI	NAIT	TBFree	Elimination of inter-segment transactions	Group
Operating income					
Crown revenue	-	2,140	30,201	-	32,341
Slaughter levies	-	2,527	29,798	-	32,325
Tag levies	-	3,749	-	-	3,749
Industry and regional funding	-	35	23,105	-	23,140
Fees and recoveries	-	6	-	-	6
TB animal reactor proceeds	-	-	97	-	97
Other income	1,000	-	279	(1,000)	279
Total operating income	1,000	8,457	83,480	1,000	91,937
Operating expenditure					
Disease management and testing	-	-	16,417	-	16,417
Research	-	-	2,383	-	2,383
NAIT operations	-	3,832	-	-	3,832
Contact centre and compliance	-	1,025	1,156	-	2,181
Pest control and management	-	-	53,275	-	53,275
Business service support	940	4,649	6,206	(1,000)	10,795
Total operating expenditure	940	9,506	79,437	(1,000)	88,883
Surplus/(deficit) before financing costs	60	(1,049)	4,043	-	3,054
Interest income	3	202	190	-	395
Total comprehensive revenue and expense for the year	63	(847)	4,233	-	3,449

Balance sheet segment information

2016

<i>In thousands of New Zealand Dollars</i>	OSPRI	NAIT	TBFree	Elimination of inter-segment transactions	Group
Non-current assets	1,322	4,378	4,317	-	10,017
Current assets	646	9,304	23,486	(6,301)	27,135
Total assets	1,968	13,682	27,803	(6,301)	37,152
Current liabilities	1,479	3,976	10,715	(6,301)	9,869
Total liabilities	1,479	3,976	10,715	(6,301)	9,869
Retained earnings and reserves	33	9,851	8,719	-	18,603
Surplus/(deficit) for the year	456	(145)	8,368	-	8,679
Total equity	489	9,706	17,087	-	27,282

2015 (Restated)

<i>In thousands of New Zealand Dollars</i>	OSPRI	NAIT	TBFree	Elimination of inter-segment transactions	Group
Non-current assets	1,278	4,853	4,160	-	10,291
Current assets	495	6,265	13,863	(1,101)	19,522
Total assets	1,773	11,118	18,023	(1,101)	29,813
Current liabilities	1,740	1,267	9,303	(1,101)	11,209
Total liabilities	1,740	1,267	9,303	(1,101)	11,209
Retained earnings and reserves	(30)	10,698	4,486	-	15,154
Surplus/(deficit) for the year	63	(847)	4,233	-	3,449
Total equity	33	9,851	8,719	-	18,603

Note 7: Revenue from non-exchange transactions

<i>In thousands of New Zealand Dollars</i>	Note	2016	2015 Restated
Crown funding		31,377	32,341
Industry and Regional Council funding		21,204	23,140
Slaughter levies		32,512	32,325
TB animal reactor proceeds and other		18	103
Tag levies		3,326	3,749
Total revenue from non-exchange transactions	20	88,437	91,658

Policies

Non-exchange transactions are those where the Group receives value from another entity (e.g. cash funding) without giving approximately equal value to that entity in exchange. Funding received from non-exchange transactions is recognised as non-exchange revenue, to the extent that a liability is not recognised in respect to the same funding received. Liabilities are recognised in relation to funding received when there is a resulting present obligation to perform to satisfy a condition (or milestone), and the failure of which will result in the refund of any funding that have been received in relation to the specified condition (or milestone).

The following are the recognition criteria in relation to the Group's non-exchange transactions.

(a) Crown, Industry and Regional Councils funding

The recognition of non-exchange revenue from Crown, Industry and Regional funding depends on whether the funding comes with any stipulations imposed on the use of funds provided.

Stipulations that are 'conditions' specifically require the entity within the Group to return the funds received if they are not used in the way stipulated, resulting in the recognition of a liability that is subsequently recognised as non-exchange revenue as and when the 'conditions' are satisfied. Stipulations that are 'restrictions' do not specifically require the entity or the Group to return the funds received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a non-exchange liability, which results in the immediate recognition of non-exchange revenue when the funds are receivable or received.

TBFree and NAIT receive funding from the Crown. The funding is provided to enable the entities to carry out their National Pest Management Plans (NPMP) and animal identification and tracing operations, respectively. The funding agreements have specific strategy objectives and performance measures which are subject to independent audit and review. Ongoing funding is dependent on the achievement of these milestones. If the milestones are not achieved or if the funding provided has been underspent, then further funding is either suppressed or there is a return of funds obligation. Revenue in relation to Crown funding is initially recognised as a non-exchange liability and as revenue only when the milestones have been achieved.

TBFree receives funding from the dairy, beef and lamb and deer industry sectors, as well as from Regional Councils. The funding provided is restricted to being used by the entities to carry out its necessary activities to implement the NPMP for bovine tuberculosis strategies and programmes of work for the benefit of the respective industries and regions. The funding agreements do not impose any condition on the entity that require a return of unspent funds. Revenue in relation to this funding is recognised when it is receivable or received by the entities.

(b) Slaughter and tag levies

In accordance with legislation [National Animal Identification and Tracing Act 2012 and related Levies Regulations 2012], levies are charged when animals are slaughtered and when animal ear tags are sold. The levies collected are restricted to being used to contribute towards the establishment and ongoing maintenance of a national animal identification and tracing system that will facilitate a range of functions, including disease and biosecurity management. There are no conditions imposed on the entities in respect of this stream of revenue. Revenue in relation to these levies is recognised when it is receivable or received by the entities.

Note 8: Expenditure

Total expenses includes the following specific items.

<i>In thousands of New Zealand Dollars</i>	Note	2016	2015 Restated
Short-term employee benefits		13,818	13,747
Amortisation and depreciation	10	2,200	2,270
Operating lease expenses	16	1,352	1,432
Fees paid to KPMG for audit of financial statements		35	35
Fees paid to KPMG for accounting advice		20	-
Fees paid to KPMG for internet security assessment		-	34
Fees paid to KPMG for NAIT revenue assurance		-	23

Note 9: Receivables and other current assets

<i>In thousands of New Zealand Dollars</i>	Note	2016	2015 Restated
Receivables from non-exchange transactions			
DairyNZ		1,773	1,485
Deer Industry New Zealand		70	65
Slaughter levies receivable		2,789	2,803
Regional Councils		430	729
Tag levies receivable		401	1,384
Other receivables and prepayments		412	230
Less Doubtful debt provision		-	(9)
Total receivables from non-exchange transactions		5,875	6,687

Note 10: Intangible assets

<i>In thousands of New Zealand Dollars</i>	Software	Work in Progress	Total
Cost			
Balance as at 1 July 2014	15,123	1,940	17,063
Additions	4,010	2,300	6,310
Transfers	-	(4,010)	(4,010)
Balance as at 30 June 2015	19,133	230	19,363
Additions	1,435	1,868	3,303
Capitalisation of WIP	-	(1,416)	(1,416)
Balance as at 30 June 2016	20,568	682	21,250
<i>In thousands of New Zealand Dollars</i>	Software	Work in Progress	Total
Amortisation and impairment			
Balance as at 1 July 2014	8,637	-	8,637
Amortisation	1,826	-	1,826
Balance as at 30 June 2015	10,463	-	10,463
Amortisation	1,805	-	1,805
Balance as at 30 June 2016	12,268	-	12,268
Net book values			
Balance as at 30 June 2015	8,670	230	8,900
Balance as at 30 June 2016	8,300	682	8,982

Policies – Intangible assets

All intangible assets are stated at cost less amortisation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. All other repair and maintenance costs are recognised in surplus or deficit as incurred. The costs of self-constructed assets are recognised as capital work in progress until the assets are operating in the manner intended, at which time they are transferred to intangible assets.

Amortisation is recognised in surplus or deficit and is calculated to write off the cost of items of intangible assets less their residual values using the straight-line method over their useful lives of 3-10 years.

The assets' residual values and useful lives are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period. The majority of computer software comprises the NAIT Database and Disease Management systems.

Judgement – Capitalisation of internally generated software

Judgement is required when distinguishing between the research and development phase of customised software projects and whether the costs meet the recognition requirements for capitalisation. Post capitalisation, management monitors whether the recognition requirements continue to be met, or whether there are any indications that capitalisation costs should be impaired. As enhancements to internally developed software are created and capitalised, the Group reviews the useful life of the existing asset. If the enhancement will extend the useful life of the asset, this is adjusted. Historic amortisation is not affected but amortisation for the extended life of the asset is revised on a straight line basis.

Note 11: Revenue received in advance

<i>In thousands of New Zealand Dollars</i>	2016	2015 Restated
Crown Revenue Advances		
Opening balance	417	618
Increase / (Decrease) for the year	920	(201)
Total revenue received in advance	1,337	417

Revenue received by TBFree from the Crown and not fully expended during the financial year is transferred to Funders' Revenue Advances and is held for future use as described in note 7(a).

Note 12: Capital and reserves

(a) Share capital

OSPRI has 110 (2015:110) ordinary shares that have been issued and fully paid with no par value.

(b) NAIT reserve

NAIT is obligated to deliver the national animal identification and tracing system which will require capital spending from time to time. This reserve represents the funds held for future development of the system as well as the ability to maintain service levels in the event that revenue streams change significantly at short notice.

(c) Beef industry reserve

This reserve has been established to ensure that the funding received from the Beef industry is applied to the costs incurred under the TBfree work-plan that add value to the Beef industry. The amounts of expenditure will fluctuate from year to year.

(d) Dairy industry reserve

This reserve has been established to ensure that the funding received from the Dairy industry is applied to the costs incurred under the TBfree work-plan that add value to the Dairy industry. The amounts of expenditure will fluctuate from year to year.

(e) Deer industry reserve

This reserve has been established to ensure that the funding received from the Deer industry is applied to the costs incurred under the TBfree work-plan that add value to the Deer industry. The amounts of expenditure will fluctuate from year to year.

Note 13: Financial instruments

Policies

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises financial instruments on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets and liabilities – measurement

Financial assets: The Group's financial assets are cash and cash equivalents and receivables from exchange and non-exchange transactions. All financial assets are classified as loans and receivables. Loans and receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised costs using the effective interest method.

Financial liabilities: The Group's financial liabilities include payables from exchange and non-exchange transactions which are classified as financial liabilities at amortised cost. Other financial liabilities are initially measured at fair value less any directly attributable transaction costs.

(a) Fair values

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

The Group has no financial instruments that are subject to fair value adjustments at each reporting period. The carrying amounts of all financial assets and liabilities approximate their fair values.

(b) Financial risk management*(i) Credit risk*

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk from its financial assets, including cash and cash equivalents with financial institutions, as well as credit exposures to industry participants including outstanding receivables and committed transactions. The Group does not require any collateral or security to support financial instruments relating to receivables or financial institutions. The Group holds all its cash and cash equivalents with New Zealand registered banks with a short term debt rating from Moody's of not less than A1 or Standard & Poor's of not less than AA- (NZ Reserve Bank Listing). The maximum amount that may be held with any OSPRI Group's banking provider is \$10 million. The carrying amounts of all receivables represents the maximum exposure to credit risk.

Receivables from exchange and non-exchange transactions

The aging of receivables from exchange and non-exchange transactions as at reporting date is presented below.

2016	Gross	Impairment	Net
<i>In thousands of New Zealand Dollars</i>			
Not past due	2,714	-	2,714
Past due 1 - 30 days	1	-	1
Total receivables	2,715	-	2,715

2015 (Restated)	Gross	Impairment	Net
<i>In thousands of New Zealand Dollars</i>			
Not past due	6,532	(9)	6,523
Past due 1 - 30 days	2	-	2
Total receivables	6,534	(9)	6,525

The movement in the impairment allowance for receivables is presented below.

<i>In thousands of New Zealand Dollars</i>			
Balance as at 1 July 2014		9	
Impairment loss		-	
Balance as at 30 June 2015 (restated)		9	
Impairment loss		3	
Write off of bad debts		(12)	
Balance as at 30 June 2016		-	

There are no amounts related to receivables from non-exchange transactions that are impaired as at reporting date except for carrying the provision for doubtful debts relating to receivables for the Otago Land Levy from the prior year.

(ii) Liquidity risk

Liquidity risk arises from the Group's management of working capital and it is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient cash and borrowing facilities to meet its liabilities when due, under both normal and stressed conditions. The only financial liabilities that the Group has are payables from exchange and non-exchange transactions, which are expected to settle within 60 days of the reporting date.

(iii) Market risk

Market risk arises from the Group's use of financial instruments that are interest bearing, denominated in foreign currencies, and/or traded in public markets. Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in interest rates, foreign exchange rates and market prices. During the financial year and as at reporting date, the Group's exposure to market risk is not material.

(c) Capital management

The Group's capital includes share capital, retained earnings and various reserves, which accumulate surpluses intended for specific industry purposes and future commitments. The Group manages its capital with long term objectives tailored to each subsidiary.

Note 14: Related parties

OSPRI New Zealand Limited is the Parent and ultimate controlling entity. It has two wholly owned subsidiaries TBFree and NAIT. The Shareholders of OSPRI include Beef + Lamb New Zealand Limited (45.5%), DairyNZ Limited (45.5%) and Deer Industry New Zealand (9%).

(a) Key management personnel

The key management personnel, as defined by IPSAS 20 Related Party Disclosures, are the Directors on the Board, who together constitute the governing body of the Company and members of the senior management group, responsible for reporting to the governing body.

The total remuneration of members of the Board and the number of individuals receiving remuneration in this category are:

	2016	2015
Board fees	\$218,000	\$218,000
Number of persons	6	6
Consultancy services	\$14,000	-
Number of persons	3	-
Total Remuneration to Board members	\$232,000	218,000

The senior management group consists of the chief executive office and general managers. The total remuneration of the senior management group and the number of managers, on a full-time equivalent basis, receiving remuneration in this category are:

	2016	2015
Total remuneration to senior management	\$1,559,000	\$1,945,000
Number of persons	6	6

(b) Transactions with other related parties

The Group had the following transactions with other related parties and the balances owing to and from other related parties are disclosed in the table below.

<i>In thousands of New Zealand Dollars</i>	Transaction value for year ended 30 June		Balances outstanding as at 30 June	
	2016	2015 Restated	2016	2015 Restated
Funding provided:				
AgResearch Limited	(830)	1,342	-	-
Payables to other related parties:				
AgResearch Limited	-	-	(144)	(165)

AgResearch Limited has a long standing relationship with TBfree. It has become a related party as Jeff Grant is a Director of AgResearch. Barry Harris is the deputy chair of AgResearch Limited. Both are current Directors of TBFree.

Note 15: Reconciliation of net cash flows from operating activities to surplus/(deficit)

<i>In thousands of New Zealand Dollars</i>	2016	2015 Restated
Surplus for the year	8,679	3,449
Interest received	(237)	(276)
Non-cash movements		
Amortisation and depreciation	2,201	2,270
Changes in working capital	(528)	(1,861)
Net cash flows from operating activities	10,115	3,582

Note 16: Operating leases as lessee

The Group has entered into a number of non-cancellable operating leases for buildings, office equipment and motor vehicles. The lease commitments are based on current rentals. Future lease commitments at year end in respect of these non-cancellable leases are as follows:

<i>In thousands of New Zealand Dollars</i>	2016	2015 Restated
Due within one year	836	1,182
Due between one and two years	189	580
Due between two and five years	136	43
Total non-cancellable operating lease payments	1,161	1,805

Policies

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are expensed on a straight line basis over the period of the lease.

Note 17: Commitments

(a) Pest management control commitments

TBfree enters into contractual arrangements for the completion of Pest Management Control operations. The estimated cost to complete pest control operations that were not accrued, but had been contracted at 30 June 2016 is \$1.71 million (2015: \$0.97 million). All of these operations will be completed within the following financial year from funding contained within the 2016/17 year's budget.

(b) Research contract commitments

TBfree has entered into a number of funding agreements for research projects. The continued funding of these is subject to performance reviews. Future commitments at year end in respect of these funding agreements are as follows:

<i>In thousands of New Zealand Dollars</i>	2016	2015 Restated
Due within one year	1,056	1,082
Due between one and two years	1,716	1,065
Due between two and five years	435	740
Total non-cancellable operating lease payments	3,207	2,887

Note 18: Contingent liabilities

The Group has ongoing claims, investigations and inquiries, none of which it currently believes are to have significant effect on the financial position or profitability of the Group (2015: Nil)

Note 19: Subsequent events

There were no significant events after balance date that would have a material impact on the financial statements (2015: Nil).

Note 20: Transition to PBE Standards

As stated in Note 2 these are the Group's first financial statements prepared in accordance with PBE Standards. The Group previously prepared financial statements under a NZ IFRS (PBE) Standards. The accounting policies set out in Note 4 and in the Notes have been applied in preparing the financial statements for the year ended 30 June 2016, the comparative information presented in these financial statements for the year ended 30 June 2015 and in the preparation of an opening PBE Standards statement of financial position at 1 July 2014 (the Group's date of transition).

In preparing its opening PBE standards statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with NZ IFRS (PBE) basis of accounting. An explanation of how the transition from previous NZ IFRS (PBE) GAAP to PBE Standards has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(a) Adjustment to 'Non-exchange revenue' for year ended 30 June 2015

<i>In thousands of New Zealand Dollars</i>	Note	2015 Restated
Total non-exchange revenue – previous basis of accounting		88,819
Adjustment required due to change in treatment to recognise revenue from non-exchange transactions		2,839
Total non-exchange revenue – PBE Standards	7	91,658

(b) Adjustment to 'Finance income' for year ended 30 June 2015

<i>In thousands of New Zealand Dollars</i>	2015 Restated
Total revenue – previous basis of accounting	269
Adjustment required due to change in treatment to recognise revenue from non-exchange transactions	126
Total revenue – PBE Standards	395

(c) Reconciliation of comprehensive revenue and expense for the year ended 30 June 2015

<i>In thousands of New Zealand Dollars</i>	2015 Restated
Net surplus/(deficit) for the year – previous basis of accounting	205
Adjustment required due to change in treatment to recognise revenue from non-exchange transactions	3,244
Total comprehensive revenue and expense for the year – PBE Standards	3,449

(d) Adjustment to 'Revenue in advance'

<i>In thousands of New Zealand Dollars</i>	Note	2015 Restated	2014
Revenue in advance – previous basis of accounting		13,510	10,468
Adjustment required due to change in treatment to recognise revenue from non-exchange transactions		(13,093)	(9,849)
Total equity – PBE Standards	11	417	618

(e) Reconciliation of equity as at 1 July 2014 and 30 June 2015

<i>In thousands of New Zealand Dollars</i>	2015 Restated	2014
Total equity – previous basis of accounting	5,510	5,305
Adjustment required due to change in treatment to recognise revenue from non-exchange transactions	13,093	9,849
Total equity – PBE Standards	18,603	15,154

(f) Notes to the reconciliations

Prior to adopting PBE Standards, the Group did not have an explicit accounting policy relating to revenue from non-exchange transactions. Generally, non-exchange revenue was recognised when received and if the funds have been spent. Under PBE Standards, the Group makes an assessment as to whether there are any stipulations relating to the funding arrangements that impose a “use or return” obligation and recognises revenue in accordance with the policy in note 7.

INDEPENDENT AUDITOR'S REPORT



To the shareholders of OSPRI New Zealand Limited

We have audited the accompanying financial statements of OSPRI New Zealand Limited ("the group") and its subsidiaries, on pages 24 to 45. The financial statements comprise the statements of financial position as at 30 June 2016, the statements of comprehensive revenue and expenses, changes in net assets/equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for the group.

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the group's shareholders those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group's shareholders as a body, for our audit work, this report or any of the opinions we have formed.

Directors' responsibility for the group and group financial statements

The directors are responsible on behalf of the group for the preparation and fair presentation of the group financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards (Public Sector)) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the group and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the group and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group and group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in the group.

Opinion

In our opinion, the financial statements on pages 1 to 22 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of OSPRI New Zealand Limited as at 30 June 2016 and their financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards (Public Sector).

18 August 2016
Wellington



DIRECTOR PROFILES

As at 30 June 2016



JEFF GRANT

Jeff farms sheep, beef and deer at Balfour in Southland and has extensive agri-business and rural sector leadership experience. He is chairman of the Board of Directors for OSPRI. Jeff is also chairman of the Milford Sound Development Authority. He is a director of SBS Bank, AgResearch Limited, Finance Now, New Zealand Young Farmers, and Southern Institute of Technology; and a former chairman of the New Zealand Meat Board, Meat and Wool New Zealand, and the Primary Industry Council. He has also served as a Member of Parliament.



LESLEY CAMPBELL

Lesley has more than 20 years' experience in the primary production sector. She brings vast experience in working with government agencies and ministers, and an ability to lead change and manage diverse and complex industry stakeholder interests. Lesley is currently the Chief Executive of Commercial Fisheries Services Limited (FishServe) and is also a director of Seafood Innovations Limited, FINNZ, a subsidiary consulting company of FishServe, and Chair of the Seafood Standards Council. Lesley's areas of expertise include strategic and business planning, budgeting, cost recovery processes, policy development and preparation of legislation, and converting legislation into operational systems.



BARRY HARRIS

Barry is a company director with extensive governance and executive experience. Barry has held a number of chief executive roles, including with Environment Waikato, Greater Wellington Regional Council and Hamilton City Council. He was also a senior executive with Fonterra for five years. Barry is currently chairman of Agricultural Service Limited, Food Innovation Waikato, and McFall Fuels; and director of DairyNZ, NZ Food Innovation Network, Primary ITO and WEL Networks. Previous boards have included CentrePort; RD1; International Nutritionals; Hamilton Riverside Hotels; and Local Authority Shared Services. Barry has a Master of Agricultural Science (Honours) and lives in Hamilton.



DEBORAH ROCHE

Deborah joined the Ministry for Primary Industries (MPI) as the Deputy Director-General Policy and Trade in February 2013. Before joining MPI, Deborah was seconded to the Department of the Prime Minister and Cabinet for 18 months, where she was the advisor on State Services, Better Public Services, defence, sport and recreation, and a member of the Officials' Committee on Economic Growth and Infrastructure. Prior to this, Deborah spent over 15 years in various roles in health. She holds an MSc (London School of Economics), MAppSc (University of South Australia), CertTT (Waikato Polytechnic), and a DipPhys (Auckland Institute of Technology).



FENTON WILSON

Fenton is Chairman of Hawke's Bay Regional Council, and has represented the Wairoa constituency since 2009. Born in Waipukurau and educated in Frasertown, Wairoa and Hastings, Fenton has worked most of his life in the Wairoa district. He farms a 235ha sheep and beef property with his wife Sue and is Chairman of the Wairoa Community Development Trust, and the Hawke's Bay Civil Defence Joint Committee. He also chairs the Hawke's Bay Drought Committee when activated.



KEITH SUTTON

Keith is a Director of Sutton McCarthy Limited, which provides strategic and financial advice to corporates, SOEs, multinationals and other clients. He is chairman of Taranaki Investment Management Limited, a director of Gough Group Limited, Wellington International Airport Limited, Rural Livestock Limited and a number of other companies. He is a member of the Te Tumu Paeroa advisory board. Keith is a former chairman of the New Zealand Futures and Options Exchange Limited, Executive Director of DFC New Zealand Limited and former member of the National Provident Fund Board. He has farming and forestry interests and is a member of the Institute of Directors and the Institute of Finance Professionals. He holds a Bachelor of Commerce and Administration degree in Economics and Accounting. Keith resigned from the Board of OSPRI effective from 1 July 2016.

