



**CONSOLIDATED  
FINANCIAL STATEMENTS**  
2017/2018



# CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

## CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2018

<i>In thousands of New Zealand Dollars</i>	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>			
Revenue from non-exchange transactions	6	73,752	73,181
Revenue from exchange transactions		6,091	7,508
<b>Total revenue</b>		<b>79,843</b>	<b>80,689</b>
<b>Expenditure</b>			
NAIT operations		2,128	2,168
Contact centre and compliance		1,311	1,618
Pest control and management		37,573	36,507
Disease management and testing		13,865	13,577
Research		1,341	1,561
Business service support		10,154	11,654
Battle for our Birds		5,344	6,853
<b>Total expenditure</b>	7	<b>71,716</b>	<b>73,938</b>
<b>Surplus before financing costs</b>		<b>8,127</b>	<b>6,751</b>
Interest income		972	308
<b>Surplus for the year</b>		<b>9,099</b>	<b>7,059</b>
<b>Total comprehensive revenue and expense for the year</b>		<b>9,099</b>	<b>7,059</b>

The notes are an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

<i>In thousands of New Zealand Dollars</i>	Note	Contributed capital	Retained earnings	Reserves	Total equity
<b>Balance as at 1 July 2016</b>		-	5,355	21,928	27,283
<b>Changes in equity for 2017</b>					
Total comprehensive revenue and expense for the year		-	7,059	-	7,059
<b>Balance as at 30 June 2017</b>		-	<b>12,414</b>	<b>21,928</b>	<b>34,342</b>
<b>Changes in equity for 2018</b>					
Total comprehensive revenue and expense for the year		-	9,099	-	9,099
<b>Balance as at 30 June 2018</b>		-	<b>21,513</b>	<b>21,928</b>	<b>43,441</b>

The notes are an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

<i>In thousands of New Zealand Dollars</i>	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>			
Cash and cash equivalents		5,794	16,933
Term deposits		39,700	14,700
Receivables and other current assets	8	5,800	4,775
<b>Current assets</b>		<b>51,294</b>	<b>36,408</b>
Property, plant and equipment		666	734
Intangible assets	9	2,922	5,581
<b>Non-current assets</b>		<b>3,588</b>	<b>6,315</b>
<b>Total assets</b>		<b>54,882</b>	<b>42,723</b>
<b>Liabilities</b>			
Payables from exchange transactions and other liabilities		10,565	7,598
Employee benefits liability		727	764
Revenue received in advance	10	149	19
<b>Current liabilities</b>		<b>11,441</b>	<b>8,381</b>
<b>Total liabilities</b>		<b>11,441</b>	<b>8,381</b>
<b>Equity</b>			
Retained earnings	11	21,513	12,414
Reserves	11	21,928	21,928
<b>Total equity</b>		<b>43,441</b>	<b>34,342</b>
<b>Total equity and liabilities</b>		<b>54,882</b>	<b>42,723</b>

### APPROVAL BY THE DIRECTORS

The Financial Statements were authorised on behalf of the OSPRI Board of Directors on 20 September 2018:



**B S Harris**  
Chair of the Board



**M E Pohio**  
Director

*The notes are an integral part of these financial statements.*

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

<i>In thousands of New Zealand Dollars</i>	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>			
Revenue from operations		78,948	80,203
Cash paid to employees and suppliers		(65,760)	(70,115)
<b>Net cash from/(used in) operating activities</b>	14	<b>13,188</b>	<b>10,088</b>
<b>Cash flows from investing activities</b>			
Interest income		972	308
(Investment)/maturity of term deposits		(25,000)	(14,700)
(Purchase)/sale of property, plant and equipment		(181)	(23)
(Purchase)/sale of intangible assets		(119)	-
<b>Net cash from/(used in) investing activities</b>		<b>(24,327)</b>	<b>(14,415)</b>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at 1 July		16,933	21,260
<b>Cash and cash equivalents at 30 June</b>		<b>5,794</b>	<b>16,933</b>

The notes are an integral part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note		Page
1.	Reporting entity	7
2.	Basis of preparation	7
3.	Use of estimates and judgements	8
4.	Significant accounting policies	8
5.	Segment information	10
6.	Revenue from non-exchange transactions	13
7.	Expenditure	14
8.	Receivables and other current assets	14
9.	Intangible assets	15
10.	Revenue received in advance	16
11.	Capital	16
12.	Financial instruments	17
13.	Related parties	19
14.	Reconciliation of net cash flows from operating activities to surplus/(deficit)	20
15.	Operating leases as lessee	20
16.	Commitments	21
17.	Contingent liabilities	21
18.	Subsequent events	21

## 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.

These consolidated financial statements for the year ended 30 June 2018 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 within 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').

The consolidated financial statements were authorised for issue by the Board of Directors on 20 September 2018.

### (b) Basis of measurement

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

### (c) Accounting period and comparative amounts

These audited financial statements are for the year ended 30 June 2018. Comparative amounts are from the audited financial statements for the year ended 30 June 2017. Certain amounts in the comparative information have been reclassified to ensure consistency with the current year's presentation.

### (d) Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is the functional and reporting currency of the Group. 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 note:

- Note 9 – capitalisation and amortisation 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 2018 is included in the following note:

- Note 9 – assessment of useful lives and residual values
- Note 9 – 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.

#### **(a) Income tax**

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

#### **(b) Goods and Services Tax**

The Consolidated Statement of Comprehensive Revenue and Expenses has been prepared so that all components are stated exclusive of Goods and Services Tax ('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.



**(c) Cash and cash equivalents**

The Group assesses 'Cash and cash equivalents' to include cash on call held with New Zealand registered banks.

**(d) Term deposits**

The Group's term deposits are invested in New Zealand dollar interest-bearing accounts with New Zealand registered banks for terms not exceeding 185 days.

**(e) 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.

**(f) 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. Impairment losses are recognised in surplus/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 comprehensive revenue and expense.

## NOTE 5: 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 (NAIT) Limited (NAIT) and TBfree New Zealand Limited (TBfree).

Inter-segment allocations – expenses incurred by OSPRI on behalf of its subsidiaries are allocated across the two programmes on a proportional basis.

### OPERATING STATEMENT SEGMENT INFORMATION

2018

<i>In thousands of New Zealand Dollars</i>	OSPRI	NAIT	TBfree	Elimination of inter-segment transactions	Group
<b>Operating income</b>					
Crown revenue	-	2,140	26,000	-	28,140
Slaughter levies	-	2,213	23,640	-	25,853
Tag levies	-	3,539	-	-	3,539
Industry funding	-	93	15,583	-	15,676
Live Export Levies	-	-	341	-	341
TB animal reactor proceeds	-	-	129	-	129
Battle for our Birds	6,091	-	-	-	6,091
Other income	-	13	61	-	74
<b>Total operating income</b>	<b>6,091</b>	<b>7,998</b>	<b>65,754</b>	<b>-</b>	<b>79,843</b>
<b>Operating expenditure</b>					
Disease management and testing	-	-	13,865	-	13,865
Research	-	-	1,341	-	1,341
NAIT operations	-	2,128	-	-	2,128
Contact centre and compliance	-	221	1,090	-	1,311
Pest control and management	-	-	37,573	-	37,573
Battle for our Birds	5,344	-	-	-	5,344
Business service support	-	2,022	8,132	-	10,154
<b>Total operating expenditure</b>	<b>5,344</b>	<b>4,371</b>	<b>62,001</b>	<b>-</b>	<b>71,716</b>
<b>Net operating surplus/(deficit) for the year</b>	<b>747</b>	<b>3,627</b>	<b>3,753</b>	<b>-</b>	<b>8,127</b>
<b>Interest income</b>	<b>-</b>	<b>192</b>	<b>780</b>	<b>-</b>	<b>972</b>
<b>Total comprehensive revenue and expense for the year</b>	<b>747</b>	<b>3,819</b>	<b>4,533</b>	<b>-</b>	<b>9,099</b>

**2017**

<i>In thousands of New Zealand Dollars</i>	<b>OSPRI</b>	<b>NAIT</b>	<b>TBfree</b>	<b>Elimination of inter-segment transactions</b>	<b>Group</b>
<b>Operating income</b>					
Crown revenue	-	2,234	27,337	-	29,571
Slaughter levies	-	2,110	22,064	-	24,174
Tag levies	-	3,273	-	-	3,273
Industry and regional funding	-	-	15,583	-	15,583
Live Export Levies	-	-	344	-	344
TB animal reactor proceeds	-	-	230	-	230
Battle for our Birds	7,135	-	-	-	7,135
Other income	-	-	379	-	379
<b>Total operating income</b>	<b>7,135</b>	<b>7,617</b>	<b>65,937</b>	<b>-</b>	<b>80,689</b>
<b>Operating expenditure</b>					
Disease management and testing	-	-	13,577	-	13,577
Research	-	-	1,561	-	1,561
NAIT operations	-	2,168	-	-	2,168
Contact centre and compliance	-	314	1,304	-	1,618
Pest control and management	-	-	36,507	-	36,507
Battle for our Birds	6,853	-	-	-	6,853
Business service support	-	1,678	9,976	-	11,654
<b>Total operating expenditure</b>	<b>6,853</b>	<b>4,160</b>	<b>62,925</b>	<b>-</b>	<b>73,938</b>
<b>Net operating surplus/(deficit) for the year</b>	<b>282</b>	<b>3,457</b>	<b>3,012</b>	<b>-</b>	<b>6,751</b>
<b>Interest income</b>	<b>-</b>	<b>111</b>	<b>197</b>	<b>-</b>	<b>308</b>
<b>Total comprehensive revenue and expense for the year</b>	<b>282</b>	<b>3,568</b>	<b>3,209</b>	<b>-</b>	<b>7,059</b>

**NOTE 5: SEGMENT INFORMATION - CONTINUED****BALANCE SHEET SEGMENT INFORMATION****2018**

<i>In thousands of New Zealand Dollars</i>	<b>OSPRI</b>	<b>NAIT</b>	<b>TBfree</b>	<b>Elimination of inter-segment transactions</b>	<b>Group</b>
Current assets	2,378	16,377	34,501	(1,962)	51,294
Non-current assets	645	1,406	1,537	-	3,588
<b>Total assets</b>	<b>3,023</b>	<b>17,783</b>	<b>36,038</b>	<b>(1,962)</b>	<b>54,882</b>
Current liabilities	1,505	690	11,208	(1,962)	11,441
<b>Total liabilities</b>	<b>1,505</b>	<b>690</b>	<b>11,208</b>	<b>(1,962)</b>	<b>11,441</b>
Retained earnings and reserves	771	13,274	20,297	-	34,342
Surplus/(deficit) for the year	747	3,819	4,533	-	9,099
<b>Total equity</b>	<b>1,518</b>	<b>17,093</b>	<b>24,830</b>	<b>-</b>	<b>43,441</b>

**2017**

<i>In thousands of New Zealand Dollars</i>	<b>OSPRI</b>	<b>NAIT</b>	<b>TBfree</b>	<b>Elimination of inter-segment transactions</b>	<b>Group</b>
Current assets	2,072	12,441	26,131	(4,235)	36,409
Non-current assets	716	2,810	2,788	-	6,314
<b>Total assets</b>	<b>2,788</b>	<b>15,251</b>	<b>28,919</b>	<b>(4,235)</b>	<b>42,723</b>
Current liabilities	2,017	1,977	8,622	(4,235)	8,381
<b>Total liabilities</b>	<b>2,017</b>	<b>1,977</b>	<b>8,622</b>	<b>(4,235)</b>	<b>8,381</b>
Retained earnings and reserves	489	9,706	17,088	-	27,283
Surplus/(deficit) for the year	282	3,568	3,209	-	7,059
<b>Total equity</b>	<b>771</b>	<b>13,274</b>	<b>20,297</b>	<b>-</b>	<b>34,342</b>

## NOTE 6: REVENUE FROM NON-EXCHANGE TRANSACTIONS

<i>In thousands of New Zealand Dollars</i>	<b>2018</b>	<b>2017</b>
Crown funding	28,140	29,571
Industry funding	15,676	15,583
Slaughter levies	25,853	24,174
Live export levies	341	344
TB animal reactor proceeds	129	230
Tag levies	3,539	3,273
Other Income	74	6
<b>Total revenue from non-exchange transactions</b>	<b>73,752</b>	<b>73,181</b>

### 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 and Industry funding

The recognition of non-exchange revenue from Crown and Industry 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 receives funding from the Crown, dairy, beef and lamb, and deer industry sectors per the 'TB Plan Funders' Agreement'. The funding provided is restricted to being used by the Company to carry out their necessary activities to implement their National Pest Management Plans for bovine tuberculosis strategies and programmes of work for the benefit of the respective industries. The funding agreements do not impose any condition on the entities that require a return of unspent funds. Revenue in relation to this funding is recognised when it is receivable or received by the entities.

NAIT receives funding from the Crown. The funding is provided to enable the Company to carry out its animal identification and tracing operations. 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 suppressed.

**NOTE 6: REVENUE FROM NON-EXCHANGE TRANSACTIONS – CONTINUED****(b) Slaughter and tag levies**

In accordance with legislation, 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, and a disease management system. 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 7: EXPENDITURE**

Total expenses include the following specific items.

<i>In thousands of New Zealand Dollars</i>	<b>Note</b>	<b>2018</b>	<b>2017</b>
Short-term employee benefits		9,581	11,527
Amortisation and depreciation	14	3,062	3,085
Operating lease expenses	15	970	1,175
Audit fees paid to KPMG		40	35
Non-audit fees paid to KPMG		-	16

**NOTE 8: RECEIVABLES AND OTHER CURRENT ASSETS**

<i>In thousands of New Zealand Dollars</i>	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>Receivables from non-exchange transactions</b>			
DairyNZ		1,390	1,390
Deer Industry New Zealand		6	7
Slaughter levies receivable		3,193	2,304
Tag levies receivable		543	480
Other receivables and prepayments		669	594
<b>Total receivables from non-exchange transactions</b>		<b>5,800</b>	<b>4,775</b>

**NOTE 9: INTANGIBLE ASSETS**

<i>In thousands of New Zealand Dollars</i>	<b>Software</b>	<b>Work in Progress</b>	<b>Total</b>
<b>Cost</b>			
<b>Balance as at 1 July 2016</b>	<b>20,568</b>	<b>682</b>	<b>21,250</b>
Additions	-	50	50
Capitalisation of WIP	-	(682)	(682)
<b>Balance as at 30 June 2017</b>	<b>20,568</b>	<b>50</b>	<b>20,618</b>
Additions	90	29	119
Write-offs	-	-	-
<b>Balance as at 30 June 2018</b>	<b>20,658</b>	<b>79</b>	<b>20,737</b>

<i>In thousands of New Zealand Dollars</i>	<b>Software</b>	<b>Work in Progress</b>	<b>Total</b>
<b>Amortisation and impairment</b>			
<b>Balance as at 1 July 2016</b>	<b>12,268</b>	<b>-</b>	<b>12,268</b>
Amortisation	2,769	-	2,769
<b>Balance as at 30 June 2017</b>	<b>15,037</b>	<b>-</b>	<b>15,037</b>
Amortisation	2,777	-	2,777
<b>Balance as at 30 June 2018</b>	<b>17,814</b>	<b>-</b>	<b>17,814</b>
<b>Net book values</b>			
Balance as at 30 June 2017	5,531	50	5,581
Balance as at 30 June 2018	2,843	79	2,922

**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/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/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 estimated useful lives of 3-5 years.

## NOTE 9: INTANGIBLE ASSETS - CONTINUED

The assets' residual values and useful lives are reviewed and adjusted during the reporting period as appropriate. The majority of computer software comprises the NAIT Database and Disease Management systems.

Work in progress balances are reviewed on a regular basis. In scenarios where projects are not completed, or are no longer considered to add value to the Group, the amount of work in progress held for those projects is written off.

### 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 10: REVENUE RECEIVED IN ADVANCE

<i>In thousands of New Zealand Dollars</i>	<b>2018</b>	<b>2017</b>
<b>Revenue Advances</b>		
Opening balance	19	1,337
Increase / (Decrease) for the year	130	(1,318)
<b>Total revenue received in advance</b>	<b>149</b>	<b>19</b>

## NOTE 11: CAPITAL AND RESERVES

### (a) Share capital

OSPRI has 110 (2017:110) ordinary shares that have been issued and fully paid with no par value.

### (b) Retained earnings and reserves

Retained earnings and reserves are an accumulation of prior year surpluses.



## NOTE 12: 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, term deposits 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 and spreads its risks across these banks. The carrying amounts of all receivables represents the maximum exposure to credit risk.

**NOTE 12: FINANCIAL INSTRUMENTS – CONTINUED****RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

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

**2018**

<i>In thousands of New Zealand Dollars</i>	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>
Not past due	5,709	-	5,709
Past due 1–60 days	35	-	35
Past due 61 days +	21	-	21
<b>Total receivables</b>	<b>5,765</b>	<b>-</b>	<b>5,765</b>

**2017**

<i>In thousands of New Zealand Dollars</i>	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>
Not past due	4,637	-	4,637
Past due 1–60 days	1	-	1
Past due 61 days +	9	-	9
<b>Total receivables</b>	<b>4,647</b>	<b>-</b>	<b>4,647</b>

There are no amounts related to receivables from non-exchange transactions that are impaired as at reporting date (2017: Nil).

**(ii) Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial arrangement will fluctuate because of changes in market interest rates. The Group's policy states that short-term investments can only be held for a maximum of 185 days. During the financial year and as at reporting date, the Group's exposure to interest rate risk is not material.

**(iii) 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 Group's policy states that short term investments can only be held for a maximum of 185 days. The only financial liabilities that the Company has are payables from exchange and nonexchange transactions, which are expected to settle within 60 days of the reporting date.

**(iv) 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 financial instruments 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 13: 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 leadership team (formerly executive team), 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:

<i>In thousands of New Zealand Dollars</i>	2018	2017
Board fees (including committee fees)	236	203
Number of persons	6	6
NAIT panel fees	18	15
Number of persons	3	3
<b>Total Remuneration to Board members</b>	<b>254</b>	<b>218</b>

The leadership team consists of the Chief Executive, Chief Operating Officer and Head of Divisions. The total remuneration of the leadership team and the number of managers, on a full-time equivalent basis, receiving remuneration in this category are:

<i>In thousands of New Zealand Dollars</i>	2018	2017
Total remuneration to leadership team	1,679	1,399
Number of persons	7	7

### (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	
	2018	2017	2018	2017
Deer Industry New Zealand	1,176	1,226	-	-
DairyNZ Limited	14,500	14,500	1,390	1,390
AgResearch Limited	(1,644)	(1,311)	(180)	(204)

AgResearch has a long standing relationship with TBfree. It was a related party as Jeff Grant was the chairman of AgResearch (resigned 30 June 2018), whilst also being a director of TBfree (resigned 29 June 2018).

## NOTE 14: RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)

### Indirect Method

<i>In thousands of New Zealand Dollars</i>	<b>2018</b>	<b>2017</b>
Surplus for the year	9,099	7,059
Interest received	(972)	(308)
WIP additions	(29)	(50)
<b>Non-cash movements</b>		
Amortisation and depreciation	3,062	3,085
WIP writeoffs	-	633
Changes in working capital	2,028	(331)
<b>Net cash flows from operating activities</b>	<b>13,188</b>	<b>10,088</b>

## NOTE 15: 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>	<b>2018</b>	<b>2017</b>
Due within one year	1,071	1,100
Due between one and two years	598	1,011
Due between two and five years	497	882
<b>Total non-cancellable operating lease payments</b>	<b>2,166</b>	<b>2,993</b>

## 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 16: 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 2018 is \$0.8m (2017: \$1.7m). All of these operations will be completed within the following financial year from funding contained within the 2018/19 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>	<b>2018</b>	<b>2017</b>
Due within one year	2,116	1,183
Due between one and two years	1,034	456
Due between two and five years	357	-
<b>Total research funding commitments</b>	<b>3,508</b>	<b>1,639</b>

### (c) TMA Master Contract Commitments

TBfree has entered into a number of agreements regarding contracts for future pest control work in particular regions. These contracts can be terminated up to 90 days prior to commencement of work at no cost to the Group. Where contracts are terminated within 90 days of commencement of work TBfree will reimburse actual costs incurred up to date of contract termination.

## NOTE 17: CONTINGENT LIABILITIES

The Company has ongoing claims, investigations and inquiries, none of which it currently believes are to have significant effect on the financial statements of the Group (2017: Nil).

## NOTE 18: SUBSEQUENT EVENTS

There were no significant events after balance date that would have a material impact on the financial statements (2017: Nil).



# Independent Auditor's Report

To the shareholders of OSPRI New Zealand Limited

## Report on the consolidated financial statements

### Opinion

In our opinion, the accompanying consolidated financial statements of OSPRI New Zealand Limited (the company) and its subsidiaries (the group) on pages 2 to 21:

- i. present fairly in all material respects the Group's financial position as at 30 June 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with Public Benefit Entity Standards (Not For Profit).

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2018;
- the consolidated statements of comprehensive revenue and expense, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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



### Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent 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 shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



## Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards (Not For Profit));
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



## Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

This description forms part of our independent auditor's report.

KPMG  
Wellington

20 September 2018

