

Half Year Report

Pūrongo a Haurua Tau

2022



Cover image: Lee Sutherland brings in sheep for drenching on Lincoln Farm.

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Chair and Chief Executive's review

Ngā arotakenga o te Heamana me te Tumuaki Whakahaere

Build progress on the new Lincoln Facility. Initial precast panels are in place on the laboratory wing - taken February 2022.



AgResearch is reporting a loss for the first half of the financial year which represents some of the ongoing challenges of the global pandemic. Our new company strategy is now firmly embedded into the fabric of our organisation.

We believe we are positioned to keep delivering the innovative science our stakeholders in the primary sector value us for and help New Zealand in its economic recovery from the global pandemic in the remainder of the financial year.

The six-month period we are reporting on in this document was highlighted again by global instability. AgResearch has not been immune to the effects of the pandemic, however, we were able to show considerable resilience and resolve despite the obvious challenges lockdowns present to a research organisation like ours.

We were able to mitigate against the effects of COVID-19 thanks to the hard work of our staff. About 70 were granted essential worker status to care for and feed animals located at our research farms and facilities during the September shutdown, preserve and maintain specimens we'd gathered in field trials and other experiments, and keep calibrated the sensitive and valuable equipment we rely on to do our science. While the pandemic isn't over, we feel, as a business, we have and will continue to meet the challenges ahead with the support of and supporting our partners and collaborators.

AgResearch's plan to honour our commitment to our Te Tiriti o Waitangi partners is contained in Te Ara Tika, an AgResearch strategy that directly addresses barriers our Te Ao Māori partners may experience working with a traditional science organisation, and conversely any barriers our scientists face in working with Māori. The plan is ambitious and long-term with one of its key drivers is to recreate AgResearch into a new organisation that brings a unique Māori approach to our science.

We have developed a number of work streams to develop staff competency working in Te Ao Māori and Kaupapa Māori based research (research that is co-created, co-developed and co-led or led independently by our partners to ensure research is directly relevant to the needs of Māori businesses, land development and communities).

Progress has been made but there remains much to do. Our company strategy, *Ta matou rautaki*, is now a cornerstone to everything we do.

The AgResearch Board, following the Ministry of Business Innovation and Employment's Te Pae Kahurangi review of Crown Research Institutes, asked our executive team to refresh our strategic thinking and direction.

What followed was a comprehensive strategic review

and then reshaping of our science engine around six new Innovation Centres of Excellence. Researchers were mobilised into teams focused on Beyond Food, Consumer Interface, Digital Agriculture, Ethical Agriculture, Resilient Agriculture and Smart Foods, which we believe better represents the contribution we make to the New Zealand research environment.

This new articulation of our strategic focus was made with the support of our stakeholders. It is timely to acknowledge their contribution and the positive feedback we have had from them providing validation of our work and the value it adds to the primary sector.

Our infrastructure programme has made pleasing progress in the last six months.

We have broken ground on our new research centre at Lincoln. The facility is also located on Lincoln University's campus, and a recent seismic assessment of the existing buildings we occupy on an adjacent site underscores the importance of this new facility. These quake damaged facilities are in a poor state of repair, therefore, in October we decided to vacate sections of the campus on the advice of engineers. A number of staff have been relocated to temporary facilities, therefore, the completion date of our new home in Lincoln will be eagerly awaited.

In summary, AgResearch experienced a year of many challenges, but our people, who drive our business, delivered throughout the year. The Board would like to thank everyone who contributed to that success.

In thousands of New Zealand dollars	Unaudited 6 months to Dec 2021	Restated Unaudited 6 months to Dec 2020	Audited 12 months to Jun 2021
Revenue	68,194	81,304	166,415
Expenditure	(74,210)	(56,688)	(138,108)
Net surplus/(deficit) before tax	(6,016)	24,616	28,307
Tax expense/(benefit)	(1,510)	1,575	3,824
Net surplus/(deficit) after tax for the period	(4,506)	23,041	24,483

Table 1. Summary of financial performance.



Dr Paul Reynolds QSO
Chair
22 February 2021



Dr Sue Bidrose
Chief Executive Officer
22 February 2021



Summer interns working in a triticale crop, a buffer used to protect and isolate 56 different 'mini-multiplication' grass lines at Sparks Block, Lincoln.



Consolidated Financial Statements

Pūrongo
pūtea

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2021

in thousands of New Zealand dollars	Note	Unaudited 6 months to Dec 2021	Restated Unaudited 6 months to Dec 2020	Audited 12 months to Jun 2021
Revenue				
Ministry of Business, Innovation and Employment				
Strategic science funding		22,481	22,474	44,963
Our Land and Water National Challenge		4,848	3,653	8,768
COVID-19 Response and Recovery Fund		-	13,570	13,570
Other		6,601	7,335	16,780
Commercial		25,005	25,861	61,817
Farm produce		1,962	2,107	4,855
Other revenue		7,297	6,304	15,662
Total operating revenue		68,194	81,304	166,415
Operating expenditure	2	(73,556)	(70,966)	(153,788)
Other gains/(losses)	3	795	15,226	18,145
Finance costs		(409)	(408)	(874)
Share of deficit of associates		(1,040)	(540)	(1,591)
Surplus/(deficit) before tax		(6,016)	24,616	28,307
Tax expense/(benefit)		(1,510)	1,575	3,824
Net surplus/(deficit) after tax for the year		(4,506)	23,041	-
Other comprehensive income				
<i>Items that will not be reclassified subsequently to surplus or deficit:</i>				
Revaluation of properties		(490)	-	6,807
Income tax relating to components of other comprehensive income		-	-	(1,141)
Other comprehensive income for the year net of tax		(490)	-	5,666
Total comprehensive income for the year net of tax		(4,996)	23,041	5,666
Net surplus/(deficit) is attributable to:				
Equity holders of the parent		(4,506)	23,041	-
Total comprehensive income is attributable to:				
Equity holders of the parent		(4,996)	23,041	5,666

Table 2. Consolidated Statement of Comprehensive Income

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

Consolidated Statement of Financial Position

For the six months ended 31 December 2021

in thousands of New Zealand dollars	Note	Unaudited 6 months to Dec 2021	Restated Unaudited 6 months to Dec 2020	Audited 12 months to Jun 2021
Current assets				
Cash and cash equivalents		97,352	72,305	95,842
Trade and other receivables		17,754	38,106	43,767
Prepayments		4,245	2,151	5,017
Lease receivable		-	131	-
Biological assets – livestock		4,586	4,512	3,832
Inventory		1,376	1,002	1,074
Property held for tax		75	-	75
Current tax		1,403	-	-
Total current assets		126,791	118,207	149,607
Non-current assets				
Investments in associates and joint ventures		4,916	6,107	5,707
Other investments		2,302	2,954	2,638
Property, plant and equipment		218,997	211,380	216,546
Biological assets – forestry		1,327	1,245	1,327
Goodwill		907	907	907
Intangible assets		1,619	2,692	1,612
Right-of-use assets		23,021	26,087	23,845
Total non-current assets		253,089	251,372	252,582
Total assets		379,880	369,579	402,189
Less:				
Current liabilities				
Trade and other payables		66,929	56,409	80,242
Derivative financial instruments		-	22	-
Provisions		5,813	5,341	5,880
Current tax		-	3,330	2,556
Lease liability		1,836	1,977	1,711
Total current liabilities		74,578	67,079	90,389

Table 3: Consolidated Statement of Financial Position (cont. overleaf).

in thousands of New Zealand dollars	Note	Unaudited 6 months to Dec 2021	Restated Unaudited 6 months to Dec 2020	Audited 12 months to Jun 2021
Non-current liabilities				
Deferred tax		12,623	9,206	13,283
Lease liability		21,979	24,647	22,792
Other non-current liabilities		417	477	447
Provisions – non-current		23	22	22
Total non-current liabilities		35,042	34,352	36,544
Total liabilities		109,620	101,431	126,933
Net assets		270,260	268,148	275,256
Equity				
Share capital		47,268	47,268	47,268
Revaluation reserves		96,068	90,896	96,558
Retained earnings		126,924	129,984	131,430
Total equity		270,260	268,148	275,256

Table 3 cont: Consolidated Statement of Financial Position.

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

Dr Paul Reynolds QSO
Chair
22 February 2021

Dr Sue Bidrose
Chief Executive Officer
22 February 2021




Consolidated Statement of Change in Equity

For the six months ended 31 December 2021

in thousands of New Zealand dollars	Share capital	Revaluation reserves Property, plant and equipment	Retained earnings	Total Equity
Unaudited 6 months to December 2020				
Balance at 1 July 2020	47,268	90,950	106,889	245,107
Deficit after tax for the period	-	-	23,041	23,041
Revaluation of properties	-	-	-	-
Transfer of revaluation reserve on sold assets	-	(54)	54	-
Income tax relating to components of other comprehensive income	-	-	-	-
Total comprehensive income	-	(54)	23,095	23,041
Balance at 31 December 2020	47,268	90,896	129,984	268,148
Audited 12 months to June 2021				
Balance at 1 July 2020	47,268	90,950	106,889	245,107
Surplus after tax for the period	-	-	24,483	24,483
Revaluation of properties	-	6,807	-	6,807
Transfer of revaluation reserve on sold assets	-	(58)	58	-
Income tax relating to components of other comprehensive income	-	(1,141)	-	(1,141)
Total comprehensive income	-	5,608	24,541	30,149
Balance at 30 June 2021	47,268	96,558	131,430	275,256
Unaudited 6 months to December 2021				
Balance at 1 July 2021	47,268	96,558	131,430	275,256
Surplus after tax for the period	-	-	(4,506)	(4,506)
Revaluation of properties	-	(490)	-	(490)
Transfer of revaluation reserve on sold assets	-	-	-	-
Income tax relating to components of other comprehensive income	-	-	-	-
Total comprehensive income	-	(490)	(4,506)	(4,996)
Balance at 31 December 2021	47,268	96,068	126,924	270,260

Table 4: Consolidated Statement of Changes in Equity.

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

Consolidated Statement of Cash Flows

For the six months ended 31 December 2021

in thousands of New Zealand dollars	Note	Unaudited 6 months to Dec 2021	Restated Unaudited 6 months to Dec 2020	Audited 12 months to Jun 2021
Cash received from operating activities				
Receipts from customers		86,640	96,044	184,923
Interest received		692	511	1,032
Dividends received		40	-	35
Total cash received from operating activities		87,372	96,555	185,990
Cash disbursed on operating activities				
Payments to employees		34,715	35,980	69,450
Payments to suppliers		38,970	28,843	68,729
Restructuring		117	575	636
Income tax paid		3,109	3,256	3,343
Interest paid		395	408	874
Total cash disbursed on operating activities		77,306	69,062	143,032
Net cash flow from operating activities	6	10,066	27,493	42,958
Cash received from investing activities				
Disposal of property, plant and equipment		9	2	14,200
Disposal of investments and intangible assets		2	47	56
Total cash received from investing activities		11	49	14,256
Cash disbursed on investing activities				
Investment in property, plant and equipment		7,307	7,977	12,392
Purchase of other investments and intangible assets		342	701	979
Partner contribution to research consortiums		-	400	800
Total cash disbursed on investing activities		7,649	9,078	14,171
Net cash flow from investing activities		(7,638)	(9,029)	85
Cash disbursed on financing activities				
Repayment of the lease liabilities		920	1,152	2,198
Total cash disbursed on financing activities		920	1,152	2,198
Net cash flow from financing activities		(920)	(1,152)	(2,198)

Table 5. Consolidated Statement of Cash Flows (cont. overleaf).

in thousands of New Zealand dollars	Note	Unaudited 6 months to Dec 2021	Restated Unaudited 6 months to Dec 2020	Audited 12 months to Jun 2021
Total net cash flow		1,508	17,312	40,845
Cash at beginning of period		95,842	55,007	55,007
Effect of exchange rate changes on the balance of cash held in foreign currencies		2	(14)	(10)
Cash at end of period		97,352	72,305	95,842

Table 5 cont. Consolidated Statement of Cash Flows.

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



Notes to and forming part of the Consolidated Financial Statements

For the six months ended 31 December 2021.

1. Basis of preparation

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

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

The consolidated condensed interim financial statements of the Group for the six months ended 31 December 2021 have been prepared applying the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group's Annual Report for the year ended 30 June 2021.

The same significant judgements, estimates and assumptions included in the notes to the financial statements in the Group's Annual Report for the year ended 30 June 2021 have been applied to these interim financial statements.

The financial statements were authorised for issue by the Directors on 22 February 2021.

2. Operating Expenditure

in thousands of New Zealand dollars	Unaudited 6 months to Dec 2021	Restated Unaudited 6 months to Dec 2020	Audited 12 months to Jun 2021
Employee Related			
Salary and wages *	34,383	34,775	68,371
Superannuation contribution	949	910	1,861
Operational			
Amortisation and impairment of intangible assets	196	230	561
Depreciation	5,721	5,566	11,322
Depreciation of right-of-use assets	1,053	1,295	2,460
Short-term and low value lease expenses	158	197	148
Other operating expenses	10,682	9,839	23,738
Science 3rd party sub-contracts	9,842	6,268	20,083
Site and property expenses	3,304	3,331	6,434
Supplies	5,936	6,963	15,593
Financial and administration			
Auditor's Remuneration – for services as auditor	158	143	279
Bad debts	3	3	1
Change in provision for doubtful debts	(3)	-	(2)
Directors' fees	145	168	353
Donations	-	1	2
Financial and legal expenses	1,029	1,277	2,584
	73,556	70,966	153,788

Table 6. Note 2 - Operating Expenditure.

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

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

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

The remuneration includes two components – base salary and employer contribution of Kiwisaver. Base salary is agreed with reference to the fixed pay market median data provided by external independent advisors and is reviewed by the Board annually.

A number of key management personnel provide directorship services to subsidiaries and other entities as part of their employment without receiving any additional remuneration. The Group purchases directors and officers insurance for the benefit of key management personnel in relation to the services they provide to the Group.

The compensation of the Executive Team members is outlined in the table below.

in thousands of New Zealand dollars	Unaudited 6 months to Dec 2021	Restated Unaudited 6 months to Dec 2020	Audited 12 months to Jun 2021
Salaries and other short term employee benefits	1,123	1,859	3,080
Termination pay ments	178	27	27
Total	1,301	1,886	3,107

Table 7. Note 2 - Remuneration

3. Other gains/(losses)

in thousands of New Zealand dollars	Unaudited 6 months to Dec 2021	Restated Unaudited 6 months to Dec 2020	Audited 12 months to Jun 2021
Net gain (loss) from foreign currency exchange	1	(49)	(114)
Net gain (loss) on sale of property, plant and equipment	72	99	213
Net gain (loss) on distribution of other investments	36	36	8
Change in fair value of other investments	(370)	315	103
Change in fair value of derivative financial instruments	1	(11)	11
Change in fair value of forestry	-	-	82
Change in fair value of livestock	1,055	820	19
(Impairment) / write ups of property, plant and equipment	-	-	(778)
Land compensation	-	14,027	14,027
Insurance proceeds	-	-	4,650
Impairment of investments	-	(11)	(76)
	795	15,226	18,145

Table 8. Note 3 - Other gains/(losses)

4. Contingencies and Commitments

There are no significant known contingent liabilities or pending litigation. As at 31 December 2021, the total capital commitments were \$67.1m.

Contingent Assets

There are no significant known contingent assets.

5. Seasonality of business

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

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

in thousands of New Zealand dollars	Unaudited 6 months to Dec 2021	Restated Unaudited 6 months to Dec 2020	Audited 12 months to Jun 2021
Surplus / (deficit) after tax	(4,506)	23,041	24,483
Non-cash items:			
Depreciation	5,721	5,566	11,322
Intangible assets amortisation and impairment	196	230	561
Depreciation of right-of-use	1,053	1,295	2,460
Net (gain) / loss on sale of property, plant and equipment	(99)	(99)	(213)
Share of deficit of associates	1,040	540	1,591
Investment write down / revaluation	-	11	76
Change in fair value of forestry	-	-	(82)
Change in fair value of livestock	(1,055)	(820)	(19)
Change in fair value of other investments	370	(315)	(111)
Property Plant and Equipment impairment / (write up)	-	-	778
Net (gain) / loss from foreign currency exchange	(3)	49	114
Change in fair value of derivative financial instruments	-	11	(11)
Net (gain) / loss on distribution of investments and intangible assets	(36)	(36)	-
Bad debt provision	-	3	-
Other non-cash items	29	(84)	(119)
Movements in working capital:			
Change in current taxation	(3,959)	692	(82)
Change in deferred tax	(659)	(2,373)	563
(Increase) / decrease in inventory	(302)	140	68
(Increase) / decrease in livestock	301	241	120
(Increase) / decrease in receivables	25,787	(15,974)	(17,061)
(Increase) / decrease in prepayments	(729)	99	(2,766)
(Increase) / decrease in other current assets	-	68	200
Increase / (decrease) in provisions	(66)	(990)	(301)
Increase / (decrease) in payables	(13,017)	14,237	37,928
Increase in insurance proceeds receivable	-	-	(4,650)
Items classified as investing and financing activities:			
Increase / (decrease) in PPE, intangibles and investment accruals	-	1,961	2,136
Net cash flow from operating activities	10,066	27,493	42,958

Table 9. Note 6 - Reconciliation of net surplus/(deficit) after tax with net cash flow from operating activities.

8. Significant events after reporting date

There are no significant events post balance date.

■ Report Declarations





Last of the Canterbury winter snow in Springfield, August 2021

Preparing the report

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

Dr Paul Reynolds QSO
Chair
22 February 2021



Statement of Responsibility

For the six months ended 31 December 2021

AgResearch Limited certifies that:

1. The Board of AgResearch Limited accepts responsibility for the preparation of the consolidated condensed interim financial statements and judgements used in them
2. The Board of AgResearch Limited accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
3. In the opinion of the Board of AgResearch Limited, the consolidated condensed interim financial statements for the six months ended 31 December 2021 fairly reflect the financial position and operations of AgResearch Limited and its subsidiaries that collectively comprise the Group.

Dr Paul Reynolds QSO
Chair
22 February 2021

Dr Sue Bidrose
Chief Executive Officer
22 February 2021





Directory

Executive Management Team

Dr Sue Bidrose
Chief Executive Officer

Tony Hickmott
Finance and Business Performance Director

Fleur Evans
People and Culture Director

Stuart Hall
Partnerships and Programmes Director

Greg Rossiter
Technology and Digital Services Director

Chris Koroheke
Kaiurungi Ahuwhenua Māori

Dr Trevor Stuthridge
Research Director
(until November 2021)

Jo Brady
Communications and Marketing Director
(until July 2021)

Board of Directors

Dr Paul Reynolds QSO
Chair

Kim Wallace
Deputy Chair
Chair – Audit and Risk Committee

Jackie Lloyd
Chair – People and Culture Committee

Rukumoana Schaafhausen
Director

Dr Louise Cullen
Director

Lain Jager
Director

Colin Armer
Director
(until June 2021)

Information

Auditors
Deloitte on behalf of the Auditor-General

Bankers
ANZ Bank New Zealand Limited
Westpac Banking Corporation

Science working for New Zealand

The Crown Research Institutes (CRIs) proudly work, individually and collectively, to create a more prosperous, sustainable and innovative New Zealand



www.sciencenewzealand.org

3,800

SMART AND
PASSIONATE PEOPLE

54

SITES ACROSS
NEW ZEALAND

6,000

SCIENCE PROJECTS
EACH YEAR

40

NATIONALLY SIGNIFICANT
DATABASES & COLLECTIONS



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