

2023

PŪRONGO A HAURUA TAU

Half Year Report

Cover image: Ewes waiting to lamb, Wreys Bush, Southland

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NGĀ AROTAKENGA O TE HEAMANA ME TE TUMUAKI WHAKAHAERE

Chair and Chief Executive's review

AgResearch recorded a higher than forecast financial loss in the first half of the 2023 financial year.

The group's loss after tax for the six months to 31 December 2022 was \$6.5 million, which is an increase of \$2m on the same period last year. Operating revenue, excluding agency income, improved 9% year on year, primarily in the commercial space. However, this was offset by increased operating expenditure driven by a mix of variable costs and post pandemic inflationary pressures.

Prompted by our current financial challenges AgResearch is deeply engaged in a process to ensure that our business is fit for the future. This work covers issues such as project costing, pricing, management, IT systems, science support and overhead costs, this will help to grow our financial sustainability over time

In addition, we are examining where our science priorities lie for the next 5 years. We are growing a depth of capability to meet the challenges of the New Zealand agricultural sector.

Together these pieces of work will set us on a firm financial foundation as we head into the changes that Te Ara Paerangi will bring.

Despite the challenging economic conditions, AgResearch continued to deliver world class science for our stakeholders.

We finished 2022 on a high when our Agricultural Greenhouse Gas Inventory Development Team won the Supreme Award at the Science New Zealand Awards (for the second year in a row). The team were able to show that estimates of nitrous oxide and methane emissions from New Zealand farms

should be significantly adjusted, compared to previous calculations.

These New Zealand-specific emission factors developed by the team were incorporated into the Ministry for Primary Industries' national agricultural inventory, which is now considered one of the best inventories in the world.

Another notable highlight came from the latest round of results from our now widely acclaimed research into animals bred to emit less methane. AgResearch scientists found carcass quality and body condition were maintained among sheep with the low methane trait as well as fleece weight, which was good news for our exporters.

The science, which has helped put New Zealand on the map as a leader in ruminant methane emissions research, is now underway to achieve something comparable in cattle, building on what has been achieved in sheep.

During the half year, AgResearch celebrated the important milestone of 50 years of deer research in New Zealand.

The research has resulted in huge advances in understanding of deer nutrition, health, behaviour and genetics and the development of products such as venison and velvet exported around the world. Another reminder of the legacy our science has and continues to achieve on behalf of New Zealand.

In conclusion, we are also pleased to add that steady progress was made during the reporting period in regard to the construction and completion of our new research facilities in Lincoln. The construction project on the Lincoln University campus is due for completion in late 2023.

Summary of Financial Performance

For the six months ended 31 December 2022

In thousands of New Zealand dollars	Unaudited 6 months to Dec 2022	Unaudited 6 months to Dec 2021	Audited 12 months to Jun 2022
Revenue	77,280	68,194	156,535
Expenditure	(85,464)	(74,210)	(157,941)
Net surplus/(deficit) before tax	(8,184)	(6,016)	(1,406)
Tax expense/(benefit)	(1,699)	(1,510)	(165)
Net surplus/(deficit) after tax for the period	(6,485)	(4,506)	(1,241)



Dr Paul Reynolds QSO
Chair
15 February 2023



Dr Sue Bidrose
Chief Executive Officer
15 February 2023

PŪRONGO PŪTEA

Consolidated Financial Statements





Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2022

in thousands of New Zealand dollars	Note	Unaudited 6 months to Dec 2022	Unaudited 6 months to Dec 2021	Audited 12 months to Jun 2022
Revenue				
Ministry of Business, Innovation and Employment				
Strategic science funding		22,481	22,481	44,963
Our Land and Water National Challenge		8,280	4,848	12,830
Other		6,747	6,601	14,614
Commercial		29,836	25,005	61,360
Farm produce		1,780	1,962	5,175
Other revenue		8,156	7,297	17,593
Total operating revenue		77,280	68,194	156,535
Operating expenditure	2	(84,910)	(73,556)	(156,141)
Other gains/(losses)		(198)	795	(101)
Finance costs		(418)	(409)	(802)
Share of associates profit/(loss)		62	(1,040)	(897)
Surplus/(deficit) before tax		(8,184)	(6,016)	(1,406)
Tax expense/(benefit)		(1,699)	(1,510)	(165)
Net surplus/(deficit) after tax for the year		(6,485)	(4,506)	(1,241)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to surplus or deficit:</i>				
Revaluation of properties		(125)	(490)	20,909
Income tax relating to components of other comprehensive income		-	-	(3,519)
Other comprehensive income for the year net of tax		(125)	(490)	17,390
Total comprehensive income for the year net of tax		(6,610)	(4,996)	16,149
Net surplus/(deficit) is attributable to:				
Equity holders of the parent		(6,485)	(4,506)	(1,241)
Total comprehensive income is attributable to:				
Equity holders of the parent		(6,610)	(4,996)	16,149

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 2022

in thousands of New Zealand dollars	Unaudited 6 months to Dec 2022	Unaudited 6 months to Dec 2021	Audited 12 months to Jun 2022
Current assets			
Cash and cash equivalents	65,708	97,352	97,168
Trade and other receivables	26,359	17,754	29,799
Prepayments	4,413	4,245	3,575
Loan receivable	-	-	2,038
Biological assets – livestock	3,551	4,585	4,058
Inventory	1,469	1,376	1,021
Property held for sale	75	75	75
Current tax	2,490	1,403	139
Total current assets	104,065	126,791	137,873
Non-current assets			
Investments in associates and joint ventures	5,922	4,916	5,347
Other investments	4,128	2,302	2,205
Property, plant and equipment	275,268	218,997	254,743
Biological assets – forestry	1,275	1,327	1,275
Goodwill	-	907	-
Intangible assets	2,059	1,619	2,179
Right-of-use assets	21,118	23,021	22,196
Loans provided to Associates	140	-	-
Total non-current assets	309,910	253,089	287,945
Total assets	413,975	379,880	425,818
Less:			
Current liabilities			
Trade and other payables	67,944	65,273	72,890
Employee entitlements	6,902	7,494	6,380
Lease liability	2,077	1,836	2,164
Other current liabilities	-	-	137
Total current liabilities	76,923	74,603	81,571

Table continued overleaf

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

FINANCIAL STATEMENTS

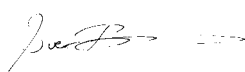
Consolidated Statement of Financial Position (For the six months ended 31 December 2022) continued

in thousands of New Zealand dollars	Unaudited 6 months to Dec 2022	Unaudited 6 months to Dec 2021	Audited 12 months to Jun 2022
Non-current liabilities			
Deferred tax	16,811	12,623	16,368
Lease liability	20,088	21,979	21,085
Other non-current liabilities	357	417	387
Total non-current liabilities	37,256	35,019	37,840
Total liabilities	114,179	109,620	119,411
Net assets	299,797	270,260	306,406
Equity			
Share capital	62,268	47,268	62,268
Revaluation reserves	113,823	96,068	113,948
Retained earnings	123,705	126,924	130,189
Total equity	299,797	270,260	306,406

Dr Paul Reynolds QSO
Chair
15 February 2023



Dr Sue Bidrose
Chief Executive Officer
15 February 2023



Consolidated Statement of Change in Equity

For the six months ended 31 December 2022

in thousands of New Zealand dollars	Share capital	Revaluation reserves		Total Equity
		Property, plant and equipment	Retained earnings	
Unaudited 6 months to December 2021				
Balance at 1 July 2021	47,268	96,558	131,430	275,256
Profit/(loss) after tax for the period	-	-	(4,506)	(4,506)
Revaluation of properties	-	(490)	-	(490)
Total comprehensive income	-	(490)	(4,506)	(4,996)
Balance at 31 December 2021	47,268	96,068	126,924	270,260
Audited 12 months to June 2022				
Balance at 1 July 2021	47,268	96,558	131,430	275,256
Issue of new shares	15,000	-	-	15,000
Profit/(loss) after tax for the year	-	-	(1,241)	(1,241)
Revaluation of properties	-	20,909	-	20,909
Income tax relating to components of other comprehensive income	-	(3,519)	-	(3,519)
Total comprehensive income	15,000	17,390	(1,241)	31,149
Balance at 30 June 2022	62,268	113,948	130,189	306,406
Unaudited 6 months to December 2022				
Balance at 1 July 2022	62,268	113,948	130,189	306,406
Profit/(loss) after tax for the year	-	-	(6,485)	(6,485)
Revaluation of properties	-	(125)	-	(125)
Total comprehensive income	-	(125)	(6,485)	(6,610)
Balance at 31 December 2022	62,268	113,823	123,705	299,797

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 2022

in thousands of New Zealand dollars	Note	Unaudited 6 months to Dec 2022	Unaudited 6 months to Dec 2021	Audited 12 months to Jun 2022
Cash received from operating activities				
Receipts from customers		80,996	86,640	162,589
Interest received		1,031	692	1,212
Dividends received		85	40	114
Total cash received from operating activities		82,112	87,372	163,915
Cash disbursed on operating activities				
Payments to employees		36,428	34,715	69,561
Payments to suppliers		45,533	38,970	74,372
Restructuring		-	117	124
Income tax paid		209	3,109	2,963
Interest paid		418	395	788
Total cash disbursed on operating activities		82,588	77,306	147,808
Net cash flow from operating activities		(476)	10,066	16,107
Cash received from investing activities				
Disposal of property, plant and equipment		65	9	25
Disposal of investments and intangible assets		2	2	2
Total cash received from investing activities		67	11	27
Cash disbursed on investing activities				
Investment in property, plant and equipment		29,245	7,307	26,346
Purchase of other investments and intangible assets		530	342	1,629
Total cash disbursed on investing activities		29,775	7,649	27,975
Net cash flow from investing activities		(29,708)	(7,638)	(27,948)
Cash received from financing activities				
Capital Drawdown		-	-	15,000
Total cash received from financing activities		-	-	15,000

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 2022) continued

in thousands of New Zealand dollars	Unaudited 6 months to Dec 2022	Unaudited 6 months to Dec 2021	Audited 12 months to Jun 2022
	Note		
Cash disbursed on financing activities			
Loan to associates/joint ventures	140	-	-
Repayment of the lease liabilities	1,136	920	1,833
Total cash disbursed on financing activities	1,276	920	1,833
Net cash flow from financing activities	(1,276)	(920)	13,167
Total net cash flow	(31,460)	1,508	1,326
Cash at beginning of period	97,168	95,842	95,842
Effect of exchange rate changes on the balance of cash held in foreign currencies	-	2	-
Cash at end of period	65,708	97,352	97,168

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 2022

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 2022 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 2022.

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 2022 have been applied to these interim financial statements.

The financial statements were authorised for issue by the Directors on 15 February 2023.

2. Operating expenditure

in thousands of New Zealand dollars	Unaudited 6 months to Dec 2022	Unaudited 6 months to Dec 2021	Audited 12 months to Jun 2022
Employee Related			
Salary and wages *	36,108	34,383	67,128
Superannuation contribution	999	949	1,870
Operational			
Amortisation and impairment of intangible assets	127	196	498
Depreciation	5,778	5,721	11,498
Depreciation of right-of-use assets	1,177	1,053	2,226
Short-term and low value lease expenses	42	158	220
Other operating expenses	14,057	10,682	22,299
Science 3rd party sub-contracts	15,316	9,842	26,414
Site and property expenses	3,808	3,304	6,943
Supplies	6,015	5,936	14,162
Financial and administration			
Auditor's Remuneration – for services as auditor	183	158	356
Bad debts	1	3	34
Change in provision for doubtful debts	-	(3)	6
Directors' fees	177	145	314
Donations	2	-	2
Financial and legal expenses	1,120	1,029	2,171
	84,910	73,556	156,141

Key Management remuneration (* included in previous table) comprises of two components: base salary and employer contribution of Kiwisaver per the following table:

in thousands of New Zealand dollars	Note	Unaudited 6 months to Dec 2022	Unaudited 6 months to Dec 2021	Audited 12 months to Jun 2022
Salaries and other short term employee benefits		1,565	1,123	3,370
Termination payments		-	178	277
Total		1,565	1,301	3,647

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.

3. Contingencies and Commitments

There are no significant known contingent liabilities or pending litigation. As at 31 December 2022, the total capital commitments were \$47.2m.

Contingent Assets

There are no significant known contingent assets.

4. Significant events after reporting date

There are no significant events post balance date.

Report declarations

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
15 February 2023



Statement of Responsibility

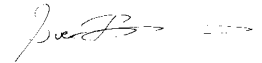
For the six months ended 31 December 2022

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 2022 fairly reflect the financial position and operations of AgResearch Limited and its subsidiaries that collectively comprise the Group.

Dr Paul Reynolds QSO
Chair
15 February 2023

Dr Sue Bidrose
Chief Executive Officer
15 February 2023



Directory

Executive Management Team

Dr Sue Bidrose
Chief Executive Officer

Stuart Hall
Deputy Chief Executive, Commercial Partnerships

Tony Hickmott
Director Finance and Business Performance

Fleur Evans
Director People and Culture

Greg Rossiter
Director Information Technology

Chris Koroheke
Urungi, Director Māori Strategy

Ariana Estoras
Director Māori Research and Partnerships

Dr Sara Edwards
Director Research Operations

Dr Marie Bradley
Director Strategy and Communications

Dr Dave Houlbrooke
Director Research Capability

Dr Axel Heiser
Chief Scientist

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

Mary-Anne Macleod
Director

Information

Auditors
Deloitte Limited on behalf of the Auditor-General

Bankers
ANZ Bank New Zealand Limited

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

agresearch
āta mātai, mātai whetū

E/S/R
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 Manaaki Whenua
Landcare Research



 Plant & Food[™]
Research
Rangahau Ahumāra Kai

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PASSIONATE PEOPLE

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