Consolidated Financial Statements

For the year ended 30 June 2022

Directors

Barry Harris (Chair)

Fenton Wilson

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Susan Huria

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Consolidated Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2022

In thousands of New Zealand Dollars	Note	2022	2021
Revenue			
Revenue from non-exchange transactions	6	67,263	70,576
Revenue from exchange transactions		623	1,147
Total revenue		**67,886**	**71,723**
Expenditure			
Pest control and management		(35,708)	(39,411)
Disease management and testing		(14,009)	(16,151)
Animal identification and tracing operations		(3,225)	(2,770)
Support centre		(2,246)	(1,952)
Research		(1,838)	(2,040)
Information technology		(6,264)	(5,804)
Corporate services		(9,310)	(8,877)
Total expenditure	7	**(72,600)**	**(77,005)**
Deficit before financing activities		**(4,714)**	**(5,282)**
Interest income		187	377
(Deficit)/Surplus for the year		**(4,527)**	**(4,905)**
Total comprehensive revenue and expense for the year		**(4,527)**	**(4,905)**

The accompanying notes on pages 8–21 are an integral part of these Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

In thousands of New Zealand Dollars	Retained Earnings	Total Equity
Opening equity	32,527	32,527
Total comprehensive revenue and expense for the year	(4,527)	(4,527)
Equity as at 30 June 2022	**28,000**	**28,000**
Opening equity	37,432	37,432
Total comprehensive revenue and expense for the year	(4,905)	(4,905)
Equity as at 30 June 2021	**32,527**	**32,527**

Consolidated Statement of Financial Position

As at 30 June 2022

In thousands of New Zealand Dollars	Note	2022	2021
Assets			
Cash and cash equivalents		14,938	9,915
Receivables and other current assets	8	4,460	5,483
Term deposits		4,500	18,500
Current assets	9	**23,898**	**33,898**
Property, plant and equipment		887	511
Intangible assets	10	14,165	7,903
Non-current assets		**15,052**	**8,414**
Total assets		**38,950**	**42,312**
Liabilities			
Trade payables and other liabilities	11	9,841	8,633
Revenue received in advance		–	143
Employee benefits liability		1,109	1,009
Current liabilities	9	**10,950**	**9,785**
Total liabilities		**10,950**	**9,785**
Equity			
Retained earnings		28,000	32,527
Total equity		**28,000**	**32,527**
Total equity and liabilities		**38,950**	**42,312**

Approval by the Directors

The Financial Statements were authorised on behalf of the Board of Directors on 21 September 2022.

B Harris
Chair

M James
Director

The accompanying notes on pages 8–21 are an integral part of these Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

In thousands of New Zealand Dollars	Note	2022	2021
Cash flows from operating activities			
Revenue from operations		68,170	71,641
Payments to employees and suppliers		(69,064)	(81,390)
Net cash flows from operating activities	15	**(894)**	**(9,749)**
Cash flows from investing activities			
Interest received		200	499
Term deposits invested		(28,500)	(41,200)
Term deposits matured		42,500	56,500
Purchase of property, plant and equipment		(618)	(307)
Purchase of intangible assets		(7,666)	(5,335)
Net cash flows from investing activities		**5,917**	**10,157**
Net increase in cash and cash equivalents		5,023	408
Opening Cash and cash equivalents		9,915	9,507
Closing Cash and cash equivalents		**14,938**	**9,915**

The accompanying notes on pages 8–21 are an integral part of these Financial Statements.

Notes to the Consolidated Financial Statements

Note 1 Reporting entity

OSPRI New Zealand Limited (‘OSPRI’) is a charity domiciled in New Zealand and registered under the Charities Act 2005 and the Companies Act 1993. The consolidated financial statements have been prepared in accordance with the requirements of these Acts.

These consolidated financial statements for the year ended 30 June 2022 comprise the controlling entity OSPRI and its wholly owned 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.

All entities within the Group are domiciled in New Zealand. TBfree manages the National Pest Management Plan for Bovine Tuberculosis in accordance with the provisions of the Biosecurity Act 1993. NAIT is responsible for implementing the National Animal Identification and Tracing Scheme and operates under the National Animal Identification and Tracing Act 2012.

As OSPRI and its subsidiaries are registered charitable entities, the Group is exempt from New Zealand income tax.

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 Public Benefit Entity Accounting Standards (Not-For-Profit). The consolidated financial statements were authorised for issue by the Board of Directors on 21 September 2022.

Accounting standards issued but not yet required to be adopted for the year ended 30 June 2022 are:

Standard		Effective
PBE FRS 48	Service Performance Reporting	Periods beginning 1 January 2022
PBE IPSAS 41	Financial Instruments	Periods beginning 1 January 2022

The Group is currently assessing the potential impacts of these new accounting standards. PBE FRS 48 will require additional processes, systems and reporting requirements. PBE IPSAS 41 will effect the way in which financial instruments are classified and measured.

(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 consolidated 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 dollars unless indicated otherwise.

Note 3 Use of estimates and judgements

The preparation of the financial statements in conformity with NZ GAAP requires the use of 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		Judgement
Note 9	Intangible Assets	Recognition 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 2022 is included in the following note:

Note		Uncertainties
Note 9	**Intangible Assets**	**Impairment, useful life and residual value of software**

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) Goods and Services Tax ('GST')

The consolidated financial statements have been prepared so that all components are stated exclusive of GST, with the exception of some receivables and payables, which may include GST.

(b) Revenue from non-exchange transactions

Non-exchange transactions are those where the Group receives value from another entity (e.g. 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 or 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).

(c) Financial Instruments – Non-derivative financial assets and liabilities

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.

The Group's financial assets are cash and cash equivalents, term deposits and receivables from exchange and nonexchange transactions. All financial assets are classified as loans and receivables and 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. Cash and cash equivalents comprises cash on call.

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 of impairment. 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 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.

The Group's financial liabilities include payables from exchange and non-exchange transactions which are classified as financial liabilities at amortised cost.

All financial liabilities are initially recognised at fair value plus any attributable transaction costs and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus and deficit.

(d) 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. Subsequent development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future service provision and economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use the asset. Otherwise, it is expensed as incurred. This expenditure is 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 and deficit and is calculated to amortise the cost of the intangible assets less any residual values using the straight-line method over their estimated useful lives of 3–7 years. The assets' residual values and useful lives are reviewed and adjusted during the reporting period as appropriate.

(e) Non-financial assets

The Group has determined that all property, plant and equipment and intangible assets (including capital work in progress) are non-cash generating assets, as they are held to provide activities and services that benefit biosecurity, traceability and industry good. 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 Company, the amount of work in progress held for those projects is written off.

At each reporting date, 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 determination of surplus and deficit.

Note 5 Segmental results

As public benefit entities, the Group is not required to provide segment reporting. Nevertheless, segmental information is presented for the parent company (OSPRI) and its two subsidiaries (TBfree and NAIT).

The Group is organised and reports to the Directors on the basis of three functional areas: OSPRI, TBfree and NAIT. Expenses incurred by OSPRI on behalf of its subsidiaries are allocated across the two functional areas on a proportional basis.

Statement of comprehensive revenue and expense for the year ended 30 June 2022

In thousands of New Zealand Dollars	OSPRI	TBfree	NAIT	Group
Operating revenue				
Crown funding	–	24,000	2,140	26,140
Dairy industry funding	–	14,500	–	14,500
Deer industry funding	–	1,499	106	1,604
Dairy slaughter levies	–	9,253	–	9,253
Beef slaughter levies	–	9,463	–	9,463
Tagged and untagged animal slaughter levies	–	–	1,350	1,350
Animal identification tag levies	–	–	3,307	3,307
Live export levies	–	1,504	–	1,504
Tuberculosis reactor proceeds	–	118	–	118
Pest control and management	278	–	–	278
Corporate services	345	–	–	345
Other income	–	–	24	24
Total operating revenue	**623**	**60,337**	**6,927**	**67,886**
Operating expenditure				
Pest control and management	290	35,418	–	35,708
Disease management and testing	–	14,009	–	14,009
Animal identification and tracing operations	–	–	3,225	3,225
Support centre	–	1,123	1,123	2,246
Research	–	1,838	–	1,838
Information technology	–	3,132	3,132	6,264
Corporate services	341	6,187	2,782	9,310
Total operating expenditure	**631**	**61,707**	**10,262**	**72,600**
Net operating surplus/(deficit) for the year	**(8)**	**(1,370)**	**(3,335)**	**(4,714)**
Interest income	–	116	71	187
Total comprehensive revenue and expense for the year	**(8)**	**(1,254)**	**(3,264)**	**(4,527)**

Statement of financial position as at 30 June 2022

In thousands of New Zealand Dollars	OSPRI	TBfree	NAIT	Intra-Group	Group
Current assets	1,520	16,696	5,907	(225)	23,898
Non-current assets	3,058	7,066	7,114	(2,185)	15,052
Total assets	**4,578**	**23,762**	**13,021**	**(2,410)**	**38,950**
Current liabilities	2,703	9,521	1,135	(2,410)	10,950
Total liabilities	**2,703**	**9,521**	**1,135**	**(2,410)**	**10,950**
Retained earnings and reserves	1,883	15,495	15,150	–	32,527
Surplus/(deficit) for the year	(8)	(1,254)	(3,264)	–	(4,527)
Total equity	**1,875**	**14,241**	**11,886**	**–**	**28,000**

Statement of comprehensive revenue and expense for the year ended 30 June 2021

In thousands of New Zealand Dollars	OSPRI	TBfree	NAIT	Group
Operating revenue				
Crown funding	–	24,000	2,140	26,140
Dairy industry funding	–	14,500	–	14,500
Deer industry funding	–	1,040	99	1,139
Dairy slaughter levies	–	10,966	–	10,966
Beef slaughter levies	–	10,770	–	10,770
Tagged and untagged animal slaughter levies	–	–	1,854	1,854
Animal identification tag levies	–	–	3,520	3,520
Live export levies	–	1,587	–	1,587
Tuberculosis reactor proceeds	–	99	–	99
Pest control and management	1,147	–	–	1,147
Other income	–	1	–	1
Total operating revenue	**1,147**	**62,963**	**7,613**	**71,723**
Operating expenditure				
Pest control and management	1,147	38,264	–	39,411
Disease management and testing	–	16,151	–	16,151
Animal identification and tracing operations	–	–	2,770	2,770
Support centre	–	976	976	1,952
Research	–	2,040	–	2,040
Information technology	–	2,902	2,902	5,804
Corporate services	–	5,613	3,264	8,877
Total operating expenditure	**1,147**	**65,946**	**9,912**	**77,005**
Net operating surplus/(deficit) for the year	**–**	**(2,983)**	**(2,299)**	**(5,282)**
Interest income	–	237	140	377
Total comprehensive revenue and expense for the year	**–**	**(2,746)**	**(2,159)**	**(4,905)**

Statement of financial position as at 30 June 2021

In thousands of New Zealand Dollars	OSPRI	TBfree	NAIT	Intra-Group	Group
Current assets	1,419	20,167	12,441	(129)	33,898
Non-current assets	3,830	3,930	3,992	(3,338)	8,414
Total assets	**5,249**	**24,097**	**16,433**	**(3,467)**	**42,312**
Current liabilities	3,366	8,602	1,283	(3,467)	9,785
Total liabilities	**3,366**	**8,602**	**1,283**	**(3,467)**	**9,785**
Retained earnings and reserves	1,883	18,241	17,309	–	37,433
Surplus/(deficit) for the year	–	(2,746)	(2,159)	–	(4,905)
Total equity	**1,883**	**15,495**	**15,150**	**–**	**32,527**

Note 6 Revenue from non-exchange transactions

In thousands of New Zealand Dollars	2022	2021
Crown funding	26,140	26,140
Dairy industry funding	14,500	14,500
Deer industry funding	1,604	1,139
Dairy slaughter levies	9,253	10,965
Beef slaughter levies	9,463	10,770
Tagged and untagged animal slaughter levies	1,350	1,854
Animal identification tag levies	3,307	3,520
Live export levies	1,504	1,586
Other Income	142	103
Total revenue from non-exchange transactions	**67,263**	**70,576**

The Group's non-exchange transactions are recognised according to the following criteria.

Crown and Industry funding

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

Stipulations that are 'conditions' that specifically require the return of any funding received if the funds are not used in the way stipulated, result in the recognition of a liability (revenue in advance) that is subsequently recognised as non-exchange revenue as and when the conditions are satisfied.

Funding subject to stipulations that are 'restrictions' that do not specifically require the return of any funding received if the funds are not utilised in the way stipulated are recognised as non-exchange revenue when the funds are receivable.

TBfree receives funding from the Crown, dairy, beef and deer industry sectors pursuant to a 'TB Plan Funders' Agreement'. The funding provided is restricted to being used to carry out its National Pest Management Plans for bovine tuberculosis control and eradication from cattle and deer herds. The funding agreement does not impose any condition that require unspent funds to be returned and the funding is recognised as non-exchange revenue when the funds are receivable.

NAIT receives funding from the Crown to enable it to carry out its animal identification and tracing operations and the funding is recognised as non-exchange revenue when the funds are receivable. The funding agreement has 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 may be reduced.

Levies

In accordance with the applicable legislation, regulations and orders, levies are charged when cattle and deer are processed by a meat processor, when cattle are exported live for commercial purposes and when animal identification tags are sold. The purpose of the levies collected is to partially fund the implementation of a national bovine tuberculosis management plan, and the establishment and ongoing maintenance of a disease management system and the ongoing maintenance of a national animal identification and tracing scheme. There are no conditions imposed in respect of this revenue and it is recognised as non-exchange revenue when the funds are receivable.

Note 7 Expenditure

Total expenses includes the following:

In thousands of New Zealand Dollars	Note	2022	2021
Employee remuneration		12,711	11,479
KiwiSaver contribution		556	551
Depreciation		243	276
Amortisation	10	1,406	100
Operating lease expenses		1,336	1,294

Note 8 Receivables and other current assets

In thousands of New Zealand Dollars	Note	2022	2021
Receivables from non-exchange transactions			
Industry funding	14	1,517	1,495
Slaughter levies		2,155	2,466
Animal identification tag levies		495	551
Other receivables and current assets		263	929
Total receivables from non-exchange transactions		**4,431**	**5,441**
Receivables from exchange transactions			
Interest from term deposits		29	42
Total receivables from exchange transactions		**29**	**42**
Total receivables and other current assets		**4,460**	**5,483**

Receivables from non-exchange transactions are non-interest bearing and are generally on terms of 30 to 60 days.

The aging of receivables from exchange and non-exchange transactions as at reporting date is as follows:

		2022	
In thousands of New Zealand Dollars	Gross	Impairment	Net
Not past due	4,391	–	4,391
1 – 60 days	69	–	69
Total receivables	**4,460**	**–**	**4,460**

		2021	
In thousands of New Zealand Dollars	Gross	Impairment	Net
Not past due	5,480	–	5,480
1 – 60 days	3	–	3
Total receivables	**5,483**	**–**	**5,483**

Note 9 Fair values

The carrying amounts of all financial assets and liabilities approximate their fair values. The fair value of the financial assets and liabilities is the amount at which the instruments could be exchanged in a current transaction between willing parties, that is, 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.

Note 10 Intangible assets

The majority of the software comprises the NAIT Database, Disease Management system and the development of a new integrated information system.

2022 – Net Book Value

In thousands of New Zealand Dollars	Software	Work in Progress	Total
Cost	31,669	4,070	35,739
Amortisation and impairments	(21,574)	–	(21,574)
Net Book Value	**10,095**	**4,070**	**14,165**
Opening Balance	28,073	–	28,073
Additions	–	7,666	7,666
Capitalisation of WIP	3,596	(3,596)	–
Total Cost	**31,669**	**4,070**	**35,739**
Opening Balance	20,168	–	20,168
Amortisation	1,406	–	1,406
Total Amortisation and impairments	**21,574**	**–**	**21,573**

2021 – Net Book Value

In thousands of New Zealand Dollars	Software	Work in Progress	Total
Cost	28,073	–	28,073
Amortisation and impairments	(20,168)	–	(20,168)
Net Book Value	**7,905**	**–**	**7,905**
Opening balance	20,365	2,373	22,738
Additions	–	5,335	5,335
Capitalisation of WIP	7,708	(7,708)	–
Total Cost	**28,073**	**–**	**28,073**
Opening Balance	20,068	–	20,068
Amortisation	100	–	100
Total Amortisation and impairments	**20,168**	**–**	**20,168**

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 are 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.

Note 11 Trade payables and other liabilities

In thousands of New Zealand Dollars	2022	2021
Trade payables	1,953	2,087
Bank overdraft facility	–	–
Other payables and accruals	7,888	6,546
Total trade payables and other liabilities	**9,841**	**8,633**

Trade payables are non-interest bearing and are normally settled on 30 day terms.

TBfree entered into an agreement for use of a bank overdraft facility with Westpac, secured by a General Security Agreement. The overdraft limit is $15.0m with an ability to draw down from 1 July 2022.

Note 12 Financial risk management

As part of its normal operations, the Group is exposed to a number of risks and has policies in place to mitigate the adverse impacts of these risks. The most significant are credit risk, interest rate risk and liquidity risk.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet or defaults on its contractual obligations. The carrying amounts of all financial assets represents the maximum exposure to credit risk. The Group is not exposed to any material concentrations of credit risk other than its exposure to the dairy and beef industries.

The Group does not require any collateral or security to support financial instruments relating to its receivables. The receivables and recoverable balances are monitored on an continual basis in order to mitigate bad debts. Any receivables identified as being uncollectable are immediately written off.

The Group holds all its cash and cash equivalents with major New Zealand registered banks and has limits in place to ensure there is no concentration of credit risk with any one bank. Credit ratings of all major New Zealand registered banks as issued by Standard & Poor's (AA-), Fitch (A+) and Moody's (A1) at 30 June 2022 are noted (unchanged from 2021).

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 adverse changes in market interest rates. The Group's Treasury policy states that investments can only be held for a maximum of 185 days. During the financial year and as at the end of the financial year, the Group's exposure to interest rate risk was not material.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and 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 to meet its liabilities when due, under both normal and stressed conditions. Under the Group's Treasury policy, only cash deemed surplus to the Group's liquidity be invested short-term. The only financial liabilities that the Group has are payables from exchange transactions, which are expected to settle within the agreed credit terms subsequent to balance date.

The Group's capital includes share capital and retained earnings. Accumulated surpluses are available for future purposes. The Group prepares long term forecasts to manage its capital and liquidity.

Note 13 Capital

OSPRI has 110 (2021:110) ordinary shares that have been issued and fully paid with no par value.

As the company is a not for profit entity, the holder of ordinary shares is not entitled to receive dividends or distributions of any kind from the company, as stated in the company's constitution.

Note 14 Related parties

Shareholders

The Shareholders of OSPRI are Beef + Lamb New Zealand Limited, DairyNZ Incorporated and the Deer Industry New Zealand.

Key management personnel

The key management personnel, are the Directors (who together govern the Group) and members of the executive leadership team. The total remuneration of key management personal was:

In thousands of New Zealand Dollars	2022	2021
Board fees (including committee fees)	285	270
Number of persons	6	6
NAIT panel fees	18	18
Number of persons	3	3
Total Remuneration to Board members	**303**	**287**

The executive leadership team consisted of the Chief Executive, Chief Financial Officer, Chief Information Officer, General Managers, National Managers, and Head of NAIT. The total remuneration of the executive leadership team and the number of personnel, on a full-time equivalent basis, receiving remuneration in this category are:

In thousands of New Zealand Dollars	2022	2021
Executive leadership team remuneration	2,407	2,271
Number of persons	11	10
Total Remuneration to Leadership team	**2,407**	**2,271**

Transactions with related parties

All transactions with related parties comply with the Group's normal trading terms. The Group had the following material transactions with its related parties:

In thousands of New Zealand Dollars	2022	2021
DairyNZ Incorporated for industry funding	14,500	14,500
Deer Industry New Zealand for industry funding	1,604	1,133
Revenue from non-exchange transactions	**16,104**	**15,633**

The Group had the following balances outstanding with its related parties:

In thousands of New Zealand Dollars	Note	2022	2021
DairyNZ Incorporated		1,390	1,390
Deer Industry New Zealand		128	106
Receivables from non-exchange transactions	8	**1,517**	**1,495**

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

In thousands of New Zealand Dollars	2022	2021
Surplus/(deficit) for the year	**(4,527)**	**(4,905)**
Add/(deduct) items classified as investing activities		
Interest received	(200)	(499)
Add/(deduct) non-cash movements		
Amortisation and depreciation	1,649	375
Movements in working capital items		
(Increase)/decrease in receivables and other current assets	1,023	(703)
Increase/(decrease) in employee entitlements	99	22
Increase/(decrease) in revenue in advance	(143)	(496)
Increase/(decrease) in payables and other liabilities	1,205	(3,543)
Net cash flows from operating activities	**(894)**	**(9,749)**

Note 16 Operating leases

The Group has entered into non-cancellable operating leases for offices 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:

In thousands of New Zealand Dollars	2022	2021
Due within one year	1,139	1,115
Due between one and two years	928	952
Due between two and five years	1,314	1,977
Total non-cancellable operating lease payments	**3,381**	**4,045**

Note 17 Commitments

Pest management control

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 2022 is $4.8m (2021: $3.9m).

Research contracts

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:

In thousands of New Zealand Dollars	2022	2021
Due within one year	1,739	1,717
Due between one and two years	40	1,497
Total research funding commitments	**1,779**	**3,214**

Tuberculosis Management Areas

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 12 months prior to commencement of work at no cost to TBfree. Where contracts are terminated within 12 months of commencement of work, TBfree will reimburse actual costs incurred up to date of contract termination plus up to 5% of the relevant project price to cover the contractor's lost margin. As at 30 June 2022, TBfree has no intention to materially change any awarded contracts and the result of any contract cancellation is not expected to have a material impact on the financial statements of the Group.

Note 18 Capital commitments

Capital commitments as at 30 June 2022 were nil (2021: Nil).

Note 19 Contingent liabilities

OSPRI has ongoing claims, investigations and inquiries, none of which are expected to have a significant effect on the financial statements of the Group (2021: Nil).

Note 20 Subsequent events

There were no significant events after reporting date and up to the date of issue that would have a material impact on the financial statements of the Group (2021: Nil).

Note 21 Auditor's remuneration

The auditor of the Group for 2022 is BDO Limited (2021: BDO Limited)

In thousands of New Zealand Dollars	2022	2021
Amounts paid or payable to the auditor for auditing the accounts of the company	42	42
Amounts paid or payable for non-audit services provided by the auditor	14	–

BDO Wellington Audit Limited

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF OSPRI NEW ZEALAND LIMITED

Opinion

We have audited the consolidated financial statements of OSPRI New Zealand Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Public Benefit Entity Standards ("PBE Standards") issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company or any of its subsidiaries.

Other Information

The Board is responsible for the other information. The other information obtained at the date of this auditor's report is information contained in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

BDO Wellington Audit Limited

Board's Responsibilities for the Consolidated Financial Statements

The Board is responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with PBE Standards, and for such internal control as the Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are 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 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 and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/.

This description forms part of our auditor's report.

Who we Report to

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

BDO Wellington Audit Limited

BDO WELLINGTON AUDIT LIMITED
Wellington
New Zealand
21 September 2022