OSPRI

Consolidated Financial Statements 2019–2020

Directors

Barry Harris *(Chair)*
Lesley Campbell
Fenton Wilson
Michael Pohio *(resigned 29 February 2020)*
Marise James *(appointed 1 March 2020)*
James Parsons

Registered Office

Level 9, 15 Willeston Street
Wellington, New Zealand

Auditor

KPMG
Wellington, New Zealand

Solicitors

Chapman Tripp
Wellington, New Zealand

Bankers

Westpac New Zealand Limited
Wellington, New Zealand

OSPRI New Zealand Limited

Consolidated Financial Statements

For year ended 30 June 2020

Consolidated Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2020

In thousands of New Zealand Dollars	Note	2020	2019
Revenue			
Revenue from non-exchange transactions	6	69,215	71,151
Revenue from exchange transactions		775	3,443
Total revenue		**69,990**	**74,594**
Expenditure			
Pest control and management		38,279	38,860
Disease management and testing		16,866	17,278
Animal identification and tracing operations		1,618	2,639
Contact centre and verification		2,375	1,481
Research		2,170	2,171
Business service support	7	16,448	12,753
Total expenditure	7	**77,756**	**75,182**
Deficit before financing activities		**(7,766)**	**(588)**
Interest income		1,063	1,282
(Deficit)/Surplus for the year		**(6,703)**	**694**
Total comprehensive revenue and expense for the year		**(6,703)**	**694**

The notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

In thousands of New Zealand Dollars	**Retained Earnings**	**Special Reserves**	**Total Equity**
Opening equity	44,135	-	44,135
Total comprehensive revenue and expense for the year	(6,703)	-	(6,703)
Equity as at 30 June 2020	**37,432**	**-**	**37,432**
Opening equity	21,513	21,928	43,441
Release of special reserves	21,928	(21,928)	-
Total comprehensive revenue and expense for the year	694	-	694
Equity as at 30 June 2019	**44,135**	**-**	**44,135**

The notes are an integral part of these financial statements.

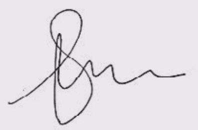
Consolidated Statement of Financial Position

As at 30 June 2020

In thousands of New Zealand Dollars	Note	2020	2019
Assets			
Cash and cash equivalents		9,507	8,225
Receivables and other current assets	8	4,780	6,584
Investments		33,800	41,200
Current assets	9	**48,087**	**56,009**
Property, plant and equipment		477	582
Intangible assets	10	2,670	401
Non-current assets		**3,147**	**983**
Total assets		**51,234**	**56,992**
Liabilities			
Payables from exchange transactions and other liabilities		12,177	12,144
Revenue received in advance		639	-
Employee benefits liability		986	713
Current liabilities	9	**13,802**	**12,857**
Total liabilities		**13,802**	**12,857**
Equity			
Capital	12	-	-
Retained earnings		37,432	44,135
Total equity		**37,432**	**44,135**
Total equity and liabilities		**51,234**	**56,992**

Approval by the Directors

The Financial Statements were authorised on behalf of the Board of Directors on 25 September 2020.



B Harris
Chair

M James
Director

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Consolidated Statement of Cash Flows

For the year ended 30 June 2020

In thousands of New Zealand Dollars	**2020**	**2019**
Cash flows from operating activities		
Revenue from operations	83,065	73,853
Cash paid to employees and suppliers	(87,612)	(70,523)
Net cash flows from operating activities	**(4,547)**	**3,330**
Cash flows from investing activities		
Interest income	1,116	1,240
Investments matured/(deposited)	7,400	(1,500)
Purchase of property, plant and equipment	(319)	(353)
Expenditure on intangible assets	(2,368)	(286)
Net cash flows from investing activities	**5,829**	**(899)**
Net increase in cash and cash equivalents	1,282	2,431
Opening cash and cash equivalents	8,225	5,794
Closing cash and cash equivalents	**9,507**	**8,225**

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

In thousands of New Zealand Dollars	**2020**	**2019**
(Deficit)/Surplus for the year	**(6,703)**	**694**
Interest income	(1,063)	(1,282)
Work in progress additions	-	(15)
Loss on sale of property, plant and equipment	-	47
Non-cash movements		
Amortisation and depreciation	523	3,132
Capitalisation of work in progress	-	40
Work in progress written-off	-	39
Changes in working capital	2,696	675
Net cash flows from operating activities	**(4,547)**	**3,330**

The notes 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 2020 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 25 September 2020.

Accounting standards issued but not yet effective and not early adopted which are relevant to the Group are:

Standard		Effective
PBE FRS 48	Service Performance Reporting	1 January 2022
PBE IPSAS 40	PBE Combinations	1 January 2021
PBE IPSAS 41	Financial Instruments	1 January 2022

The Group has yet to assess the potential impacts of these new accounting standards, but expects that PBE FRS 48 will require additional processes, systems and reporting requirements.

(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 2020 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 non-exchange 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 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.

(d) 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 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 comprehensive revenue and expense 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.

(e) 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 expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. 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 comprehensive revenue and expense 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.

(f) 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.

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 comprehensive revenue and expense.

Note 5: Segmental results

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.

2020 – Operating statement

In thousands of New Zealand Dollars	OSPRI	TBfree	NAIT	Group
Operating revenue				
Crown funding	-	24,000	2,140	26,140
Industry funding	-	15,580	94	15,674
Pest control and management	775	-	-	775
Slaughter levies	-	21,146	1,942	23,088
Animal identification tag levies	-	-	3,622	3,622
Live export levies	-	599	-	599
Tuberculosis reactor proceeds	-	91	-	91
Other income	-	-	1	1
Total operating revenue	**775**	**61,416**	**7,799**	**69,990**
Operating expenditure				
Pest control and management	740	37,539	-	38,279
Disease management and testing	-	16,866	-	16,866
Animal identification and tracing operations	-	-	1,618	1,618
Contact centre and compliance	-	1,187	1,188	2,375
Research	-	2,170	-	2,170
Business service support	-	10,337	6,111	16,448
Total operating expenditure	**740**	**68,099**	**8,917**	**77,756**
Net operating surplus/(deficit) for the year	**35**	**(6,683)**	**(1,118)**	**(7,766)**
Interest income	-	675	388	1,063
Total comprehensive revenue and expense for the year	**35**	**(6,008)**	**(730)**	**(6,703)**

2020 – Balance sheet

In thousands of New Zealand Dollars	OSPRI	TBfree	NAIT	Intra-Group	Group
Current assets	1,955	34,336	12,674	(878)	48,087
Non-current assets	6,335	214	4,778	(8,180)	3,147
Total assets	**8,290**	**34,550**	**17,452**	**(9,058)**	**51,234**
Current liabilities	6,407	16,307	146	(9,058)	13,802
Total liabilities	**6,407**	**16,307**	**146**	**(9,058)**	**13,802**
Retained earnings and reserves	1,848	24,251	18,036	-	44,135
Surplus/(deficit) for the year	35	(6,008)	(730)	-	(6,703)
Total equity	**1,883**	**18,243**	**17,306**	**-**	**37,432**

2019 – Operating statement

In thousands of New Zealand Dollars	**OSPRI**	**TBfree**	**NAIT**	**Group**
Operating revenue				
Crown funding	-	24,000	2,140	26,140
Industry funding	-	15,502	90	15,592
Pest control and management	3,443	-	-	3,443
Slaughter levies	-	23,422	2,039	25,461
Animal identification tag levies	-	-	3,553	3,553
Live export levies	-	272	-	272
Tuberculosis reactor proceeds	-	125	-	125
Other income	-	2	6	8
Total operating revenue	**3,443**	**63,323**	**7,828**	**74,594**
Operating expenditure				
Pest control and management	3,113	35,747	-	38,860
Disease management and testing	-	17,278	-	17,278
Animal identification and tracing operations	-	-	2,639	2,639
Contact centre and compliance	-	979	502	1,481
Research	-	2,171	-	2,171
Business service support	-	8,541	4,212	12,753
Total operating expenditure	**3,113**	**64,716**	**7,353**	**75,182**
Net operating surplus/(deficit) for the year	**330**	**(1,393)**	**475**	**(588)**
Interest income	-	814	468	1,282
Total comprehensive revenue and expense for the year	**330**	**(579)**	**943**	**694**

2019 – Balance sheet

In thousands of New Zealand Dollars	OSPRI	TBfree	NAIT	Intra-Group	Group
Current assets	4,324	34,716	18,408	(1,439)	56,009
Non-current assets	522	190	271	-	983
Total assets	**4,846**	**34,906**	**18,679**	**(1,439)**	**56,992**
Current liabilities	2,998	10,655	643	(1,439)	12,857
Total liabilities	**2,998**	**10,655**	**643**	**(1,439)**	**12,857**
Retained earnings and reserves	1,518	24,830	17,093	-	43,441
Surplus/(deficit) for the year	330	(579)	943	-	694
Total equity	**1,848**	**24,251**	**18,036**	**-**	**44,135**

Note 6: Revenue from non-exchange transactions

In thousands of New Zealand Dollars	2020	2019
Crown funding	26,140	26,140
Industry funding	15,674	15,592
Slaughter levies	23,088	25,461
Animal identification tag levies	3,622	3,553
Live export levies	599	272
Other income	92	133
Total revenue from non-exchange transactions	**69,215**	**71,151**

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 conditions 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

The year ended 30 June 2020 has seen the Group needing to prepare for the future and invest in systems, processes and IT infrastructure. As a result the Business Service Support costs have increased for the 30 June 2020 financial year when compared to previous years.

Total expenses includes the following:

In thousands of New Zealand Dollars	**2020**	**2019**
Short-term employee benefits	11,777	10,177
Amortisation and depreciation	523	3,132
Operating lease expenses	1,016	1,020
Audit fees	45	42

Note 8: Receivables and other current assets

In thousands of New Zealand Dollars	**2020**	**2019**
Receivables from non-exchange transactions		
Industry funding	1,396	1,395
Slaughter levies	2,363	2,892
Animal identification tag levies	581	740
Other receivables and current assets	277	1,342
Total receivables from non-exchange transactions	**4,617**	**6,369**
Receivables from exchange transactions		
Interest	163	215
Total receivables from exchange transactions	**163**	**215**
Total receivables and other current assets	**4,780**	**6,584**

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

2020

In thousands of New Zealand Dollars	**Gross**	**Impairment**	**Net**
Not past due	4,539	-	4,539
Total receivables	**4,539**	**-**	**4,539**

2019

In thousands of New Zealand Dollars	**Gross**	**Impairment**	**Net**
Not past due	6,233	-	6,233
Past due 1–60 days	65	-	65
Total receivables	**6,298**	**-**	**6,298**

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 and Disease Management systems.

2020 – Net book value

In thousands of New Zealand Dollars	Software	Work in progress	Total
Cost	20,365	2,373	22,738
Amortisation and impairments	(20,068)	-	(20,068)
Net book value	**297**	**2,373**	**2,670**
Opening balance	**20,365**	**5**	**20,370**
Additions	-	2,368	2,368
Total cost	**20,365**	**2,373**	**22,738**
Opening balance	**19,968**	**-**	**19,968**
Amortisation	100	-	100
Total amortisation and impairments	**20,068**	**-**	**20,068**

2019 – Net book value

In thousands of New Zealand Dollars	Software	Work in progress	Total
Cost	20,365	5	20,370
Amortisation and impairments	(19,968)	-	(19,968)
Net book value	**397**	**5**	**402**
Opening balance	**20,658**	**79**	**20,737**
Additions	(293)	5	(288)
Capitalisations	-	(40)	(40)
Write-offs	-	(39)	(39)
Total cost	**20,365**	**5**	**20,370**
Opening balance	**17,814**	**-**	**17,814**
Amortisation	2,782	-	2,782
Impairments	(628)	-	(628)
Total amortisation and impairments	**19,968**	**-**	**19,968**

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: 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 a 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 New Zealand registered banks and has limits in place to ensure there is no concentration of credit risk with any one bank.

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.

Note 12: Capital

OSPRI has 110 (2019:110) ordinary shares that have been issued and fully paid with no par value.

Note 13: 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 personnel was:

In thousands of New Zealand Dollars	**2020**	**2019**
Board fees (including committee fees)	245	218
Number of persons	6	5
NAIT panel fees	18	18
Number of persons	4	3
Total remuneration to board members	**263**	**236**

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

In thousands of New Zealand Dollars	**2020**	**2019**
Executive leadership team remuneration	1,841	1,780
Number of persons	8	8
Total remuneration to leadership team	**1,841**	**1,780**

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	**2020**	**2019**
DairyNZ Incorporated	14,500	14,500
Deer Industry New Zealand	1,173	1,093
Revenue from non-exchange transactions	**15,673**	**15,593**

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

In thousands of New Zealand Dollars	**2020**	**2019**
DairyNZ Incorporated	1,390	1,390
Deer Industry New Zealand	6	5
Receivables from non-exchange transactions	**1,396**	**1,395**

Note 14: 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	2020	2019
Due within one year	380	769
Due between one and two years	194	382
Due between two and five years	81	282
Total non-cancellable operating lease payments	**655**	**1,433**

Note 15: 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 2020 is $5.3m (2019: $1.2m). The COVID-19 lockdown delayed the completion of some pest control operations which are expected to be completed within the following financial year.

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	2020	2019
Due within one year	941	2,093
Due between one and two years	290	593
Due between two and five years	43	94
Total research funding commitments	**1,274**	**2,780**

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 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 16: Capital commitments

Capital commitments as at 30 June 2020 were nil (2019: Nil).

Note 17: 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 (2019: Nil).

Note 18: Subsequent events

There were no significant events after balance date and up to the date of issue that would have a material impact on the financial statements of the Group (2019: Nil).

Independent Auditor's Report

To the shareholders of OSPRI New Zealand Limited

Report on the audit of 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 19:

i. present fairly in all material respects the Group's financial position as at 30 June 2020 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 2020;
- the consolidated statements of comprehensive income, 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.

KPMG

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

KPMG
Wellington

25 September 2020