

FINANCIALS



TO THE READERS OF THE DEER INDUSTRY NEW ZEALAND AND GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

AUDIT REPORT

The Auditor-General is the auditor of Deer Industry New Zealand and Group. The Auditor-General has appointed me, Jacqueline Robertson, using the staff and resources of Deloitte, to carry out the audit of the financial statements of Deer Industry New Zealand and Group, for the year ended 30 September 2009.

Unqualified Opinion

In our opinion:

The financial statements of Deer Industry New Zealand and Group on pages 35 to 43:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - Deer Industry New Zealand and Group's financial position as at 30 September 2009; and
 - the results of its operations and cash flows for the year ended on that date

Based on our examination, Deer Industry New Zealand and Group kept proper accounting records.

The audit was completed on 26 November 2009, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;

- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements that show the financial position of Deer Industry New Zealand and Group as at 30 September 2009. They must also fairly reflect the results of its operations and cash flows for the year ended on that date. The Board of Directors responsibilities arise from the Primary Products Marketing Act 1953.

We are responsible for expressing an independent

opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 12 of the Primary Products Marketing Act 1953.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit and the provision of taxation advice, we have no relationship with or interests in the Deer Industry New Zealand and Group.

Jacqueline Robertson

DELOITTE

*On behalf of the Auditor-General
WELLINGTON, New Zealand*

This audit report relates to the financial statements of Deer Industry New Zealand and Group ("DINZ") for the year ended 30 September 2009 included on DINZ's website. The Board of Directors is responsible for the maintenance and integrity of DINZ's website. We have not been engaged to report on the integrity of DINZ's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 26 November 2009 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL PERFORMANCE

| | Notes | Consolidated 2009 \$ | Consolidated 2008 \$ | Parent 2009 \$ | Parent 2008 \$ |
|--|-------|----------------------------|----------------------------|----------------------|----------------------|
| INCOME | | | | | |
| Levy Income Venison | 1 | 3,246,867 | 3,873,238 | 3,246,867 | 3,873,238 |
| Levy Income Velvet | 1 | 1,266,445 | 1,297,602 | 1,266,445 | 1,297,602 |
| Interest Received | 1 | 303,274 | 454,847 | 157,700 | 288,289 |
| Dividends Received | | - | - | - | 550,162 |
| Foreign Currency Gain | | - | 14,448 | - | 14,448 |
| Other Income | | 209,705 | 202,998 | 209,180 | 202,998 |
| Animal Health Board Levy Received | 2 | 1,265,931 | 1,185,854 | 1,265,931 | 1,185,591 |
| Processor Voluntary Contribution for Johnes Management Ltd | | 195,454 | 209,163 | 195,454 | 209,163 |
| TOTAL INCOME | | 6,487,676 | 7,238,150 | 6,341,577 | 7,621,491 |
| EXPENDITURE | | | | | |
| RESEARCH INVESTMENT | | | | | |
| Research Expenditure | 13 | 901,006 | 1,218,544 | 804,545 | 1,500,040 |
| Johnes Management Limited Operating Expenses | | 248,912 | 124,379 | - | - |
| Total Research Investment | | 1,149,918 | 1,342,923 | 804,545 | 1,500,040 |
| VENISON PROMOTION | | | | | |
| Generic Promotion | | 1,161,173 | 1,317,455 | 1,161,173 | 1,317,455 |
| Joint Promotion | | 781,803 | 677,072 | 781,803 | 677,072 |
| Total Venison Promotion | | 1,942,976 | 1,994,527 | 1,942,976 | 1,994,527 |
| VELVET | | | | | |
| Promotion | | 493,629 | 513,872 | 493,629 | 513,872 |
| Velvet Removal | | 301,270 | 231,164 | 301,270 | 231,164 |
| Total Velvet Expenditure | | 794,899 | 745,036 | 794,899 | 745,036 |
| ANIMAL HEALTH BOARD LEVY | 2 | 1,265,931 | 1,185,591 | 1,265,931 | 1,185,591 |
| JOHNES MANAGEMENT LIMITED LEVY | | - | - | 195,454 | 209,163 |
| COMMUNICATIONS | | 339,247 | 322,928 | 339,247 | 322,928 |
| QUALITY ASSURANCE | | 195,930 | 194,765 | 195,930 | 194,765 |
| PRODUCER MANAGEMENT | | 259,475 | 258,653 | 259,475 | 258,653 |
| OPERATING EXPENDITURE | | | | | |
| Audit Fees | 3 | 32,018 | 30,546 | 27,818 | 26,196 |
| Depreciation | 7 | 17,974 | 26,981 | 12,318 | 23,855 |
| Board and Directors' Fees and Expenses | 10 | 223,654 | 243,588 | 197,020 | 213,838 |
| Foreign Currency Loss | | 46,993 | - | 46,993 | - |
| Insurance | | 48,693 | 47,084 | 48,693 | 47,084 |
| Other Fees Paid to Auditors | | 19,440 | 24,749 | 18,840 | 19,749 |
| Other Operating Expenses | | 241,346 | 300,368 | 222,423 | 279,159 |
| Grant To Cervena Trust Limited | | - | - | 21,951 | 18,719 |
| Premises Rental and Costs | | 99,976 | 82,211 | 99,976 | 82,211 |
| Total Operating Expenditure | | 730,094 | 755,527 | 696,032 | 710,811 |
| Total Expenditure | | 6,678,470 | 6,799,950 | 6,494,489 | 7,121,514 |
| (Deficit)/Surplus Before Taxation | | (190,794) | 438,200 | (152,912) | 499,977 |
| Taxation Expense | 4 | 938 | 1,283 | - | - |
| (Deficit)/Surplus After Taxation | | (191,732) | 436,917 | (152,912) | 499,977 |
| (Deficit)/Surplus Attributable to: | | | | | |
| Deer Industry New Zealand Members | | (148,830) | (61,444) | (152,912) | 499,977 |
| Game Industry Research Trust | | - | (492,902) | - | - |
| Deer Industry New Zealand Research Trust | | 35,548 | 933,838 | - | - |
| Johnes Management Limited | | (78,450) | 57,425 | - | - |
| | | (191,732) | 436,917 | (152,912) | 499,977 |

| | Notes | Consolidated 2009 \$ | Consolidated 2008 \$ | Parent 2009 \$ | Parent 2008 \$ |
|--|-------|----------------------------|----------------------------|----------------------|----------------------|
| Opening Accumulated Funds | | 4,570,880 | 4,133,963 | 1,998,490 | 1,498,513 |
| Net (Deficit)/Surplus | | (191,732) | 436,917 | (152,912) | 499,977 |
| Total Recognised Revenue and Expenses | | (191,732) | 436,917 | (152,912) | 499,977 |
| Closing Accumulated Funds | | 4,379,148 | 4,570,880 | 1,845,578 | 1,998,490 |
| Closing Accumulated Funds relate to: | | | | | |
| Deer Industry New Zealand | 11 | 1,857,721 | 2,006,552 | 1,845,578 | 1,998,490 |
| Deer Industry New Zealand Research Trust | 11 | 2,502,667 | 2,467,119 | - | - |
| Game Industry Research Trust | 11 | - | - | - | - |
| Johnes Management Limited | 11 | 18,760 | 97,209 | - | - |
| | | 4,379,148 | 4,570,880 | 1,845,578 | 1,998,490 |

STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS

| | Notes | Consolidated 2009 \$ | Consolidated 2008 \$ | Parent 2009 \$ | Parent 2008 \$ |
|---|-------|----------------------------|----------------------------|----------------------|----------------------|
| Accumulated Funds | 11 | 4,379,148 | 4,570,880 | 1,845,578 | 1,998,490 |
| Represented By : | | | | | |
| Current Assets | | | | | |
| Short Term Bank Deposits | | 5,252,615 | 5,646,493 | 2,500,118 | 2,952,379 |
| Trade Receivables | | 443,033 | 352,454 | 425,542 | 493,717 |
| Inter-Company Receivables | 6 | 22,206 | 59,619 | 11,218 | 9,877 |
| Accrued Interest | | 56,746 | 63,891 | 43,817 | 55,023 |
| Prepayments | | 5,330 | 3,967 | 5,330 | 3,967 |
| Tax Refund Due | | 94 | 39,356 | - | - |
| Total Current Assets | | 5,780,024 | 6,165,780 | 2,986,025 | 3,514,963 |
| Less Current Liabilities | | | | | |
| Accounts Payable | | 724,421 | 479,098 | 452,154 | 254,480 |
| Inter-Company Payables | 6 | 4,621 | 100,884 | 11,372 | 262,125 |
| Accruals | | 646,539 | 998,977 | 646,539 | 978,827 |
| Employee Entitlements | | 48,780 | 39,877 | 48,780 | 39,877 |
| Total Current Liabilities | | 1,424,361 | 1,618,836 | 1,158,845 | 1,535,309 |
| Non Current Assets | | | | | |
| Fixed Assets | 7 | 23,455 | 23,906 | 18,098 | 18,536 |
| Investment in Subsidiaries / Associates | 5 | 30 | 30 | 300 | 300 |
| Total Non Current Assets | | 23,485 | 23,936 | 18,398 | 18,836 |
| Net Assets | | 4,379,148 | 4,570,880 | 1,845,578 | 1,998,490 |

STATEMENT OF FINANCIAL POSITION

The Financial Statements were authorised on behalf of the Board by:


John Scurr
Chairman of the Board


Stuart Nattrass
Chairman of Audit Committee

STATEMENT OF CASHFLOWS

| | Consolidated 2009 \$ | Consolidated 2008 \$ | Parent 2009 \$ | Parent 2008 \$ |
|--|----------------------------|----------------------------|----------------------|----------------------|
| Cashflows from Operating Activities | | | | |
| Cash was provided from: | | | | |
| Venison, Velvet, Animal Health Board Levies & Johnes Mgmt Contributions | 5,884,118 | 6,886,382 | 6,042,872 | 6,743,626 |
| Interest Received | 310,419 | 447,781 | 168,906 | 276,596 |
| Other Operating Income | 209,705 | 202,998 | 209,180 | 202,998 |
| Taxation Refund | 38,324 | - | - | - |
| Cash was applied to : | | | | |
| Payments to Suppliers and Employees | 6,771,928 | 6,973,122 | 6,814,346 | 7,030,201 |
| Taxation Paid | - | 24,129 | - | - |
| | 6,771,928 | 6,997,251 | 6,814,346 | 7,030,201 |
| Net Cashflows from Operating Activities | (329,362) | 539,910 | (393,388) | 193,019 |
| Cashflows from Investing Activities | | | | |
| Cash was provided from: | | | | |
| Dividend - Cervena Company Ltd | - | - | - | 545,169 |
| Cash was applied to : | | | | |
| Purchase of Fixed Assets | 17,523 | 10,948 | 11,880 | 7,545 |
| Net Cashflows from Investing Activities | (17,523) | (10,948) | (11,880) | 537,624 |
| Net Increase in Cash Held | (346,885) | 528,962 | (405,268) | 730,643 |
| Opening Cash Balance | 5,646,493 | 5,103,083 | 2,952,379 | 2,207,288 |
| Effect of exchange rate change on foreign currency balances | (46,993) | 14,448 | (46,993) | 14,448 |
| Closing Cash Balance | 5,252,615 | 5,646,493 | 2,500,118 | 2,952,379 |
| Reconciliation of Net Surplus/(Deficit) after tax With Operating Activities | | | | |
| Reported Surplus/(Deficit) | (191,732) | 436,917 | (152,912) | 499,977 |
| Less: | | | | |
| Dividend received from Cervena Company Ltd | - | - | - | (550,162) |
| Add: | | | | |
| Non Cash Items | | | | |
| Depreciation | 17,974 | 26,981 | 12,318 | 23,855 |
| Foreign Currency Loss/(Gain) | 46,993 | (14,448) | 46,993 | (14,448) |
| | 64,967 | 12,533 | 59,311 | 9,407 |
| Movement in working capital | | | | |
| Accounts Receivable | (83,434) | 313,459 | 79,381 | 166,341 |
| Prepayments | (1,363) | 13,643 | (1,363) | 13,643 |
| Tax Refund Due | 39,262 | (22,846) | - | - |
| Accounts Payable | 205,446 | (178,837) | 206,577 | (69,673) |
| Accruals | (303,658) | (96,431) | (332,288) | (116,582) |
| Subsidiary and Associates Receivables / Payables | (58,850) | 61,472 | (102,094) | 90,068 |
| Game Industry Research Trust/ Deer Industry New Zealand Research Trust | - | - | (150,000) | 150,000 |
| | (202,597) | 90,460 | (299,787) | 233,797 |
| Net Cashflows from Operating Activities | (329,362) | 539,910 | (393,388) | 193,019 |

NOTES

TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 SEPTEMBER 2009

Deer Industry New Zealand is a marketing authority established under the Primary Products Marketing Act 1953 and the Deer Industry New Zealand Regulations 2004.

Deer Industry New Zealand is charged with promoting and assisting the development of the deer industry in New Zealand.

1. Statement of Accounting Policies

(a) General Accounting Policies

The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by Deer Industry New Zealand. Reliance is placed on the fact that Deer Industry New Zealand is a going concern.

(b) Particular Accounting Policies

The following particular accounting policies which materially affect the measurement of profit and the financial position have been applied:

Basis of Consolidation

The consolidated financial statements include Deer Industry New Zealand and its subsidiaries, using the purchase method. All significant inter-company transactions are eliminated on consolidation. Investments in subsidiaries made by the parent are stated in its financial statements at cost.

The following entities have been consolidated for the year ended 30 September 2009. All subsidiaries and the Trusts have a 30 September balance date.

- Deer Industry New Zealand Research Trust
The Trust is a charitable research trust established by Deer Industry New Zealand on 10 June 2008. Operations began on 1 July 2008. The Trust is registered as a charitable entity under the Charities Act 2005 (Registration Number CC33142). The purposes of this Trust include:
 - (a) undertake, and arrange to be undertaken, research into deer and into processing methods for slaughtered deer;
 - (b) undertake, and arrange to be undertaken, research into products derived from deer including venison and velvet;
 - (c) undertake, and arrange to be undertaken, research into processing and dealing with products derived from deer including venison and velvet;
 - (d) undertake, and arrange to be undertaken, research into the farming of deer to enhance the value, quality and marketability of the production from deer farming;
 - (e) disseminate research outcomes to the deer industry;

- Group Research Holdings Limited
A wholly owned subsidiary which is responsible for the research activities of Deer Industry New Zealand.
- Cervena Trust Limited
Cervena Trust Limited is the corporate trustee of the Cervena Trust. Deer Industry New Zealand owns 25 percent of the share capital of Cervena Trust Limited and the remaining 75 percent is held in a fiduciary capacity by the directors on behalf of Deer Industry New Zealand. In these circumstances, while not operationally part of the Deer Industry New Zealand Group, power and benefit elements are present and therefore the financial statements of the Cervena Trust Limited are required to be consolidated with those of Deer Industry New Zealand under FRS 37: *Consolidating Investments in Subsidiaries*.
- Johnes Management Limited (JML)
JML is a wholly owned subsidiary (through Group Research Holdings Limited) that was established on 23 November 2006 to gather epidemiology information on Johnes disease, and provide information to farmers so that they may manage the disease. JML is funded entirely from voluntary contributions collected by DINZ. DINZ passes the funds through to JML which applies them towards the cost of

undertaking the project and on any associated administration costs incurred in carrying out the project.

The following entities have not been consolidated for the year ended 30 September 2009:

- Cervena Trust
The purpose of the Cervena Trust is to develop and promote the Cervena appellation. It does this by licensing the appellation through Cervena Trust Limited to sub-licensees. The Trust has not been consolidated, as Deer Industry New Zealand does not have an ownership interest in the Trust. In addition, the beneficiaries of the Trust are not the same group as the stakeholders in Deer Industry New Zealand, but are a subset of that group.
The following companies are associated entities of Deer Industry New Zealand:
- Velvet Antler Research New Zealand Limited (VARNZ)
VARNZ is a joint venture company between the New Zealand Deer Industry (through Group Research Holdings Limited) and AgResearch Limited, which undertakes research into velvet antler. Payments by the Group to VARNZ are accounted for as research or administration expenditure.
VARNZ Limited has a 30 September balance date.

- DEEResearch Limited

DEEResearch Limited is a joint venture company, whose shareholders are AgResearch Limited (50%), Group Research Holdings Limited (25%) and the New Zealand Deer Farmers' Association (25%). The objectives of the company are to research non-velvet related deer products. Payments by the Group to DEEResearch Limited are accounted for as research or administration expenditure.

DEEResearch Limited has three subsidiaries which are each 100% owned. They are DEEResearch Emissions Mitigation Company Limited, DEEResearch Pastoral Genomics Company Limited and DEEResearch Johnes Limited.

DEEResearch Limited has a 30 June balance date.

The equity accounting provisions of FRS 38: *Accounting for Investments in Associates* have not been applied in respect of the above associated entities as its application would not result in any material differences in the currently reported position.

Fixed Assets

Deer Industry New Zealand has three classes of fixed assets: Furniture & Fittings, Computer Equipment and Office Equipment. Fixed assets are stated at cost less accumulated depreciation.

Depreciation

Depreciation is recognised in the Statement of Financial Performance on a straight line basis, at rates calculated to allocate the assets' cost over their estimated useful lives. Major depreciation periods are: Furniture & Fittings: 5-10 years; Office Equipment: 5 years; Computer Equipment: 3 years.

Goods and Services Tax (GST)

These financial statements are prepared on a GST exclusive basis, apart from accounts receivable and accounts payable which are on a GST inclusive basis. GST payable at year end is included in Accounts Payable.

Income Tax

The income tax expense charged against the surplus for the year is the estimated liability in respect of that surplus and is calculated after an allowance for permanent differences. The liability method of accounting for deferred taxation is applied on a comprehensive basis.

Future tax benefits attributable to tax losses or timing differences are only recognised when there is virtual certainty of realisation.

Foreign Currencies

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Foreign exchange gains or losses have been accounted for in the statement of financial performance. At balance date, bank accounts holding foreign currency are converted to New Zealand dollars using the closing rate.

Financial Instruments

Deer Industry New Zealand is party to financial instruments as part of its everyday operations. These include instruments such as bank balances, investments, accounts receivable, trade creditors and forward rate agreements for foreign currency. Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. All financial instruments except foreign currency contracts are recognised in the Statement of Financial Position.

Statement of Cashflows

The following are the definitions of the terms used in the statement of cashflows:

- Operating activities include all transactions and other events that are not investing or financing activities.
- Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.
- Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

Income

Income comprises of venison and velvet levies received from members in the ordinary course of business and voluntary contributions from venison processors. These are accounted for on an accrual basis.

Interest income is accounted for on an accrual basis.

Changes in Accounting Policies

There have been no changes in accounting policies.

All policies have been applied on a basis consistent with those used in previous years.

2. Animal Health Board Levy

Deer Industry New Zealand collects the Animal Health Board ('AHB') levy at a rate set annually from 1 October, and makes minimum monthly payments based on the annual contribution agreed with the AHB. During the 2006 financial year Deer Industry New Zealand executed a Deed of Amendment and Restatement with the Animal Health Board requiring all excess of AHB levy funds

over the monthly minimum payment collected by Deer Industry New Zealand, to be remitted to the Animal Health Board.

These funds are managed by the Animal Health Board and accounted for by the Deer Industry New Zealand. Where these levies are surplus to the annual requirement of the Animal Health Board's deer programmes, the funds are carried forward by the Animal Health Board and interest is accrued at commercial rates for the benefit of Deer Industry New Zealand members. The Animal Health Board levy is reviewed annually by Deer Industry New Zealand. As at 30 June 2009 the Animal Health Board reported levies held on behalf of the deer industry of \$0.9 million (2008: \$1.68 million).

3. Audit Fees

Audit fees paid by Deer Industry New Zealand include the cost of the audit of other Group entities:

| | 2009 | 2008 |
|-------------------------------------|-----------------|-----------------|
| Audit of Deer Industry New Zealand: | \$22,260 | \$23,096 |
| Audit of other Group entities | \$6,558 | \$7,450 |
| | \$28,818 | \$30,546 |

4. Taxation

| | Consolidated | | Parent | |
|--|------------------|-----------------|------------------|-----------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| Net Surplus Before Tax | (190,794) | 438,200 | (152,912) | 499,977 |
| Permanent Differences | 84,091 | (474,198) | 7,508 | (528,993) |
| | (106,703) | (35,998) | (145,404) | (29,016) |
| Tax @30% (2008: 33%) | (32,011) | (11,879) | (43,621) | (9,575) |
| Deferred Tax Asset not Previously Recognised | (32,949) | (13,162) | 43,621 | 9,575 |
| Income Tax Charge as per Statement of Financial Performance | 938 | 1,283 | | |

From 1 April 2009, the income tax rate applicable to DINZ reduced to 30%.

The Group has income tax losses of \$283,215 (2008: \$133,719) available to be carried forward to be offset against taxable income in future periods. The availability of these losses is subject to the requirements of income tax legislation being met.

The deferred tax benefit in respect of the losses has not been recognised.

| Imputation Credits | Consolidated | | Parent | |
|---|----------------|----------------|----------------|----------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| Opening Balance | 771,724 | 1,145,099 | 500,749 | 500,749 |
| Dividends Received | - | - | 270,975 | 270,975 |
| Imputation Credits lost on dissolution of The Cervena Company Ltd | - | (373,375) | - | - |
| Closing Balance | 771,724 | 771,724 | 771,724 | 771,724 |

Deer Industry New Zealand, Cervena Trust Limited and Group Research Holdings Limited are all taxable entities. The Deer Industry New Zealand Research Trust is tax exempt, due to Charitable Trust status.

5. Investment in Subsidiaries & Associates

| | Consolidated | | Parent | |
|-----------------------------|--------------|------------|------------|------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| Group Research Holdings Ltd | - | - | 200 | 200 |
| Cervena Trust Ltd | - | - | 100 | 100 |
| DEEResearch Ltd | 30 | 30 | - | - |

6. Intercompany Receivables and Payables

| | Consolidated 2009 \$ | Consolidated 2008 \$ | Parent 2009 \$ | Parent 2008 \$ |
|--|----------------------------|----------------------------|----------------------|----------------------|
| Intercompany Account Cervena Trust | 4,449 | 4,893 | 4,449 | 4,893 |
| Intercompany Account VARNZ Ltd | 17,073 | 5,757 | 6,085 | 3,415 |
| Intercompany Account DEEResearch Ltd | 684 | 48,969 | 684 | 1,569 |
| Inter Company Receivables | 22,206 | 59,619 | 11,218 | 9,877 |
| Intercompany Account DEEResearch Ltd | 4,621 | 100,884 | - | - |
| Intercompany Account Group Research Holdings | - | - | 11,372 | 112,125 |
| Intercompany Account Research Trust | - | - | - | 150,000 |
| Inter Company Payables | 4,621 | 100,884 | 11,372 | 262,125 |

7. Fixed Assets

| PARENT | Cost \$ | Accumulated Depreciation \$ | NBV 2009 \$ | NBV 2008 \$ | Depreciation 2009 \$ | Depreciation 2008 \$ |
|-------------------------------|----------------|-----------------------------------|-------------------|-------------------|----------------------------|----------------------------|
| | | | | | | |
| Computer Equipment & Software | 124,454 | 109,630 | 14,824 | 11,995 | 7,909 | 12,019 |
| Office Equipment | 10,068 | 7,544 | 2,524 | 2,697 | 744 | 500 |
| | 206,781 | 188,683 | 18,098 | 18,536 | 12,318 | 23,855 |

| CONSOLIDATED | Cost \$ | Accumulated Depreciation \$ | NBV 2009 \$ | NBV 2008 \$ | Depreciation 2009 \$ | Depreciation 2008 \$ |
|-------------------------------|----------------|-----------------------------------|-------------------|-------------------|----------------------------|----------------------------|
| | | | | | | |
| Computer Equipment & Software | 140,265 | 120,084 | 20,181 | 17,365 | 13,566 | 15,146 |
| Office Equipment | 10,068 | 7,544 | 2,524 | 2,697 | 743 | 500 |
| | 222,592 | 199,137 | 23,455 | 23,906 | 17,974 | 26,981 |

8. Segmental Reporting

Deer Industry New Zealand and its controlled entities operate solely in one industry segment, being the deer industry.

The Group entities conduct work in New Zealand and a number of overseas countries in the fulfilment of their

purpose - assisting the orderly development of the deer industry and promoting products derived from deer.

9. Financial Instruments

Nature and Extent

The Group enters into forward exchange agreements from time to time to hedge against currency movements.

Fair Value

The carrying values of all balance sheet financial assets and liabilities are considered to be equivalent to their fair market values.

Credit Risk

Financial instruments, which potentially subject the Group to credit risk, consist of cash and short term bank deposits and accounts receivable. The maximum exposure to credit risk is the carrying value of these financial instruments.

The Group deposits its cash with National Bank of New Zealand and KiwiBank, which the Board of Directors considers to be financial institutions of high quality. The credit risk with respect to accounts receivable is limited due to the number of debtors.

Interest Rate and Currency Risk

While the majority of the Group's activities are carried out in New Zealand, of the total expenditures incurred by the Group approximately 30% were denominated in foreign currency.

At balance date, foreign currency deposits totalled \$7,817 (2008: \$4,730). The notional or principal contract amounts of foreign exchange instruments at balance date for the parent and group for forward exchange contracts was nil (2008: \$nil). The unrealised gain/losses on these contracts at balance date is \$nil (2008: \$nil). All deposits held

by the Group are short term in nature. The Group receives interest at current market rates.

10. Board and Directors' Fees and Related Expenses

These expenses cover amounts paid to Board Members and Directors in the form of honoraria, attendance fees for board meetings and other special meetings that may arise from time to time. It also covers the cost of travel for Board Members and Directors incurred in fulfilling their respective roles.

There were no changes made to fees and honoraria for Deer Industry New Zealand Board Members this year. The Chairman receives \$35,000, the Deputy Chairman receives \$22,500 and Board Members \$17,500. The Board comprises of eight members.

The 2009 year total for Deer Industry New Zealand is \$197,020 (2008: \$213,838). This comprises of \$162,500 in Board fees (2008: \$162,500), and \$34,520 in travel and accommodation expenses (2008: \$46,538), and discretionary expenses nil (2008: \$4,800).

The following change in Board composition has taken place this year:

- Mr John Spiers resigned from the Board on 30 June 2009 and was replaced on 1 July 2009 by Mr Jeremy Bell.

Cervena Trust Limited

Directors' fees totalled \$9,000 (2008: \$12,000). Trustees Mr David Wright, Mr James Guild and Mr John Upton received fees of \$3,000 each in the current financial year. Travel expenses were \$384 (2008: \$ nil).

Johne's Management Limited

Directors' fees were paid to Mr GW Neilson \$15,000, Chairman, Mr E A Brook \$750, Mr ID Stewart \$750 and Mr IS Hercus \$750.

The Chairman of Johne's Management Limited is also Chairman of Ovis Management Limited, which provides certain services to Johne's Management Limited on an arm's length commercial basis. There have been no other transactions with related parties.

11. Accumulated Funds

The accumulated funds of the Group are \$4,379,148 (2008: \$4,570,880), of which \$2,502,667 (2008: \$2,467,119) is held by the Deer Industry New Zealand Research Trust and \$18,760 is held by Johnes Management Ltd (2008: \$97,209).

| | 2009 | 2008 |
|---|------------------|------------------|
| Deer Industry New Zealand | \$ | \$ |
| Opening Balance | 1,998,490 | 1,498,513 |
| (Deficit)/Surplus attributable to Deer Industry New Zealand | (152,912) | 499,977 |
| Closing Balance | 1,845,578 | 1,998,490 |

| | 2009 | 2008 |
|---|------------|------------------|
| Game Industry Research Trust | \$ | \$ |
| Opening Balance | - | 2,026,083 |
| Deficit attributable to Game Industry Research Trust | - | (492,902) |
| Transferred to Deer Industry New Zealand Research Trust | - | (1,533,181) |
| Closing Balance | Nil | Nil |

The Game Industry Research Trust was wound up on 30 June 2008.

| | 2009 | 2008 |
|--|------------------|------------------|
| Deer Industry New Zealand Research Trust | \$ | \$ |
| Opening Balance | 2,467,119 | - |
| Transferred from Game Industry Research Trust | - | 1,533,181 |
| Trust Funds settled by Deer Industry New Zealand | - | 100 |
| Surplus attributable to Deer Industry New Zealand Research Trust | 35,548 | 933,838 |
| Closing Balance | 2,502,667 | 2,467,119 |

| | 2009 | 2008 |
|---|--------------|---------------|
| Group Research Holdings Ltd (Parent Only) | \$ | \$ |
| Opening Balance | 2,442 | 13,630 |
| Surplus/(Deficit) attributable to Deer Industry New Zealand | 4,055 | (11,188) |
| Closing Balance | 6,497 | 2,442 |

| | 2009 | 2008 |
|---|---------------|---------------|
| Johne's Management Ltd | \$ | \$ |
| Opening Balance | 97,209 | 39,784 |
| (Deficit)/Surplus attributable to members JML | (78,449) | 57,425 |
| Closing Balance | 18,760 | 97,209 |

12. Employee Remuneration

Set out below are the numbers of employees of Deer Industry New Zealand and its subsidiaries who received remuneration and other benefits of \$100,000 or more during the year, in their capacity as employees.

| Remuneration Range | Number of Employees |
|-----------------------|---------------------|
| \$100,000 - \$119,999 | 2 |
| \$210,000 - \$219,999 | 1 |

13. Related Parties

All transactions between entities within the Group were conducted on an arm's length basis.

During the year Deer Industry New Zealand provided research administration grants to associated entities: VARNZ 2009: \$15,852 (2008: \$19,385) and DEEResearch Limited 2009: \$7,531 (2008: \$105,935 including a research payment). This funding is provided via Group Research Holdings Limited.

The Deer Industry Research Trust provides the research funding to VARNZ of \$135,367 (2008: \$292,165) and DEEResearch Limited of \$565,150 (2008: \$615,152).

Deer Industry New Zealand provided a research grant to the Deer Industry New Zealand Research Trust of \$600,000 (2008: \$1,200,000).

An operational grant of \$21,951 (2008: \$18,719) was provided from Deer Industry New Zealand to Cervena Trust Limited.

During the year Deer Industry New Zealand collected voluntary contributions for Johnes Management Limited and passed the funds directly on to them, as disclosed in the Statement of Financial Performance.

Payments are made to fund joint promotional activities to venison processing companies who have directors, officers or shareholders who are also board members of Deer Industry New Zealand.

As part of the annual budget setting process, the Board is responsible for allocating the total pool of funds to be spent on joint promotion, which is then subject to industry consultation. This pool is allocated to venison processing companies, based on a formal allocation policy administered by Deer Industry New Zealand management. As such, the Deer Industry New Zealand Board has no influence on the allocation of these funds to venison companies.

14. Commitments

Commitments in respect of non-cancellable operating leases for rental of office premises are as follows:

| | Parent & Consolidated | Parent & Consolidated |
|--|-----------------------|-----------------------|
| | 2009 | 2008 |
| | \$ | \$ |
| Not later than 1 year | 77,740 | 92,966 |
| Later than 1 year and not later than 2 years | - | 77,740 |
| Later than 2 years | - | - |

Deer Industry New Zealand group provides funding for approved research contracts entered into by DEEResearch Limited, subject to milestones being achieved. These commitments are as follows:

| | 2009 | 2008 |
|---|---------|---------|
| | \$ | \$ |
| Not later than one year | 543,000 | 660,000 |
| Later than 1 year and not later than 2 years | 577,000 | 543,000 |
| Later than 2 years and not later than 5 years | 577,000 | 543,000 |

Commitments in respect of research contracts entered into by Velvet Antler Research New Zealand Limited subject to the completion of milestones are as follows:

| | 2009 | 2008 |
|-----------------------|---------|------|
| | \$ | \$ |
| Not later than 1 year | 228,159 | - |

Commitments in respect of funding of deer sector indivisible costs entered into by Deer Industry New Zealand for the National Bovine Tuberculosis Pest Management Strategy with the Animal Health Board are as follows:

| | 2009 | 2008 |
|--|-----------|-----------|
| | \$ | \$ |
| Not later than 1 year | 1,200,000 | 1,200,000 |
| Later than 1 year and not later than 2 years | - | 1,200,000 |
| Later than 2 years | - | - |

The funding agreement between Deer Industry New Zealand and the Animal Health Board requires funding from Deer Industry New Zealand subsequent to the Animal Health Board's June 2009 financial year; at no less than 2008 funding levels of \$1.2 million per annum until a new agreement is signed. The Minister of Agriculture has notified that there will be a review of the National Pest Management Strategy for bovine Tb. This may have an impact on future funding obligations.

15. Contingencies

Deer Industry New Zealand's associated entity DEEResearch Limited has three wholly-owned subsidiary entities which have been established to hold DEEResearch Limited's interest in three unincorporated joint ventures: Pastoral Greenhouse Gas Research Consortium (1.82% holding), Pastoral Genomics Consortium (1.0% holding) and Johnes Disease Research Consortium (12% holding). DEEResearch Limited has unconditional guarantees to the other partners in the unincorporated joint ventures which:

- guarantee the due performance and observance of the guaranteed obligations by its subsidiary companies; and
- indemnify against any loss or damage

due to any breach of the unincorporated joint venture agreements by its subsidiary companies. No claims have been made.

16. Adoption of New Zealand Equivalents to International Financial Reporting Standards

In December 2002, the New Zealand Accounting Standards Review Board announced that the New Zealand equivalents to the International Financial Reporting Standards ("NZIFRS") will apply to most New Zealand entities for the periods commencing on or after 1 January 2007.

Deer Industry New Zealand under its founding legislation, the Primary Products Marketing Act 1953 and the Deer Industry New Zealand Regulations 2004, is currently not required to adopt NZIFRS and the Directors have elected not to adopt NZIFRS at this time.

17. Subsequent Events

There were no material events subsequent to the balance date requiring disclosure in the financial statements (2008: nil).