

Deer PRO

ANNUAL REPORT



OCTOBER 1, 2016 - SEPTEMBER 30, 2017

Mission Statement

“To provide services and assistance to the New Zealand deer industry to aid in the control of Johne’s disease, including monitoring and maintenance of a national database”

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Cover photo courtesy of D Mackie (Deer Industry Photo Awards)

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Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of the shareholders of DeerPRO Limited will be held on the 15th of February 2018 in the Deer Industry New Zealand Boardroom, Level 5, Wellington Chambers, 154 Featherston street, Wellington 6011.

The meeting will commence at 11.00 a.m.

Agenda

- Approve the minutes of the 2015-2016 Annual General Meeting.
- Receive and consider the Directors Report, Auditors Report, and Accounts for the year ended 30 September 2017.
- Appoint auditors for the forthcoming year.
- General business.

Directory

PRINCIPAL BUSINESS	The main activity of the company is to maintain a national slaughterhouse surveillance database and related information transfer systems for the monitoring and control of Johne's Disease and monitoring and reporting of venison productivity information in farmed deer.
CHAIRMAN	K. Blair 4 Nelson Road, RD 2, Balclutha 9272
DIRECTORS	D. Coup 4 Darlington Road, Mirimar, Wellington 6022 S. Wishnowsky 580 Mangaone Road, RD 9, Feilding 4779 M. Coutts 158 Marshall Road, RD 4, Timaru 7974 R. Hilson 120 Paget Road, RD 2, Takapau, 4287
SECRETARY	S. Norton PO Box 615, Dunedin 9054
REGISTERED OFFICE	Deer Industry New Zealand, level 5, Wellington Chambers Building, 154 Featherston Street, Wellington 6143
SOLICITORS	Buddle Findlay 1 Willis Street, Wellington 6011
BANKERS	ANZ Bank of New Zealand Limited 215-229 Lambton Quay, Wellington Central, Wellington 6011
IRD NUMBER	95-622-747
AUDITORS	Deloitte 10 Brandon Street, Wellington 6011
ACCOUNTANT	M. Pran Meat Industry Association Level 5, Wellington Chambers, 154 Featherston Street, Wellington 6140

Company Management

PROJECT MANAGER	Dr S. Norton Dunedin
TECHNICAL MANAGER	Dr K. Goodwin-Ray Palmerston North

Chairman's Annual Report

On behalf of the Board of Directors I am pleased to provide this report summarising the activities that have culminated in another successful year for the company.

The company's mission "To provide services and assistance to the New Zealand deer industry to aid the control of Johne's disease, including the monitoring and maintenance of a National data base" has been successfully achieved and our Project Manager Dr Solis Norton will comment on this in detail in his report.

In addition to the direct benefits of a world class Johne's control programme, there are also a number of strategic benefits that fall under the "industry good" classification. These benefits should not be lost on industry participants. For example, our robust and credible programme further enhances international product assurance aiding customer confidence and food security. Alternatively, the benefit of a current accurate data base of venison suppliers, used within the bounds of the Privacy Act could be invaluable in the management of a bio security event within our borders.

DeerPRO

As most will be aware the mechanics of operating a successful Johne's disease management programme require the collection of deer processing data including the presence of lesions indicative of the disease (JD-suspect lesions). The Company operates at collection levels of 99.8-100%. This data set has an accumulated history now covering some ten years.

During 2016, the Board formulated a strategy to assist the industry further through the judicious use of existing and future kill data. This concept was discussed at length over the year with industry participants. Their approval led to the concept of benchmarked venison productivity information for farmers being

launched. Given this broader activity a name change from Johne's Management Limited to DeerPRO Limited was appropriate.

This broader scope of reporting supports the measurement of venison productivity indices at the national, regional, local and individual farm level for comparison and management decision making. Further, it may be helpful in future as part of wider information to compare breeds and farming systems that are more successful than others in specific geographical areas. In accord with the company policy and in compliance with the Privacy Act (1993) all individual information remains secure and confidential to the venison supplier and processor. This is a key part of our Quality Assurance programme and commitment to the industry.

I am excited for the industry in terms of the future and potential productivity and profitability gains from this deer specific benchmarking system.

Funding

Johne's Management Limited and subsequently DeerPRO Limited have been funded by a levy that ranged from \$1 per head initially and has over time reduced down to 70 cents per head with an aim to operate at cost only. Over the past two years the annual kill has declined and planned use of reserves have been required to meet the cost of the programme. As reserves decreased in 2016 an increase to 90 cents per head was required to meet annual running costs. This was discussed and approved with industry participants during the 2016 consultation that also sought industry input regarding the proposed formation of DeerPRO Limited.

In addition to the funding review the Board conducted a line by line operating expense analysis and have been successful in reducing a number of cost classifications.

Further there is currently a structural review of DeerPRO Ltd being completed by Deer Industry New Zealand, the sole shareholder of DeerPRO Ltd, to assess the possibility of providing further operating efficiencies without diminishing the efficacy of the programme.

Financial

It has always been the company's aim to operate the programme at a breakeven budget. That stated, higher kills in the past allowed a small reserve to accumulate, however, this reserve is now near exhaustion following lower kill numbers over the past couple of years.

The financial statements outline the financial performance and position of the company and I comment on points of clarification and exception.

- Operating revenue increased slightly to \$234k largely due to the levy increase from 70 cents per head to 90 cents per head.

- Other income comprises contract work completed for Deer Industry New Zealand as part of their P2P initiatives.
- The combination of increase revenue and other income combined with a reduction of \$28k in operating expenses has resulted in a better than budget result.
- In terms of current liabilities, employee benefits have traditionally been high due to an accumulation of unused holiday pay. However, it is anticipated this figure will reduce significantly as Dr Norton completes his 2017 -2018 Nuffield Scholarship studies.

Directorate

At the last AGM Geoff Neilson and Ian Stewart both of whom were founding members retired from the Board. On behalf of the Board we recognise their long service, skill and experience that contributed to both a collegial and successful Board together with the dramatic reduction in Johne's disease during their tenure.





Our current Board (listed on the previous page) have impressed me with their combination of technical ability, industry knowledge and practical experience. This combination of abilities has served the Board and industry well over the past year. More importantly, they know why they are there and understand the needs and roles of the farmers and industry they serve.

Thank you for your positivity, goodwill and support in my first year as Chairman.

Murray Coutts the NZ Deer Farmers Association representative retires by rotation this year and is both eligible and available for re-election. I am delighted to advise that through the DFA's Executive Committee Murray has been reappointed for a further term.

Whilst not a Board member, DINZ Producer Manager Tony Pearse is a very welcome invitee to our Board meetings. His knowledge of the industry, its people and culture, provides valuable information and context to discussion and decision making. Thank you Tony.

Management

Our Project Manager Dr Solis Norton continues to grow in knowledge and confidence

executing his duties. He is a pleasure to work with and held in high regard by both the Board and farmers and his contacts within the processing sector. I thank him for his diligence and support over the past year. The Board are pleased to support Solis in his Nuffield Scholarship aspiration.

Kathy Ray-Goodwin is contracted to the company and provides invaluable support in terms of data analysis and project work. Kathy's expertise is highly regarded by the Board and she ably supports the company by complimenting Solis's work and indeed will be completing his work in his study leave absence. Thank you Kathy.

Future

Finally, we believe the company is in good shape to face the challenges of the future. As a Board we are delighted to contribute to the success of the industry and confident in the knowledge that there are many opportunities on the horizon to enhance the productivity and profitability of the industry.

Ken Blair

Chairman
DeerPRO Limited

Project Manager's Annual Report

The 2016-17 season saw three major outcomes for the Company that amount to the single biggest step change it has made since it commenced.

The first was a change in name to DeerPRO. It signifies the high level support of our stakeholders to add the analysis and distribution of benchmarked venison productivity information to our work with Johne's disease. This change was not made without rigorous review and discussion, particularly with the New Zealand Deer Farmers Association and we appreciate the effort they have gone to in ensuring the change is for the best.

The second was the largest annual increase, by a substantial margin, in the number of farmers registering for our services. The majority of them joined out of interest in this new service and how it could add to them understanding the performance of their deer unit.

The third was achieving the lowest operating cost, also by a substantial margin, that the programme has reported since it became fully operational. This reflected a concerted effort by the Board and Management to move in step with changes in the industry and was made with no sign of a decline in overall programme performance.

Monitoring of our national slaughterhouse surveillance database indicates fewer young deer identified with lesions indicative of Johne's disease too which is heartening news.

These encouraging outcomes should be taken in context with a changing industry. The exceptionally strong farm gate prices and positive outlook, buoyed along by an increasingly upbeat financial outlook in the key markets at least, will create a very different and more challenging environment from a biosecurity and animal health perspective in the coming seasons. These conditions will drive an increase in trading between farms as well as the retention of lower quality stock as farmers work to

make the most of rewarding markets. From a biosecurity perspective, this means more mixing and redistribution of more potentially infectious animals under a national picture of increasingly uncertain biosecurity capacity. Anecdotally, it was exactly these conditions but back in the 1980s and 1990s that preceded some of the most challenging years the Deer Industry faced with Johne's disease.

So continued vigilance, for these reasons and all the other usual ones remains essential, but we are delighted with progress at this stage.

The following is a summary of programme highlights for 2016-17.

Programme activity

Key statistics

There are now 425 farms on our service list, receiving our reports annually and on request. This is a jump of around 40% from the end of last season. Deer from these farms represented 60% of industry production and supplied 80% of the deer identified with JD-suspect lesions. These key coverage figures are up from 42% and 62% respectively last season.

The national slaughterhouse surveillance database which underpins the programme now has records for 4.3 million deer, including age, sex, carcass weight, farm of origin, and the presence of lesions indicative of Johne's disease. This represents in excess of 99% of deer processed since the programme began in 2006. It remains the only national Johne's disease monitoring system worldwide to record information at the individual animal level.

The overall trend from this database is of a gradually declining incidence and impact of Johne's disease across the industry. Maintaining progress demands continued effort and timely action to move in step with industry conditions.

National trend in Johne's Disease (JD)

The overall perspective of the national trend in Johne's disease in deer is comprised of five measures, of which four are based on JD-suspect

lesions identified in deer at processing. The fifth is the Project Manager's record of new on-farm outbreaks and serious disease management plans implemented during the year.

The percentage of farms sending young deer identified with JD-suspect lesions each month showed a marked decline last season (Figure 1). This is the programme's most informative measure for monitoring JD at the farm level for two reasons. First, young deer are more likely to show signs of subclinical infection and develop clinical disease. Second, at processing they outnumber mature deer by around five to one. The trend shown below is a great result and there is no small challenge in maintaining this progress.

The percentage of young deer identified with JD-suspect lesions at processing each month has shown a gradual decline since 2010 (Figure 2). It is a useful measure for monitoring JD and broadly supports the farm-level data but these indices should be supported with other information in making an overall conclusion about the national trend.

For mature deer, the percentage of farms processing JD-suspect lesioned individuals each

month has remained remarkably steady since recording began in 2007. While there was a very slight increase last season, in the context of a ten year picture the trend is largely unchanged (Figure 3).

For the first time since recording began these trends of decline are also generally supported by a reduction in the 'hot spot' areas identified in our spatial monitoring (Figure 4). These areas can change in size considerably from quarter to quarter, but overall they were smaller last season than in the one before. This is after a nine year trend of gradual expansion.

We will seek to further improve on this progress over the next couple of years as the deer industry continues to evolve. On the one hand exceptionally strong prices for both venison and velvet are currently make deer substantially more valuable than they have been for much of the last five years. This will encourage the retention and trading of lower quality animals, challenging animal health control. On the other hand, the majority of deer farmers are well advanced in their careers. A substantial amount of succession is set to occur in the coming decade or so and the impact of this on Johne's disease will be watched carefully.

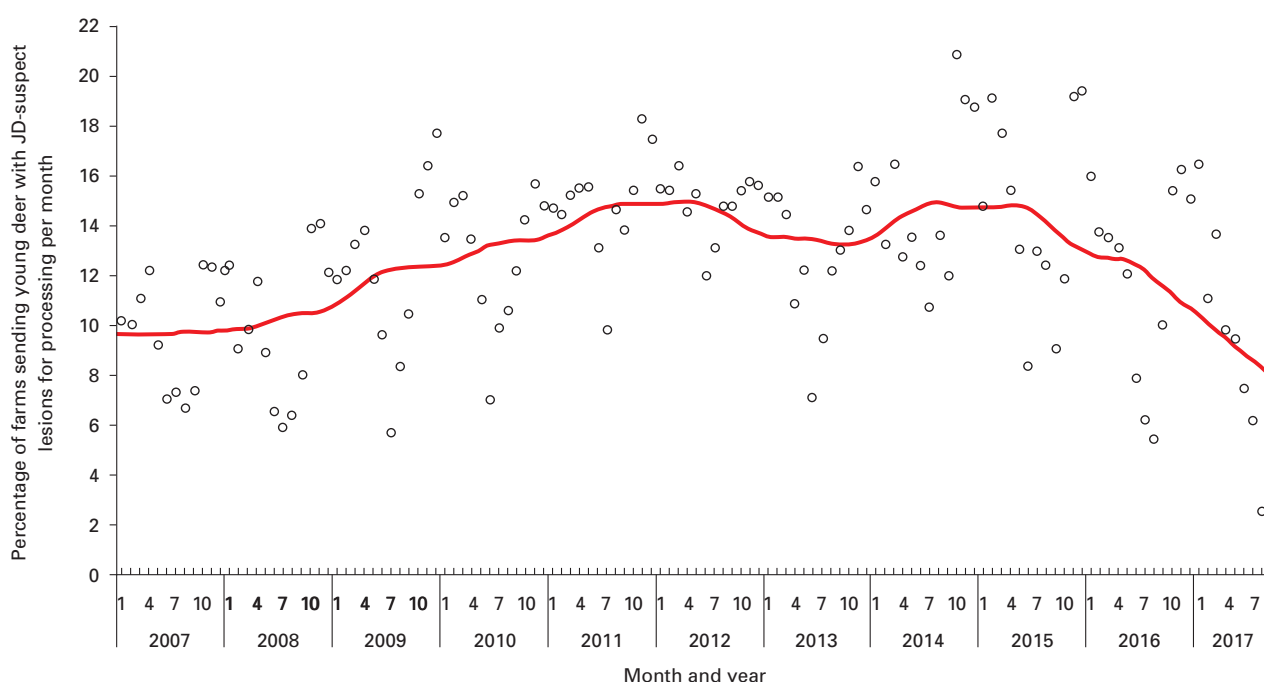


Figure 1. Percent of farms each month that processed young deer identified with JD-suspect lesions at slaughter.

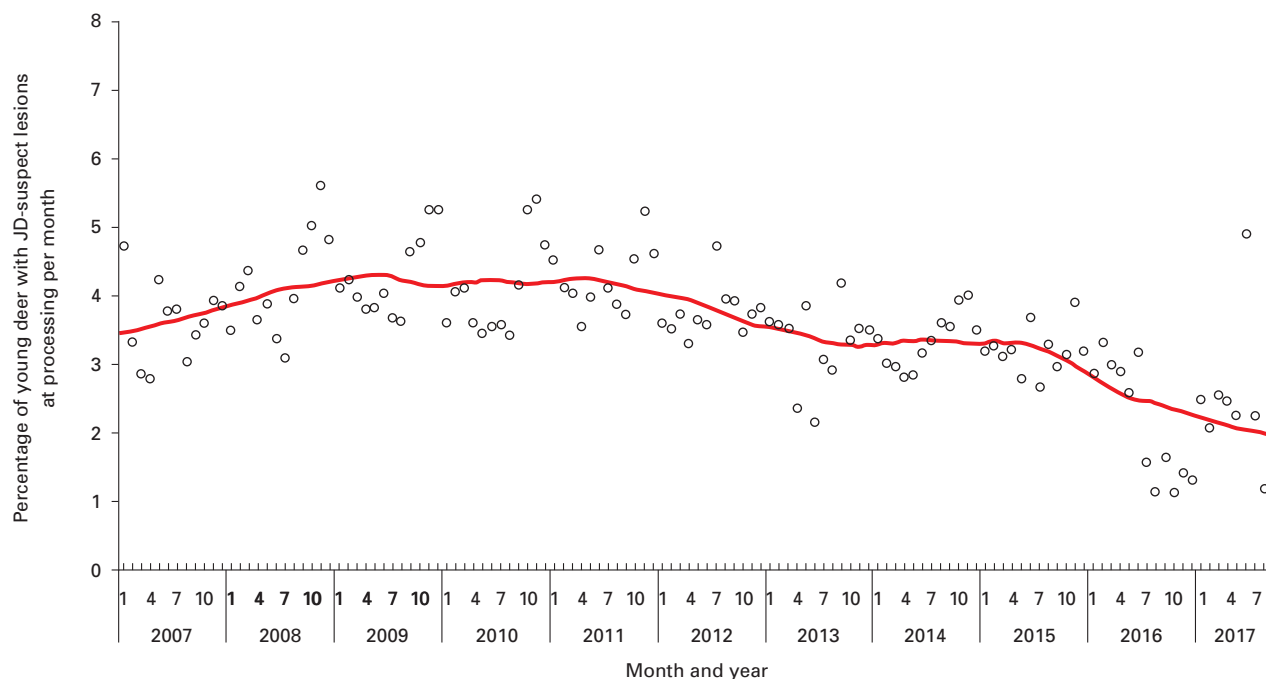


Figure 2. Percent of young deer with JD-suspect lesions identified during processing each month.

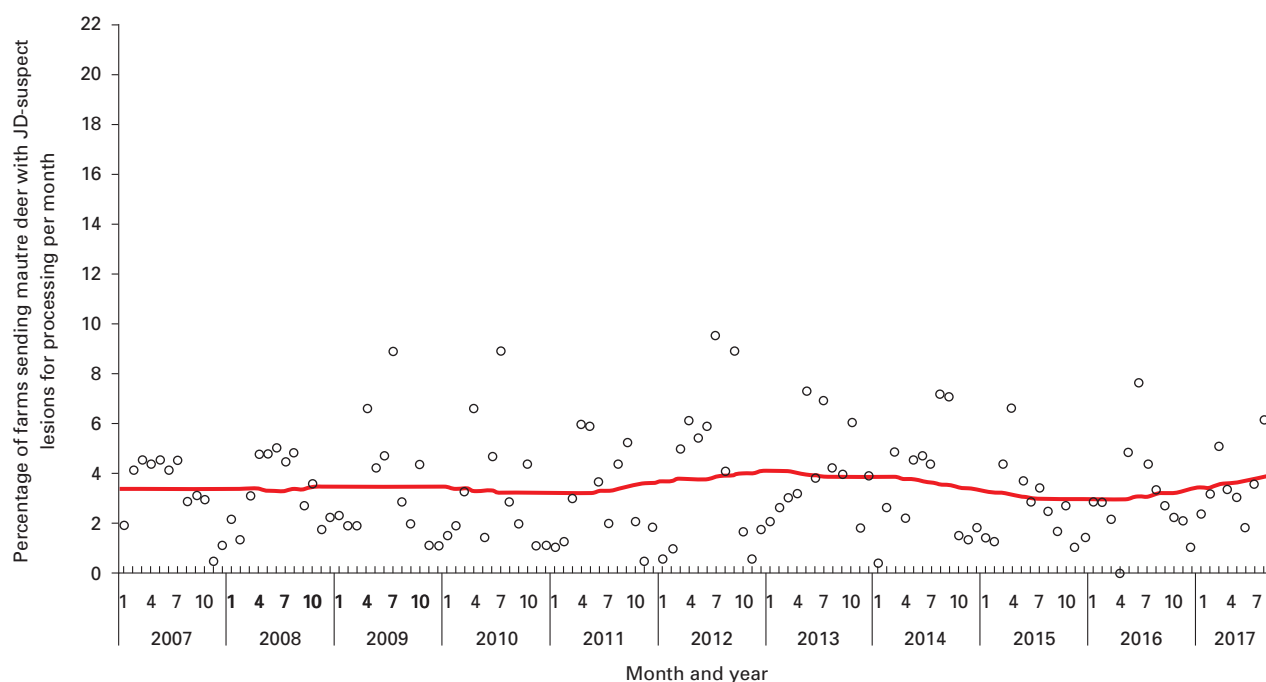


Figure 3. Percent of farms each month that processed mature deer identified with JD-suspect lesions at slaughter.

Supporting deer farmers

There are now 425 farms on our service list, receiving our reports annually and on request to support the control of Johne's disease and assessment of venison productivity. This is a jump of around 40% from the end of last season and the biggest single increase in subscriptions the programme has seen in a single year. The

increase was made possible by support from the P2P programme in contacting deer farmers. Farmers on our list this year represented 60% of industry production and supplied 80% of the deer identified with JD-suspect lesions.

The provision of farmers with key benchmarked indices for the Johne's disease status and venison productivity of their deer herd is

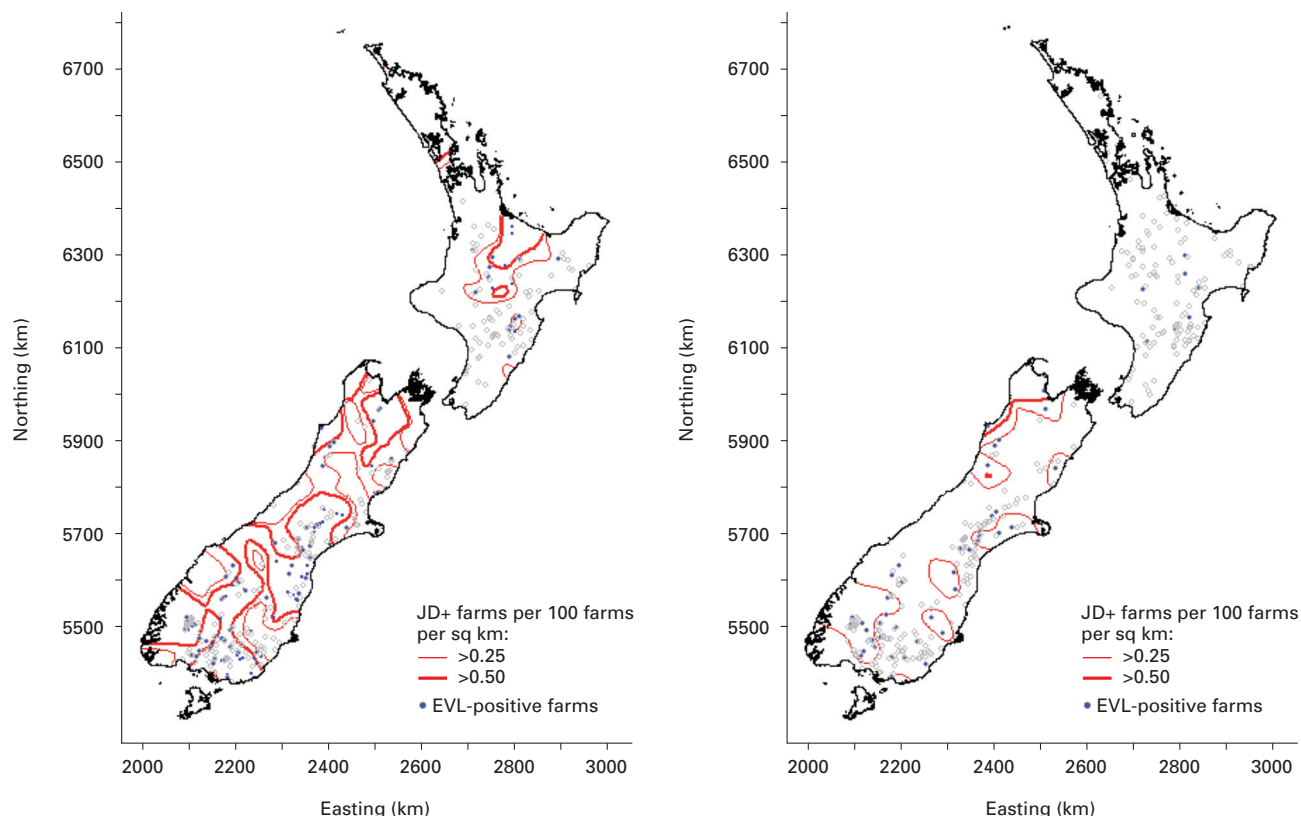


Figure 4. Comparison of the areas where deer farms sent stock identified at processing with JD-suspect lesions: the April-June quarter for 2016 (left map) and for 2017 (right map).

reinforced by one-on-one discussions and presentations to farmer groups whenever possible. Attending on-farm field days and farmer meetings to promote the programme, animal health, and the benefits of measuring herd performance is just as essential as the data itself and a critical part of ensuring DeerPRO does not become a faceless organisation.

With similar levels of growth in farmer subscriptions achievable over the next couple of seasons the programme should firmly establish itself as the most comprehensive health and productivity reporting system in the New Zealand dry stock sector.

Supporting deer veterinarians

The Cervetec conference in June was combined with the sheep and beef veterinarians conference, providing the ideal opportunity for a little between industry comparison on the animal health front. It was great to see the Deer Health Review process presented so well by Lorna Humm, the Deer Health project manager

for Deer Industry New Zealand. It definitely sets the industry ahead of its peers. She generously included plenty of material on DeerPRO's services which lead to enquiries from both veterinarians and animal health companies.

At the Annual General Meeting for members of the Deer Special Interest Branch DeerPRO's services were highlighted again. This builds on earlier agreement by the DeerPRO Board of Directors to focus the programmes veterinary collaboration on all members of this branch in place of the Johne's Consultant Network. The shift enables the programme to achieve broader contact with animal health specialists while removing a significant level of administration.

As in previous years key speakers drew attention to the opportunities in going beyond the 'ambulance at the bottom of the cliff' approach to animal health. Instead they emphasised proactive health planning and productivity optimisation. Experienced veterinarians can make an enormous success of this which is inspiring to the younger

generation, but overall it remains a significant challenge to their industry. DeerPRO is ideally positioned to assist deer veterinarians making this transition.

Supporting the Passion2Profit programme

This year DeerPRO has contributed to several initiatives currently under development in the Deer Industry's Primary Growth Partnership programme 'Passion2Profit' (P2P). This work has been a valuable opportunity to contribute to industry development, and a valuable source of supplementary income.

Most notable was the promotion to farmers of our customised venison productivity reports via telephone and email. Overall, 569 farmers were contacted. Well over 90% of those contacted by phone were interested in our report which was encouraging, as was the positive feedback. The response rate to our emailing campaign was much lower, as is usually the case, but what responses we did get were also very positive. Comparing the growth rate for young deer from farmers that were interested in the report, and from farmers that declined our offer showed the former were 5% ahead of the industry average and the latter were 2% behind the industry average. The link between data and higher production enjoys great exposure via anecdotes and it is reassuring to see hard evidence for it in the data too.

A second project is underway looking for links between venison productivity indices and participation in the Advance Party groups. In its early stages at present, it will provide interesting conclusions for our next annual report.

Contributions have also been made to the Rural Professionals Workshops and deer system benchmarking.

A big thanks to Innes Moffat, P2P programme manager for providing DeerPRO with this valuable opportunity to contribute to the next phase of growth in the Deer Industry.

Thank you Deer Farmers Association

The change to DeerPRO was not without its challenges and uncertainties and I would like

to acknowledge the time and effort that the Deer Farmers Association took to review, and finally to support it. In particular, the Branch Chairs, the Executive team, and the Canterbury Branch all engaged at different times in a robust discussion of its merits and otherwise. In light of this I feel that the role of the programme, and by association my role, has real value to them. Naturally this conclusion is important for me, I'm delighted to be working with them to increase the value of the programme to the industry.

Thank you database team

It is easy to focus on the uses of the DeerPRO database, but in fact the system through which it is compiled is equally as important. This system involves a complex set of interrelationships between Ovis Management Limited, APT Business Solutions, the venison processors, AsureQuality, and information technology providers Triton Commercial Systems. Continued care and maintenance ensure smooth running. Without it, the accurate and complete transfer of venison processing information into the Deer Industry's national slaughterhouse surveillance database would be impossible.

I would like to pass on my appreciation to the many people in their diverse array of roles that contribute to making this possible. In particular Dan Lynch, Project Manager for Ovis Management Limited and Martin Lawrence at APT Business Solutions in Palmerston North.

Thank you to the DeerPRO governance team

As Project Manager I wish to express my sincere thanks to the Company Directors for their continued support and encouragement. We have had a busy and exciting year establishing the change to DeerPRO and beginning to promote the benefits to the industry. It was also not without its challenges. As my industry experience grows I become increasingly aware of the strength and complimentary nature of the DeerPRO Board members. Both the Company and myself are fortunate to have such a dedicated and effective group to provide guidance.

The Chairman Ken Blair has wasted no time in sharpening our financial focus and the results of his efforts are plain to see. He has also initiated review and refreshment of its core documents to bring it up to date with current business practice. I would like to thank Ken for his investment of time and energy into not just continued operations but into pointed improvements too.

The Company owes a substantial debt of gratitude to Kathy Goodwin-Ray, Technical Manager, for her efforts. Kathy brings a rare combination of high level analytical capacity, scientific rigour, and down to earth practicality to her role. Her work with the Company role increased in the last year and this has been to the benefit of both the Company and the Deer Industry more widely. Thank you Kathy, I appreciate your efforts and support.

Thanks also to the Company accountant Michael Pran for the quick and thorough handling of our financial affairs.

Financial summary

The programme aims to run at cost only and to minimise significant deficits or the accumulation of substantial reserves. Thus at times the per-head funding rate requires adjustment to move in step with shifts in the numbers of deer processed.

The rate was increased from January 1, part way through the financial year, to 90c from 70c after consultation with stakeholders. The change reflects the planned use of reserves through the last several seasons, concurrent with declining numbers of deer processed.

Together with this increase, there was a concerted effort to minimise expenses without compromising programme efficacy. The result is the sharpest annual financial performance it has achieved to date.

Operating revenue from processors (\$234,257) this year was 12% below budget. This shortfall was partially offset by revenue (\$27,282) from contractual work undertaken for the P2P programme.

Expenses were 16% below budget at \$277,282 and substantially lower than last year at \$305,179.

This enabled a net operating deficit of \$19,362, a 64% smaller loss than we had anticipated and substantially less than our deficit last year of \$66,151.

Our closing balance of accumulated funds, \$105,321, and its drop over the last two years from \$218,242 exemplifies the need to increase the processors funding level.

External review

An independent financial audit of DeerPRO for 2016/17 has been completed by Deloitte and their report is included later in this document. A Quality Management Assessment Report by Verification New Zealand Limited was made in March, 2016 with another scheduled for February 2018.

Conclusion

This year has seen significant changes to the programme, changes I see as having great potential to increase its value to the industry.

Combined with the encouraging statistics on Johne's disease levels and the sharp financial performance it is in a strong position to commence the 2017-18 season and beyond.

The growth we have seen in the number of farmers using our services is testament to its potential and further growth is certain in the coming seasons. I am convinced DeerPRO stands to become the most comprehensive health and productivity reporting system in the New Zealand dry stock sector.

With the wider Deer Industry looking poised to rebuild national herd numbers on the strength of strong returns and successful marketing efforts, next season and the ones following can only be seen as an exciting opportunity.



Solis Norton

Project Manager
DeerPRO Limited

Financial Statements for the year ended 30 September 2017

Directors' Report for the year ended 30 September 2017

Introduction

The Directors have pleasure in submitting the Annual Report of DeerPRO Limited incorporating the financial statements and auditors report, for the year ended 30 September 2017.

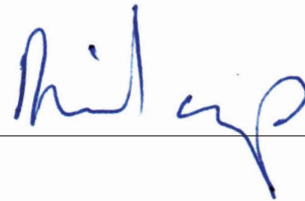
The report has been prepared so as to include all information required to be disclosed under the Companies Act 1993 except where the shareholders have unanimously resolved to take advantage of the reporting concessions available to them under Section 211 (3) of the Companies Act 1993.

On behalf of the Board these financial statements were approved for issue on 28th November 2017.

Director



Director



Date

Date

Statement of Financial Performance

for the year ended 30 September 2017

	Note	2017 \$	2016 \$
Operating revenue		234,257	222,558
Operating expenditure	1	277,282	305,179
Operating deficit before other income		(43,025)	(82,621)
Other Income		22,299	9,820
Operating deficit before financing income		(20,726)	(72,801)
Financial income		1,895	6,250
Financial expenses		-	-
Net financing income	2	1,895	6,250
Operating deficit before tax		(18,831)	(66,551)
Income tax expense	3	(531)	-
Net deficit for the year		(19,362)	(66,551)
Total comprehensive loss for the year net of income tax		(19,362)	(66,551)

These statements are to be read in conjunction with the Notes on pages 21 to 25.

Statement of Changes in Accumulated Funds*for the year ended 30 September 2017*

	2017	2016
	\$	\$
Opening Balance	124,593	191,144
Total comprehensive loss for the year	(19,362)	(66,551)
Closing Balance	105,231	124,593

These statements are to be read in conjunction with the Notes on pages 21 to 25.

Statement of Financial Position

as at 30 September 2017

	Note	2017 \$	2016 \$
Accumulated Funds			
Issued and paid up capital			
Share Capital		1	1
Retained earnings		105,230	124,592
Total accumulated funds		105,231	124,593
<i>Represented by:</i>			
Current assets			
Cash and cash equivalents		116,005	133,195
Trade and other receivables	4	22,106	21,146
Total current assets		138,111	154,341
Current liabilities			
Trade and other payables	5	25,313	24,242
Income tax payable	3	531	-
Employee benefits	6	7,886	7,194
Total current liabilities		33,730	31,436
Working capital		104,381	122,905
Non current assets			
Property, plant and equipment	7	705	1,393
Software	8	145	295
Total non current assets		850	1,688
Non current liabilities		-	-
Net assets		105,231	124,593

These statements are to be read in conjunction with the Notes on pages 21 to 25.

Statement of Cash Flows

for the year ended 30 September 2017

	2017	2016
	\$	\$
Cash flows from Operating Activities		
Operating Receipts	256,065	247,134
Operating Payments	(273,255)	(306,946)
Net cash outflow from Operating Activities	(17,190)	(59,812)
Cash flows from Investing Activities	-	-
Cash flows from Financing Activities	-	-
Net decrease in Cash	(17,190)	(59,812)
Add Opening Cash Balance	133,195	193,007
Closing Cash Balance comprising of:	116,005	133,195
Bank accounts and cash	64,869	33,195
Short term deposits	51,137	100,000

These statements are to be read in conjunction with the Notes on pages 21 to 25.

Notes to the Financial Statements (1)

for the year ended 30 September 2017

ENTITY INFORMATION

Type of Entity and legal basis

DeerPRO Limited (the “Company”) a wholly owned subsidiary of Deer Industry New Zealand, is a marketing authority established under the Deer Industry New Zealand Regulations.

Purpose

The main activity of the company is to maintain a national slaughterhouse surveillance database and related information transfer systems for the monitoring and control of Johne’s Disease and monitoring and reporting of venison productivity information in farmed deer.

Structure of the Company’s operations, including governance arrangements

The Company has a Board of five who oversee the governance function. A project manager undertakes management services, financial services are provided by the Meat Industry Association (Wellington) and voluntary processor levies are collected by Deer Industry New Zealand and paid through to the Company.

Main sources of the Company’s cash and resources

Funding comprises a voluntary levy paid by venison processors per head of deer slaughtered (2016: \$0.70, 2017:\$0.90).

STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

The Board has elected to apply PBE SFR-A (Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)) on the basis that Company does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Company is a going concern.

GOODS AND SERVICES TAX

These financial statements are prepared on a GST exclusive basis apart from accounts receivable and accounts payable which are on a GST inclusive basis.

SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment is calculated on a diminishing value basis over their useful lives. Gains and losses on disposal of assets are taken into account in determining the operating results for the year. The rates are as follows:

Office equipment	40%-60%
Computer hardware	50%-60%

Intangible assets

Computer software is stated at cost less any accumulated amortisation.

Amortisation is recognised in the Statement of Financial Performance on a straight line basis over the estimated useful life of the intangible asset.

Computer Software 60%

Revenue

- a Revenue represents voluntary contributions received and receivable from venison processors paid on a per head of deer slaughtered basis (2016: \$0.70, 2017: \$0.90).
- b Revenue from services is recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the service contract.
- c Interest received on call deposits is recognised in the Statement of Financial Performance as interest accrued using the effective interest rate method. Interest income is earned on cash and cash equivalents.

Trade and other receivables

Accounts receivable are stated at cost less impairment losses.

Trade and other payables

Trade and other payables are stated at cost.

Income Tax

The tax expense recognised in the Statement of Financial Performance is the estimated income tax payable in the current year, adjusted for any differences between the estimated and actual income tax payable in prior periods.

No account is taken of deferred income tax.

Expenses

Expenses represents amounts paid and payable to suppliers for services received during the year.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies.

Notes to the Financial Statements (2)

for the year ended 30 September 2016

1. Operating expenditure

	2017	2016
	\$	\$
Amortisation of Software	150	305
Audit fees	4,500	4,500
Tax services provided by Deloitte	783	1,250
Depreciation	688	1,360
Director's fees – Chairman	19,112	16,995
Director's fees	9,000	4,043
Personnel expenses	93,389	89,843
Other operating expenses	149,660	186,883
Total operating expenditure	277,282	305,179

2. Net financing income

	2017	2016
	\$	\$
Interest revenue	1,895	6,250
Interest expense	-	-
Net financing income	1,895	6,250

3. Taxation

	2017	2016
	\$	\$
Reconciliation of effective tax rate		
Operating (deficit) before tax	(18,831)	(66,551)
Tax at Company tax rate (28%)	(5,272)	(18,634)
Non-assessable income/non-deductible expenses at company rate	5,803	24,884
Taxation losses transferred to/(received from) Group entities	-	(6,250)
Tax benefit of losses not recognised	-	-
Income tax expense per statement of financial performance	531	-

The income tax expense charged against the profit for the year is the estimated liability in respect of that profit and is calculated after an allowance for permanent differences. Future tax benefits attributable to tax losses or timing differences are only recognised when it is probable that taxable profits will be available against which the tax losses or timing differences can be utilised.

4. Trade and other receivables

	2017	2016
	\$	\$
Trade Receivables	20,696	17,774
Other Receivables and Prepayments	1,410	3,373
Balance as at 30 September	22,106	21,147

5. Trade and other payables

	2017	2016
	\$	\$
Trade Payables	22,546	20,952
GST Payable	613	85
PAYE Payable	2,154	3,205
Balance as at 30 September	25,313	24,242

6. Employee benefits

	2017	2016
	\$	\$
Liability for Annual Leave	7,886	7,194
Balance as at 30 September	7,886	7,194

7. Property, plant and equipment

	2017	2016
	\$	\$
Computer hardware		
At cost	7,782	7,782
Accumulated depreciation	7,160	6,534
	622	1,248
Current year depreciation	626	1,251
Office equipment		
At cost	6,271	6,271
Accumulated depreciation	6,188	6,126
	83	145
Current year depreciation	62	109

Total property, plant and equipment

At cost	14,053	14,053
Accumulated depreciation	13,348	12,660
	705	1,393
Current year depreciation	688	1,360

There is no impairment loss recognised during the year (2016: nil).

8. Intangible Assets

	2017	2016
	\$	\$
Software		
At cost	17,743	17,743
Accumulated Amortisation	17,598	17,448
	145	295
Current year amortisation	150	305

There is no impairment loss recognised during the year (2016: nil).

9. Capital commitments

There are no capital commitments outstanding as at balance date (2016: nil).

10. Contingent liabilities

There are no contingent liabilities outstanding as at balance date (2016: nil).

11. Related party information

(i) Identity of related parties

Deer Industry New Zealand owns 100% of DeerPRO Limited.

(ii) Related party transactions

Processor Voluntary contributions are received via Deer Industry New Zealand. As at year end, the Company has recognised a receivable from Deer Industry New Zealand for the amount of \$20,696 (2016: \$17,774).

There have been no other transactions with related parties.

During the year ended 30 September 2017, the Company received \$236,957 (2016: \$222,558) as voluntary contributions from Deer Industry New Zealand which was included in operating revenue.

(iii) Remuneration

Total remuneration is included in personnel expenses (see note 1). Directors' fees were paid to Mr GW Neilson \$7,081, (Chairman) (2016: \$16,995), Mr K Blair \$14,431, (Chairman) (2016: nil), Mr M Coutts \$1,800 (2016: \$1,643), Mr ID Stewart \$1,800 (2016: \$600), Mr R Hilson \$1,800 (2016: \$1,800) and Mr S Wishnowsky \$1,200. In February 2017 at the Annual General Meeting Mr Neilson

stood down as Chairman, being replaced by Mr Blair, and Mr Stewart completed his directors term, being replaced by Mr Wishnowsky (see note 1).

12. Subsequent events

There were no material events subsequent to the balance date requiring disclosure in the financial statements (2016: nil).

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF DEERPRO LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

The Auditor-General is the auditor of DeerPro Limited (the company). The Auditor-General has appointed me, Trevor Deed, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements of the company on his behalf.

Opinion

We have audited the financial statements of the company on pages 5 to 12, that comprise the statement of financial position as at 30 September 2017, the statement of comprehensive income, statement of accumulated funds and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information

In our opinion the financial statements of the company on pages 5 to 12:

- present fairly, in all material respects:
 - its financial position as at 30 September 2017; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)

Our audit was completed on 28 November 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and we explain our independence.

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.



Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company.

A handwritten signature in blue ink, appearing to read "T. Deed", enclosed within a circular blue ink stamp.

Trevor Deed
Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand

Deer PRO

