KiwiNet

# SCIENCE POWERING BUSINESS INNOVATION

# ANNUAL REPORT 2016

www.kiwinet.org.nz

KiwiNet

Kiwi Innovation Network

## ABOUT KIWINET

The Kiwi Innovation Network (KiwiNet) is a consortium of Universities, Crown Research Institutes and other publicly funded research organisations who are dedicated to taking a collaborative approach to research commercialisation. Together these research organisations represent a total combined research expenditure of over $500 million and represent 70% of the publicly funded researchers in New Zealand.

KiwiNet's role is to empower people who are involved in research commercialisation by helping them to access the tools, connections, investment and support they need. By collaborating on projects, combining capability and sharing networks we can better leverage the limited resources available for commercialisation, and help one another achieve better commercial outcomes for New Zealand.

## FUNDING

KiwiNet is funded from the shareholder research organisations, corporate partners and the Ministry of Business, Innovation and Employment.

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDING 31 MARCH 2016

CONTENTS

# INSPIRING GLOBAL SUCCESS FOR NEW ZEALAND

**DR CARLA MELEDANDRI,**
MacDiarmid Institute, University of Otago

# WE EMPOWER THE PEOPLE WHO COMMERCIALISE RESEARCH

# KiwiNet is a driving force in establishing New Zealand as a globally recognised leader in research commercialisation.


Shareholders (universities and Crown research entities) as at 30 June 2016

# CHAIRMAN'S REPORT

"The only way as a country we get richer is with innovation" a quote snatched from a recent blog which states the obvious.

What is not obvious is whether all the innovation stars are aligned; public policy and funding, university imperatives, Crown Research Institute mandates, Callaghan Innovation impacts and private sector appetites. Most of all, do the critical individuals get it, whether researchers at the discovery end or business operators at the application end?

The newly elevated Prime Minister of Australia late last year proved to be the poster child of transformation with his call for his country to embrace the "atmospherics of innovation". What really appealed was the PM's charge to the responsible Minister to "unleash his inner revolutionary".

After five years of activism in this space, we at KiwiNet have concluded that what matters most of all is culture, collaboration and lifting the commercialisation capacity of the talent on offer.

The DNA we want to foster in the publicly funded research domain starts with the centrality of innovation and science as opposed to a status quo where too often commercialisation of discovery is marginalised.

KiwiNet has focussed on capability building in the research organisations, creating practical pathways to tech transfer and administering the PreSeed Accelerator Fund (PreSeed) to help launch worthy research on its way to commercialisation.

We are pleased to see emerging evidence that this is a proven path: take Avalia Immunotherapies, a company that started its commercialisation journey through the KiwiNet investment Committee. Promoted by Viclink and deploying technology from Victoria University and the Malaghan Institute for Medical Research, the project is now a fully-fledged company backed by early stage investors such as powerHouse and lead by the entrepreneurial researcher and now CEO Dr Shivali Gulab.

This is one of a number of successes that shows the quest to achieve a mind shift in researchers and institutions is starting to pay dividends.

Start-up weekends, GetFunded workshops, Mathematics for Industry NZ events, an Emerging Innovator Fund all have combined to better equip researchers to embark on a commercialisation track.

The engine room of KiwiNet is a very active Investment Committee which has both assessed some 60 projects over the cycle while embedding a culture of collaboration that has demonstrably transcended the prior silo type modus operandi.

The Investment Committee proved to be a victim of its own success when the three-year funding runway for PreSeed was threatened to be exhausted two thirds of the way into the contract. In a demonstration of the culture of collaboration some research organisations were willing to put on hold early stage projects and return PreSeed money to the pool so that some semblance of momentum could be maintained. It has to be said however that this stop/go situation is not conducive to building a pipeline and while refining our own project scheduling rules, KiwiNet has forcefully made the case for better allocation from the commercialisation budget for a proven programme.

KiwiNet itself is a start –up and our mission to see science powering business innovation has been hugely advanced by the calibre of the Board of Directors, Investment Committee members and management team.

In many senses Mark Stuart, the original sponsor of the concept from the University of Waikato, is the 'Father' of KiwiNet. Mark leaves the Board this year justifiably proud of seeing his vision come to fruition. His position as an Independent is taken by Ngaio Merrick, an established and energetic investment professional and we welcome her fresh thinking.

One more transition of note is the move by Duncan Mackintosh formerly CEO of WaikatoLink to head the NZ arm of the Medical Research Commercialisation Fund. This represents real additionality to the eco-system and in thanking Duncan for his contribution to KiwiNet we look forward to collaborating with him in another capacity.

Andrew Turnbull doubles as both a Board member and Chairman of the Investment Committee where all of KiwiNet's heavy lifting is done. Andrew is unfailingly rigorous but solicitous and all project sponsors are the better for having gone through the process whether ultimately funded or not.

The two institutional representatives, David Hughes from the CRI pool of shareholders and Geoff Todd from the university sector, both bring the mix of practical know how and mission ambition that are must have ingredients for any successful Board.

Dr Bram Smith and his very able bench of colleagues are inventive and tireless in their pursuit of the KiwiNet cause, not a straightforward proposition when you are courting politicians, officials, public and private sector players alike. Bram's coup of the year was to spring $250k from a philanthropic fund to finance a dozen emerging innovators. Our thanks to the Norman F. B. Barry Foundation for having the foresight to invest in a head start for promising young researchers. As these bright sparks make their mark they will spread the word on how they got their start in the commercialisation journey.

As befits a player aiming to be a force for innovation we continue to try new ways to put the commercialisation fire in the belly of our researchers.

Thanks to all our shareholders and collaborators who play their part in this cause.

Hon Ruth Richardson / June 2016


**"WHAT MATTERS MOST IS CULTURE, COLLABORATION AND LIFTING COMMERCIALISATION CAPACITY."**


**“TOGETHER WE’RE UNLOCKING THE HUGE POTENTIAL OF SCIENCE TO POWER BUSINESS INNOVATION”**

# GENERAL MANAGER'S REPORT

An invitation to visit Chile recently presented an opportunity to re-evaluate the rationale underpinning KiwiNet. Driven by low copper prices and the need to power up economic growth the Chilean government is boosting support for research organisation tech-transfer. They see KiwiNet as a best practice model to emulate. Chilean government officials talked about "connecting technology with the community", building a "critical mass of universities" through collaboration, and promoting a Tech-Transfer "culture change" amongst researchers - all core principles of KiwiNet.

Here in New Zealand, the economic impact of tech-transfer at research organisations is becoming much more widely recognised. Two independent reports on tech-transfer commissioned by the government were released in 2015. They validated the important impact of the PreSeed Accelerator Fund (PreSeed) and the Commercialisation Partner Network (CPN). The ten-year review showed $43m of PreSeed invested has resulted in $200m of business investment, 460 jobs, 27 start-ups and export earning potential of $3 billion.

The government is taking notice and support for tech-transfer is growing. Both PreSeed and CPN are now part of the government's Business Growth Agenda to foster business innovation. The government has committed to increasing PreSeed funding by $3m per annum from July 2016. KiwiNet's contract for CPN funding has also been renewed for 3 more years. This increased, longer term commitment from government will enable KiwiNet to continue core activities, while exploring bold new initiatives. Particular attention is focused on 3 key imperatives: overcoming the lack of tech-transfer resources, inspiring a culture of tech-transfer amongst researchers and demonstrating economic impact.

KiwiNet's culture change activities start with our training programmes, which have especially targeted early career researchers. In 2015, building on KiwiNet's popular pitching workshops, we worked with CreativeHQ to run New Zealand's first Start-up Weekend for Science. With support from the Ministry of Business Innovation and Employment (MBIE), this evolved further into a new 2-day 'GetFunded' workshop, that has proved so popular we'll run 3 more in 2016. A further 100 researchers attended KiwiNet's week-long "Mathematics in Industry" event, which further demonstrated how hungry researchers are to connect with business.

Ambitious researchers need investment to pursue tech-transfer opportunities. Thanks to the Norman F. B. Barry Foundation and support from Callaghan Innovation, we raised $270,000 to establish the Emerging Innovator Fund. This provides $25,000 for early career researchers to develop a prototype of a clever idea in partnership with business. The result has been fresh research talent identified and a new pipeline of opportunities.

The PreSeed investment pipeline has continued to grow with 54 projects presented to the committee and 93 new project notifications. This is despite the Investment Committee having a challenged year as PreSeed investment became stretched. However, KiwiNet's collaborative culture kicked in with research organisations putting early stage projects on hold to free up PreSeed. Otago Innovation also generously transferred $200k from their PreSeed allocation despite their own strong pipeline.

The Commercial Mentor Programme has played an important part in pipeline growth in 2015. The programme helps research organisations overcome limited resources and access external expertise. In the past 12 months 38 projects have received commercial mentor support through KiwiNet. The result has been more project plans being prepared to a higher quality, along with the upskilling of tech-transfer staff.

Partnerships are critical for KiwiNet and our long term corporate partners BNZ and MinterEllisonRuddWatts have been joined by new partners Baldwins IP and PwC. They all provide a range of support, especially with PR opportunities and free commercial mentoring for 23 projects. Callaghan Innovation, CreativeHQ, Licencing Executives Society (LESANZ) and others have also been invaluable partners. Thanks to these organisations, KiwiNet has attracted over $400,000 of funding from sources outside of CPN and PreSeed in the past year.

KiwiNet's activities are continuing to uncover a steady stream of exciting new technologies and talented emerging innovators in the science community. With new partnerships, new initiatives and new PreSeed investment from government in 2016, the future is promising for tech-transfer. Building on KiwiNet's core principles of research organisation collaboration, business engagement and empowering innovators we will together unlock the huge potential of science to power business innovation.

Dr Bram Smith / June 2016

**UPDATE: IN JUNE 2016 THE MINISTER OF BUSINESS, INNOVATION AND EMPLOYMENT ANNOUNCED KIWINET WOULD RECEIVE $10.318 MILLION OF PRESEED ACCELERATOR FUNDING TO INVEST OVER 3 YEARS FROM JULY 2016.**

# HIGHLIGHTS

## Operational Funding
The Ministry of Business Innovation and Employment (MBIE) has confirmed Commercialisation Partner Network (CPN) funding through to June 2018 for KiwiNet, Return on Science and CRIS. With this investment, we are determined to create the best system for turning research ideas into commercial value to grow the pipeline of research commercialisation successes.

## Commercialisation Training
271 researchers from 68 organisations and 131 tech transfer professionals from 62 organisations attended KiwiNet commercialisation training courses last year.

## KiwiNet Awards
The third KiwiNet Research Commercialisation Awards brought together the innovation community to celebrate successes and inspire others. 265 people attended the evening reception where the 11 finalists and winners were showcased in style.

## Industry Engagement
Over 230 researchers and industry representatives attended KiwiNet's industry engagement events in the last year. These forums brought together researchers and industry representatives to identify opportunities for R&D collaboration in areas including water management, sensors in the built environment and the mussel industry.

## Commercial Mentors
KiwiNet's Commercial Mentor programme has expanded beyond expectations in 2015, with 38 connections created between commercial mentors and projects over the last 12 months. This includes 16 projects with MinterEllisonRuddWatts, 7 with Baldwins and 6 with emerging innovators. KiwiNet brings in these external experts to support research organisations on everything from identifying new opportunities to mentoring some very high potential projects. Commercial Mentors are driving significant pipeline growth while helping research organisations overcome limited tech transfer resources.

## KiwiNet Emerging Innovator Fund
With generous support from the Norman F. B. Barry Foundation, KiwiNet launched the Emerging Innovator Fund. It's designed to help early career research scientists with a clever new idea and commercial interest, take it to market. 11 researchers have been awarded $25,000 each, including professional services from MinterEllisonRuddWatts and Baldwins.

## StartUp Weekend
Building on KiwiNet's popular pitching workshops, we worked with CreativeHQ to run New Zealand's first Start-up Weekend for Science. There were 44 attendees, including 22 researchers.

## Mathematics-In-Industry (MINZ)
6 companies each paid $6,000 to have 100 mathematicians work in teams on their business challenges for a week. In many cases bonds were formed between the mathematicians and companies and work continued on well beyond the event.

## Partnerships
### New Shareholder
GNS Science became the thirteenth shareholder of KiwiNet, confirming their support for the collaboration and vision behind KiwiNet.

### Commercialisation Partnerships
Over the past year KiwiNet has partnered with many different organisations to deliver training workshops for researchers and industry engagement activities. This year KiwiNet partnered with MacDiarmid Institute, Cawthron Institute, University of Otago and University of Waikato to run training commercialisation training workshops for researchers. KiwiNet also partnered with organisations such as Sanford, Callaghan Innovation, British High Commission, Beef & Lamb and Farm IQ to run three industry engagement events.

# CORPORATE PARTNERSHIPS


## Corporate Partnerships

KiwiNet was delighted to welcome the Norman F. B. Barry Foundation as a new Corporate Partner in 2015, along with renewed sponsorship agreements with:

- Strategic Partner, Bank of New Zealand – provided substantial support around events and promotion in 2015, helping us raise the profile of research commercialisation.
- Major Partner, MinterEllisonRuddWatts – provided free legal advice to 16 research commercialisation projects from across the country to ensure early stage projects get off on the right foot.
- Major Partner Baldwins has provided IP expertise to 10 research commercialisation projects and Emerging Innovators.
- Sciencelens provides excellent photographic services at our Awards events.

It's exciting to work alongside these leading corporates who are bringing their expertise and support to boost science-led innovation in New Zealand.

bnz Be good with money

MinterEllison RuddWatts

intellectual property Baldwins™

NORMAN F. B. BARRY FOUNDATION

sciencelens.
PHOTOGRAPHING
SCIENCE, INDUSTRY
AND TECHNOLOGY

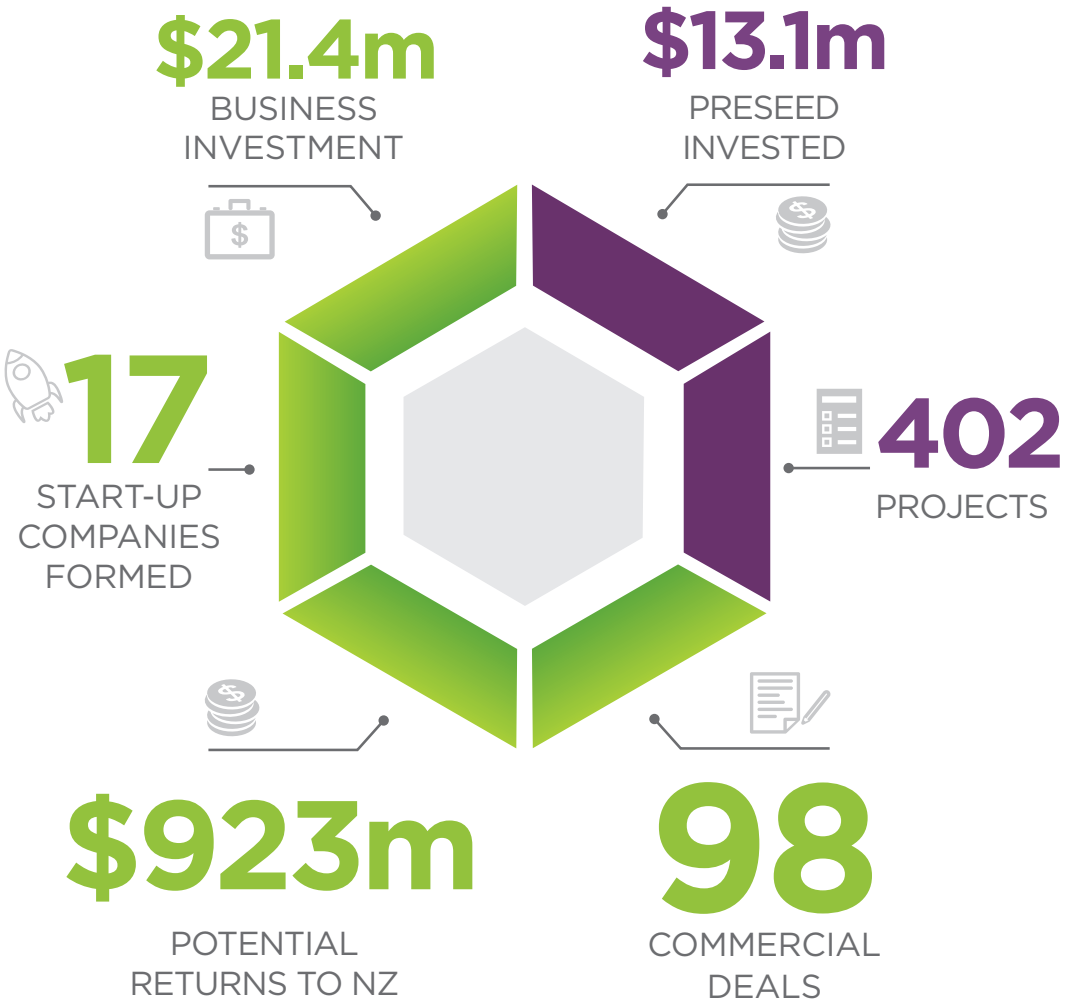
# HIGHLIGHTS

## PreSeed Investment

In July 2013 KiwiNet began a three year PreSeed Accelerator Funding (PreSeed) contract with the Ministry of Business Innovation and Employment (MBIE). With the current PreSeed funding due to end, KiwiNet will submit a proposal for a new three-year fund, starting July 2016. With AgResearch pulling out and GNS Science and Malaghan Institute joining, KiwiNet's PreSeed pool will increase to 13 research organisations operating a combined investment of $7.5 million. KiwiNet has become New Zealand's national network of commercialisation collaborators.

## Investment Committee Partnerships

With 13 shareholders and 13 pooling organisations collaborating through the KiwiNet Investment Committee, it now represents approximately 70% of researchers in public research organisations in New Zealand. Over the 12 months to March 2016, 54 projects have been presented to the Investment Committee from 14 different research organisations.



# KIWINET'S UNLOCKING NEW COMMERCIAL OPPORTUNITIES

*"It's been another strong year for the KiwiNet Investment Committee with some fabulous developments for existing projects, plus a number of exciting new projects and spinout ventures. While the environment has been challenging, it is particularly encouraging to see the government acting decisively to provide certainty in expanding the PreSeed funds available. There is increased activity from Tech Incubators and the establishment of New Zealand operations for MRCF (Medical Research Commercialisation Fund). This backdrop stands us in good stead. With increased support comes increased expectation and responsibility. KiwiNet stands ready to deliver. We look forward developing the capability and uptake of the commercialisation challenge within all of our member organisations, across the length and breadth of New Zealand."*

ANDREW TURNBULL - CHAIRMAN, KIWINET INVESTMENT COMMITTEE


KIWINET INVESTMENT COMMITTEE MEETING – UNIVERSITY OF CANTERBURY, CHRISTCHURCH, MAY 2016

# STRATEGY

**KiwiNet's purpose:** to empower and propel public research organisations to world class commercialisation of their ideas, intellectual property and capability to boost economic outcomes for New Zealand.

## OUR VISION

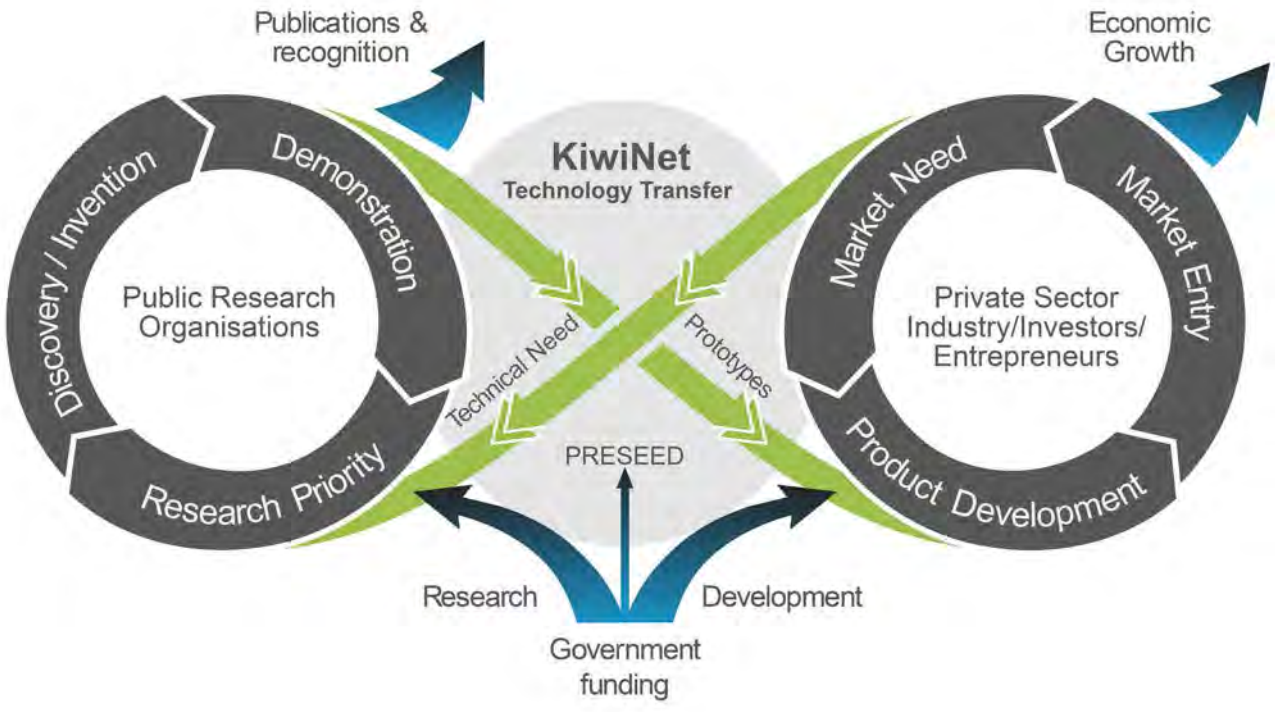
Kiwi scientists powering business to push the frontiers of high-tech innovation

## OUR MISSION

To create the best system for turning research ideas into commercial value.

KiwiNet seeks to be a driving force that establishes New Zealand as a globally recognised leader in research commercialisation.

### CONNECTING SCIENTIFIC DISCOVERY WITH COMMERCIAL ENTERPRISE.



# STRATEGIC PRIORITIES

## Empower

Energise New Zealand research commercialisation capability by building a strong professional network with the best professional development, expert support and resources available.

## Collaborate

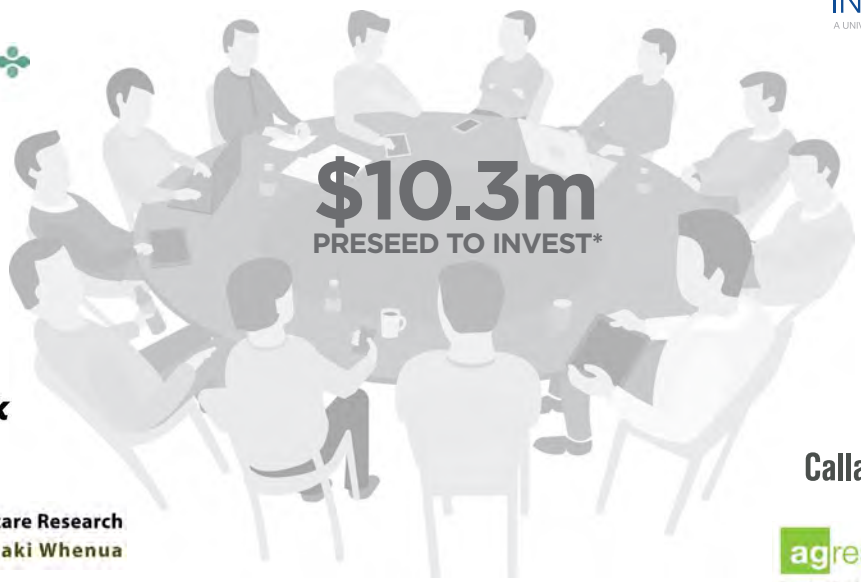
Drive a deeply embedded culture of nationwide collaboration in the research commercialisation community by constantly bringing people together in an environment of openness and trust.

## Connect

Build a thriving web of interconnectivity between research organisations and business by regularly bringing scientists and business people together and encouraging the open exchange of ideas.

## Portfolio

Redefine best practice in effective and efficient investment by leveraging rigorous expert review, transparent decision making and a focus on supporting commercialisation staff to reach high standards.




*Announced by MBIE in June 2016".

## OUR CORE VALUES

**People and their connections**
Innovation is first and foremost about people and their connections.

**Collaboration not duplication**
KiwiNet is a facilitator, working with complementary organisations to achieve outcomes through collaboration.

**Trusted neutral party**
KiwiNet must be recognised as an independent organisation that is trusted to be fair and balanced.

**New and innovative approaches**
KiwiNet must have a maverick spirit, striving to take new approaches, to create new conversations between new people and to encourage new talent that underpins future innovation.

**Speed and efficiency**
KiwiNet must be nimble and dynamic, running between the feet of giants, acting as a catalyst for new opportunities and ensuring ideas become self-sustaining quickly.

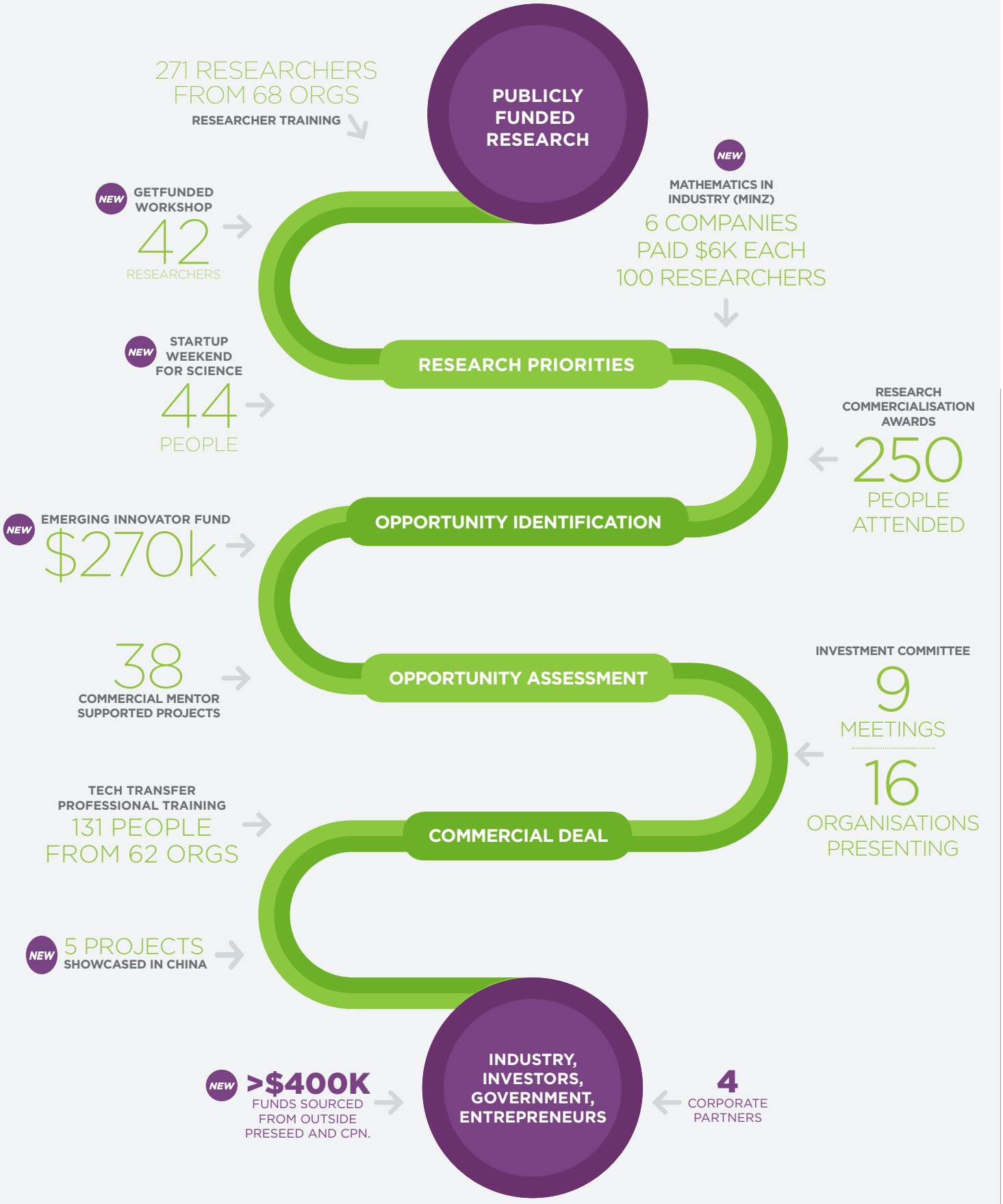
# WHAT MAKES US DIFFERENT

KiwiNet has its roots in science-driven innovation, creating new channels to bring scientific ideas to commercial use. We focus on inspiring and rewarding entrepreneurial researchers and lifting the performance of technology transfer professionals. KiwiNet is engaged, responsive, and takes a collaborative approach to all we do. The table below summarises some of the key points of difference between KiwiNet and other support organisations in the innovation system.

| KIWINET | OTHER SUPPORT ORGANISATIONS | DIFFERENTIATORS |
|---|---|---|
| Investigator-led innovation, driven by market aware research | Industry-led innovation, driven by firms and private investors | While others are focused on industry-led innovation, where businesses set priorities, KiwiNet strives for market aware research, where scientific exploration is coupled with greater awareness and engagement with business. This approach has led to a strong track record of disruptive business innovation emerging from serendipitous scientific discovery. |
| Start with technology, find the pathway to market | Start with pathway to market, find the technology | |
| Disruptive innovation driven by scientific exploration. | Sustaining innovation driven by business needs. | |
| Entrepreneurial research | Research excellence | KiwiNet focuses on inspiring and rewarding entrepreneurial researchers that convert scientific knowledge into commercial value. |
| Founding start-ups | Supporting start-ups | KiwiNet creates a strong foundation for start-up opportunities that private investors can grow. |
| On demand prototyping and commercialisation funds coupled with feedback & advice | Large research grants annually, 10% chance of success with minimal feedback | While most funding available to research organisations is through large grants provided at specific intervals, KiwiNet provides commercialisation funds on demand through a highly interactive process. |
| Embedded collaboration | Fragmented engagement | Collaboration between publicly funded research organisations (PROs) is typically fragmented, involving a select group around a specific project. For KiwiNet, collaboration is embedded in everything we do and is open to all PROs to lift everyone's performance. |

# TECHNOLOGY TRANSFER

2015-16 HIGHLIGHTS



# EMPOWER

Energising NZ research commercialisation capability by building a strong professional network with the best professional development, expert support and resources available.

| ACTIVITIES | 2015 OUTCOMES |
|---|---|
| **COMMERCIALISATION TRAINING**<br>Training programmes ranging from practical commercialisation workshops for researchers through to advanced professional development for commercialisation staff. | KiwiNet had 271 researchers from 68 organisations and 131 tech transfer professionals from 62 organisations received KiwiNet commercialisation training last year. |
| **RESOURCE LIBRARY**<br>A library of legal and process templates and case studies to support research commercialisation staff, reduce legal costs and improve commercialisation processes. | 22 templates, guides, and forms now exist on the resource library. These were downloaded over 790 times in the 2014 year. Through collaboration with Return on Science, most public research organisations in New Zealand are now using the same process templates developed by KiwiNet to access and report on PreSeed investment. |
| **COMMERCIAL MENTORS**<br>Commercial Mentors are driving significant pipeline growth while helping research organisations overcome limited tech transfer resources<br><br>**EXPERT ADVICE & ENTREPRENEUR CONNECTIONS**<br>Helping commercialisation staff to connect with experts and mentors to provide advice and guidance. | KiwiNet's Commercial Mentor programme has continued to expand beyond expectations in 2015, with 38 connections created between commercial mentors and projects over the last 12 months. KiwiNet brings in these external experts to support research organisations on everything from identifying new opportunities to mentoring some very high potential projects to drive commercial success. |
| **KIWINET STAFF**<br>KiwiNet's team works in partnership with research organisations and commercialisation professionals across New Zealand to deliver KiwiNet's strategic objectives. | KiwiNet's core staff of 7 are currently supplemented with 1 full time secondment from Callaghan Innovation and 2 student interns from the University of Waikato. Our staff run the investment committee, work with our partners to prepare business plans for PreSeed investment and run events and initiatives to support research commercialisation. |

*"The value the KiwiNet Investment Committee brings to the innovation ecosystem is enormous. The opportunity to seek advice at any stage of the product lifecycle in such a supportive environment is invaluable. The expertise and experience of the committee has really helped us stress test commercial assumptions in our business cases. The 'network node' that the committee creates considerably reduces the degrees of separation between NZ's research organisations and our potential markets and partners."*

JEREMY JONES, SENIOR COMMERCIALISATION MANAGER, VICLINK

viclink


38

**PROJECTS WORKED ON BY COMMERCIAL MENTORS**

- 17 mentors
- from 12 different organisations

790+

**DOWNLOADS**

- 22 Best practice templates, guides and forms

402

**RESEARCHERS AND TECH TRANSFER PROFESSIONALS**

- received KiwiNet commercialisation training

# COLLABORATE

Driving a deeply embedded culture of nationwide collaboration in the research commercialisation community by constantly bringing people together in an environment of openness and trust.

| ACTIVITIES | 2015 OUTCOMES |
|---|---|
| **INVESTMENT COMMITTEE**<br>A joint committee of research organisations and independent experts, who assess new projects, allocate PreSeed investment and design initiatives to support commercialisation. | Malaghan Institute and GNS Science have now joined KiwiNet's combined PreSeed investment pool, taking the number of pooling organisations to 13. With 13 shareholding organisations sitting on the Investment Committee, a total of 16 research organisations are represented at KiwiNet Investment Committee meetings. The committee is established around principles of openness and trust where organisations see each other's projects, share expertise and combine IP to maximise the chances of successful outcomes. The shared PreSeed pool ensures the best projects receive investment when they need it. The Ministry now requires all research organisations to notify, or seek approval from either KiwiNet or Return on Science Investment Committees when allocating PreSeed investment into projects.<br><br>Over the 12 months to March 2016, 54 projects have been presented to the KiwiNet Investment Committee from 14 organisations. Each project is discussed amongst the research organisation representatives and independents, combining expertise and connections to help accelerate commercialisation. |
| **GOVERNMENT AGENCY CONNECTIONS & COMMERCIALISATION CENTRE CONNECTIONS**<br>KiwiNet connects with Government departments who are working in similar and complementary areas. | KiwiNet has been working closely with MBIE to provide a clear picture of research commercialisation activities in New Zealand. Reports provided to MBIE include:<br>• The first ever 10-year review of PreSeed outcomes.<br>• An annual report on KiwiNet's PreSeed portfolio.<br>• An annual report of Commercialisation Partner Network outcomes. |
| **PLATFORMS AND THEMES**<br>Encouraging research organisations to work together to target platforms where New Zealand has a strong national capability and good access to strong market demand. | KiwiNet has been running activities to encourage greater collaboration amongst research organisations and connections with industry in a number of sectors. Over the past 12 months the specific themes have been Water Management, Aquaculture, Sensors, AgriTech and Natural Products. These initiatives have been well received and help promote greater engagement between researchers and business. |
| **PARTNER LED ACTIVITIES**<br>Encouraging research organisations to lead activities that leverage their core strengths but align with the collaboration principles of KiwiNet. Ensure all public research organisations are included and can benefit from these activities. | KiwiNet encourages joint initiatives to deliver training and foster business engagement. Through partnerships with other organisations in the innovation ecosystem we achieve greater impact from our activities. Examples of active partnerships that we have in place include:<br>• NZBio conference – KiwiNet partnered with Callaghan Innovation, the British High Commission and Grow Wellington to host a session showcasing NZ science opportunities to an international audience.<br>• Biopesticides – Partnered with Lincoln University to host an EU expert on commercialisation of BioPesticides.<br>• Partnered with Callaghan Innovation and British High Commission to run the 2015 NZ Institute of Food Science Technology event.<br>• Partnered with Massey University to run the Maths in Industry 2015 event. |

**54** PROJECTS AND PREVIEWS PRESENTED TO THE INVESTMENT COMMITTEE*.

**13** PUBLIC ORGANISATIONS POOLING PRE-SEED INVESTMENT.

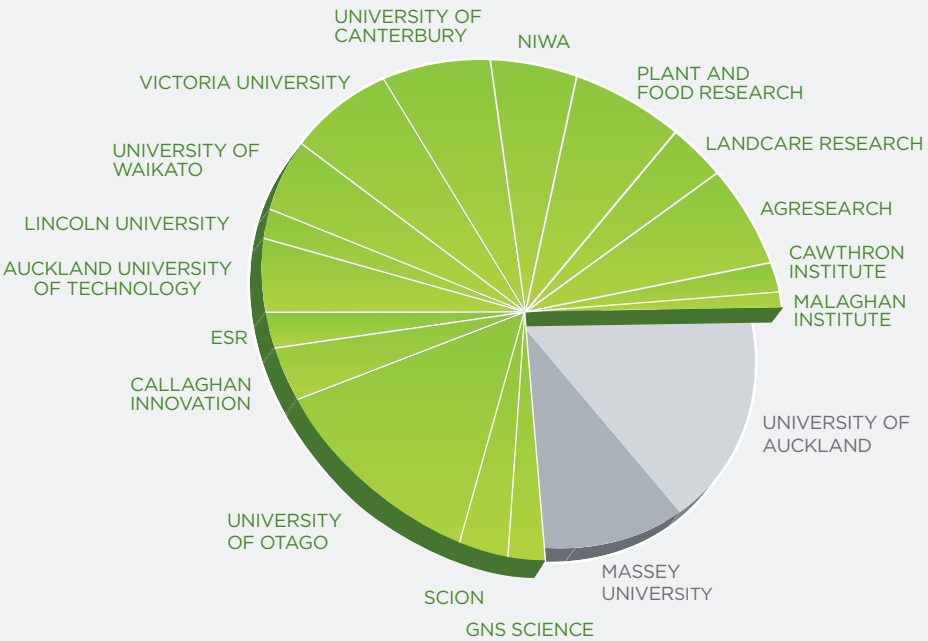
**14** DIFFERENT RESEARCH ORGANISATIONS PRESENTED PROJECTS TO THE KIWINET INVESTMENT COMMITTEE*.

*IN THE YEAR TO MARCH 2016.

**5** PARTNER LED COLLABORATIVE ACTIVITIES INCLUDING CAPABILITY BUILDING AND INDUSTRY CONNECTION INITIATIVES.

*"The Malaghan Institute is delighted to be joining with KiwiNet in 2016. As we strive to find new treatments for disease the commercial savvy and experience around the Investment Committee table will be crucial in helping us make our ideas ready for investment. By pooling and drawing on the strengths of the membership, we all benefit as a result."*

MIKE ZABLOCKI, CHIEF OPERATING OFFICER, MALAGHAN INSTITUTE




**~6,500**

researchers from NZ's public research organisations are now represented around the KiwiNet Investment Committee table.

# CONNECT

Building a thriving web of interconnectivity between research organisations and business by regularly bringing new people together and encouraging the open exchange of ideas.

| ACTIVITIES | 2015 OUTCOMES |
|---|---|
| **CORPORATE PARTNERS**<br>These partnerships provide additional funding, but more importantly, represent a group of large corporate supporters who are keen to get in behind KiwiNet. | KiwiNet has secured sponsorship partnerships with BNZ, MinterEllisonRuddWatts, PwC, Baldwins and ScienceLens to provide funding and in-kind support to KiwiNet activities and projects. The MinterEllisonRuddWatts buddy programme has provided valuable commercial mentoring across 17 different projects over the past 12 months. Baldwins offers expert IP advice for partner projects and to KiwiNet Emerging Innovators. |
| **NATIONAL INNOVATION DATABASE**<br>A central repository of technologies, research capability, patents & commercialisation staff profiles from NZ's research organisations. | The Innovation Database now contains 793 entries from across 33 organisations, representing the most comprehensive national portfolio of its type in New Zealand. |
| **BUSINESS CHALLENGES**<br>Providing opportunities for research and business to connect over a common theme, assisting the development of disruptive solutions to industry problems. | Following the success of the KiwiRail business challenge initiative, KiwiNet partnered with Sanford, the Salmon industry, Seafood Innovation and MPI to run similar events in the Aquaculture sector. KiwiNet also worked with a network of applied mathematicians to organise the Maths in Industry (MINZ) study group where businesses pay $6,000 to put up specific challenges and 100 mathematicians from across New Zealand got together for one week to find solutions. |
| **INTERNATIONAL CONNECTIONS**<br>Connecting with similar organisations overseas to identify opportunities for collaboration and leverage their connections into foreign markets. | KiwiNet is building collaborations with technology transfer partners in key countries. Connections and projects are now being exchanged with over five organisations across China and the Asia region. Initiatives with Knowledge Commercialisation Australasia (KCA), British High Commission and the Chilean Economic Development Agency (Corfo) are growing. |
| **PROMOTION & SIMPLIFYING EXTERNAL ENGAGEMENT**<br>Building awareness around the activities of KiwiNet, the technology transfer professionals and the research organisations to encourage people and make it easier for them to engage. | KiwiNet has released 10 press releases in the past 12 months. There have been 97 media publications about KiwiNet projects during this time. The unique website hits on kiwinet.org.nz have increased 43%. |
| **INNOVATION CALENDAR**<br>The Kiwi Innovation Calendar provides a one stop shop to locate events in the innovation space. | The Kiwi Innovation Calendar has proven to be a very popular tool used by stakeholders. It featured 340 events for the 2015 period. |

**225**
researchers and industry representatives attended KiwiNet's connect events.

**97**
media and opinion releases about KiwiNet activities & projects

> 17,341 website visits
> 137 hours of YouTube views
> 1,790 Twitter followers

**638**
Innovation Database entries

> 199 projects
> 33 organisation profiles
> 56 patents
> 199 staff profiles
> 95 research capability profiles
> 56 plant variety rights

**5069**
visits to KiwiNet Innovation Database


GETFUNDED! Attracting investment into science ideas workshop, Wellington

# DRIVING A CULTURE OF NATIONWIDE COLLABORATION

# CONNECT

## Mathematics in Industry (MINZ)
– Riding the Sine Wave

### Background

Mathematics-in-Industry NZ (MINZ) events offer a collaborative approach to industry problem solving, where mathematical scientists tackle real life problems shared by companies.

This week-long intensive period of collaborative brain-storming is a great way of solving problems in industry and the environment.

Emeritus Professor Graeme Wake, a dab hand of 54 study groups internationally, approached KiwiNet to support a nationally focused New Zealand event. It was so successful, we're now planning MINZ 2016.

**MINZ events deliver:**

- Methods to solve complex industrial problems
- Links with mathematical scientists from top universities and national laboratories across the country
- Access to advanced computing solutions and environments
- Highly cost effective access to scientific advice
- Fresh input of new ideas.

**6** COMPANIES EACH PAID → **$6,000** to have ↓

**100** mathematicians working in teams on their challenges for a week.

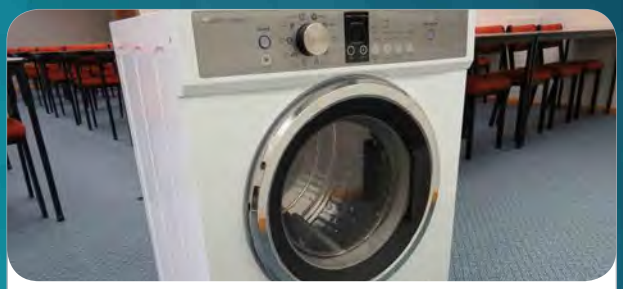
### The Event

KiwiNet's Chair, Hon Ruth Richardson, opened the event addressing the gathered number crunchers. She inspired them to make the most of the week, not just meeting fellow mathematicians, but using it to network with the industry representatives. Ruth's speech resonated with the crowd, and they were fortified through the comments of Professor Shaun Hendy who spoke also. The invited international speaker, Dr Maria Bruna from Oxford University, shared some enlightened experiences from other challenges that she had participated in around the world.

Find out more and watch the MINZ highlights video at **www.minz.org.nz**

Emeritus Professor Graeme Wake, Massey University

# The Business Challenges



CHALLENGE 1
**Fisher and Paykel**

Can math find a solution to provide accurate end points of the dry cycle to account for bunched wet clothes.

CHALLENGE 2
**Fonterra**

Can math provide for better safety procedure setup providing heightened assurance that foreign objects are detected and removed from a moving stream of milk powder.

CHALLENGE 3
**Eyedentify (now Auror)**

Looking to build an algorithm to sort through massive data to improve the assessment of identifying the chance a person will shoplift when they enter a shop.

CHALLENGE 4
**Compac Sorting**

Standardizing the positioning of multiple NMR machines that scan for fruit quality as they move along a processing line.

CHALLENGE 5
**Livestock Improvement Corporation**

Build a mathematical strategy to filter through the 100 years of herd data to provide useful and commercially viable information for dairy farmers

CHALLENGE 6
**Transpower**

The integration of power generated between the North and South Island into the National circuit can cause issues, can mathematics solve creeping time errors?

# KIWINET RESEARCH COMMERCIALISATION AWARDS 2015

In 2015 KiwiNet ran New Zealand's Research Commercialisation Awards for the third year. The KiwiNet Awards celebrate the ability for science to drive business innovation, putting the spotlight on those who successfully commercialise clever Kiwi ideas.


This **PREMIER EVENT** is now highly anticipated on New Zealand's innovation calendar, raising the profile of research commercialisation nationwide.

Where: Auckland, Viaduct Events Centre
When: Wednesday 17th June, 2015

**265** ATTENDEES

**6** AWARDS CATEGORIES

**11** FINALISTS




# CELEBRATING
# SCIENCE POWERING BUSINESS INNOVATION


# 2015 KIWINET AWARD WINNERS

## Winner of the BNZ Supreme Award, People's Choice Award and Researcher Entrepreneur Award

Professor Andy Buchanan

Professor Andy Buchanan is pioneering research at the University of Canterbury that has lifted engineered timber buildings into serious contention for the Christchurch rebuild after the devastating earthquakes of 2010 and 2011.

He and his team have initiated a step-change in the perception of structural timber, allowing direct competition with concrete and steel for large span and multi-storey buildings, for the first time. His innovative products allow architects to design structures not previously possible with traditional materials. He is also leading the charge to commercialise these new timber building products with industry partners into the global market.

In 2010 he was also instrumental in the establishment of an industry consortium, creating deep industry engagement channels for him and his collaborators ensuring research outcomes with strong industry relevance.

## Winner of the Commercialisation Collaboration Award

Biopolymer Network

The Biopolymer Network Limited (BPN), a New Zealand-based research company, is focused on producing bio-based products and process for commercial applications. Three of New Zealand's leading research organisations, Plant & Food Research, AgResearch and Scion have come together to create scientific and technological excellence in the conversion of sustainable natural resources to biopolymers and biocomposites. The company is governed by a Board of six directors comprising two appointees from each of the shareholding research partners.

BPN has, through original research, developed and continues to develop its portfolio of intellectual property in biopolymers, bio-based specialty chemicals, bio-composites, bio-foams and moulded structures. Working together, the key partners in the Biopolymer Network are actively taking these products into the market place both to achieve our vision of a sustainable bio-based world and to create wealth.

## Winners of the MinterEllisonRuddWatts Research & Business Partnership Award

Comvita and the Institute for Innovation in Biotechnology at The University of Auckland

Comvita New Zealand Limited's Innovation team is physically co-located at the Institute for Innovation in Biotechnology at The University of Auckland and has been collaborating on various research projects with the different departments at the university for the past five years. The partnership is a prime example of the triple helix model of university, industry and government collaboration. In this partnership, all three parties are intertwined to provide and receive benefit from each other.

- Comvita is interested in a variety of skill sets available throughout the university and fosters young talents through internships and post-graduate research projects. The Comvita Innovation team has worked together with the university's academic staff and co-supervised over 50 students in the last three years.
- With this model, Comvita can access wide-ranging expert knowledge at the university as well as respond to a diverse range of research needs of the business. This leads to IP generation and strengthening of Comvita's core product value proposition.
- Students conduct Comvita's research projects as part of their academic programme or internship which equips them with industry experience. This makes them highly employable, and Comvita has employed many of the senior students at the end of their projects.
- Many of the student projects are funded by the government's capability grant or internship grants.

This close working relationship between the business and academia encourages the researchers and students to be both interested in Comvita's business needs and committed to make discoveries that have strong business relevance. Comvita understands the long term value of this partnership and invests a significant part of their $3M annual R&D spending on the research projects at the university.

## Winner of the PwC Commercial Deal Award

Plant & Food Research

Plant & Food Research has an international reputation for developing new and innovative plant varieties with commercial success. However, early in its relationship with US partner, Northwest Plant Company LLC (NWPCO) it was recognised that traditional royalties based on plant sales would not generate sufficient revenues to justify commencing, let alone sustaining, a plant breeding programme, even if the resultant varieties were widely planted and hugely successful.

In the case of 'Wakefield', a new raspberry cultivar that had shown promising benefits over other varieties, the solution was to implement a new pricing model based on an annual grower licence fee for use of the variety.

The annual fee continues for the life of the planting and is based on the value Wakefield delivers to growers, structured so that the grower retains a minimum two thirds of the commercial benefit of growing Wakefield over and above what they would earn from growing other varieties.

Use of the plant therefore delivers significant benefits to the growers, but also returns annual earnings to Plant & Food Research. This innovative model has now seen licensing fees returned to New Zealand from the intellectual property already exceed NZ$1 Million with significant further growth projected.

# PORTFOLIO

Redefining best practice in effective and efficient investment for turning research ideas into commercial value.

| ACTIVITIES | 2015 OUTCOMES |
|---|---|
| **OPPORTUNITY IDENTIFICATION**<br>Identifying new commercial opportunities in research organisations, including individual projects and platforms. | **PRESEED OUTCOMES REPORT**<br>KiwiNet contracted an independent consultant to carry out an MBIE commissioned review of outcomes from 10 years of PreSeed investment. $25 million of PreSeed invested across 14 research organisations has attracted $13 million of external co-investment and $25 million of commercialisation investment from research organisations. The outcome is a portfolio that has the potential to generate $1 billion in export earnings for New Zealand, and to-date has resulted in 133 commercial deals and $57 million of revenue back to research organisations. |
| **OPPORTUNITY ASSESSMENT**<br>Increasing the speed and efficiency of new opportunity assessment. | **PIPELINE AND RETURN-ON-INVESTMENT**<br>The portfolio of commercial opportunities is expanding and the economic impact of successful commercialisation projects is continuing to grow. Since July 2008 KiwiNet Investment Committee (and predecessor UniCom) has allocated over $13.1 million of PreSeed investment into 402 projects across 15 research organisations. This has resulted in 98 commercial deals resulting in $21.4 million of business investment, 17 start-up companies and a combined potential to generate export earnings to New Zealand of $923 million.<br><br>**START-UP COMPANY CREATION**<br>A recent report provided to MBIE demonstrated that projects that have been invested in by the KiwiNet Investment Committee have led to the spinout of 27 new companies since 2003. |

*"The University of Canterbury gets great benefit in a number of ways from its active shareholding in KiwiNet. The management team of KiwiNet provides assistance and expertise 'on-tap', including administrative help, expert advice from time to time, and, upon request, supplying specific contact details of various industry experts. The Investment Committee, through a combination of employing robust processes and having a very strong collective wisdom amongst its members, offers a readily available and highly effective platform for individual project advice and a great system for deciding upon PreSeed. In addition to all this, KiwiNet membership delivers scope for individuals to have a large amount of cross-fertilisation of ideas, collaborations, and the sharing of experiences amongst its members; all of which is invaluable to the commercialisation team here at UC"*

BILL LEE, COMMERCIAL DIRECTOR, RESEARCH AND INNOVATION, UNIVERSITY OF CANTERBURY

UC UNIVERSITY OF CANTERBURY
Te Whare Wānanga o Waitaha
CHRISTCHURCH NEW ZEALAND

*(and its predecessor UniCom)

## PORTFOLIO INPUTS SINCE JULY 2008

**402**

PreSeed projects

**$13.1m**

PreSeed invested

## PORTFOLIO OUTCOMES SINCE JULY 2008

**$21.4m** business investment

**90** jobs created

**98** commercial deals

**$923m** potential export earnings

**17** startups

**8** projects in Tech Incubation

# EMERGING INNOVATOR FUND

The Emerging Innovator Fund was launched in June 2015 to help early career research scientists with a clever new idea and commercial interest to take it to market. KiwiNet secured support from Callaghan Innovation for the first recipient, followed by the Norman F. B. Barry Foundation who provided $250,000 to support a further 10 Emerging Innovators.


**$250,000**
from
**NORMAN F. B. BARRY FOUNDATION**

**$20,000**
from
**CallaghanInnovation**

**11 EMERGING INNOVATORS.**

## The fund was established with three key goals:

**1**
To develop scientists with a stronger commercialisation capability.

**2**
To encourage more scientists to work alongside businesses

**3**
To foster new innovations with significant commercial potential.

In-kind support from
MinterEllison RuddWatts
intellectual property Baldwins

*"Both KiwiNet and the Foundation share the common goal to inspire young people to pursue science careers and seek out opportunities to apply their knowledge to benefit the community and the economy."*

JOHN SMITH, CHAIRMAN OF THE NORMAN F. B. BARRY FOUNDATION

**To be eligible,** scientists must be working within a publicly funded research organisation in New Zealand. In addition to $20,000 of funding, each recipient is allocated a commercial mentor, has access to in-kind expert legal support from MinterEllisonRuddWatts and Baldwins IP.

# PORTFOLIO EXAMPLES

## Emerging Innovators

### DR ANDREW KRALICEK

The first recipient of the KiwiNet Emerging Innovator Fund was Dr Andrew Kralicek, a researcher at Plant & Food Research who developed a biosensor which acts like a powerful electronic nose. Dr Kralicek's innovation is based on ground-breaking research, combining insect receptor proteins and novel man-made sensors to enable the detection of target compounds in extremely small concentrations.

The technology has the potential to be applied in a number of different arenas, such as: air quality monitoring, point-of-care medical diagnostics, food quality monitoring, security and agricultural pest/disease detection.

Emerging Innovator funding will allow Dr Kralicek to work alongside Auckland-based air quality monitoring equipment company Aeroqual to develop the prototype sensor. Aeroqual already makes equipment to monitor anything from roadside emissions, to industrial plants, to mine dust, but Kralicek believes his insect biosensor technology will be cheaper, easier to use, and more sensitive.

Plant & Food RESEARCH
RANGAHAU AHUMĀRA KAI

### DR JEROME LEVENEUR

Dr Jérôme Leveneur, a researcher at GNS Science's National Isotope Centre, has been awarded $20,000 from the KiwiNet Emerging Innovator Fund to further develop a new nano-scale magnetic material. Dr Leveneur's magnetic material made of anostructures is 1000 times thinner than a human hair. The material's small scale gives it enhanced properties over conventional magnetic materials.

Dr Leveneur says, "The material is highly flexible and can be manufactured in a range of different shapes, like 'magnetic play-dough', to make any size and shape, which is not the case with existing materials. The ability to mould the material to any shape can be used to improve the designs and energy efficiency of inductors and transformers, for example, as we can ensure that the magnetic field goes exactly where it's needed which is more efficient."

Jérôme will use the funding to compare the properties of his nanostructured magnetic material to existing magnetic materials. Most importantly, it will allow him to work closely with New Zealand manufacturers of transformers and inductors.

Chris Kroger, Research Manager & Deputy GM Research, GNS Science says, "Jérôme's research is potentially a game changer in the field of magnetic materials."

GNS SCIENCE
TE PŪ AO

### DR SWATI GUPTA

Dr Swati Gupta is the third recipient of the KiwiNet Emerging Innovator Fund. Joining Callaghan Innovation in 2014 as a Senior Research Scientist at Callaghan Innovation, Dr Gupta is currently working on her revolutionary "Talk to Me" tool, which enables children with special needs to express themselves to others. With a focus on Human-Computer Interaction, Gupta is deeply committed to apply her research to social, environmental and health problems. She is currently building an understanding of the commercial and business environment, which "Talk to Me" is entering.

"Talk to Me" has been a revolutionary tool that can help children to learn cooperative skills through turn-taking conversation. The technology behind the science allows a customisable interface for the caregiver to create conversations that they want to practice, and can be optimised for an individual's or group's needs. With positive preliminary results, children had more joint attention and required minimal training and teacher intervention.

Dr Gupta is delighted to be awarded the KiwiNet Emerging Innovator Fund, which has opened a whole new world of possibilities for her. She hopes her research will have a powerful impact on the lives of special needs children.

CallaghanInnovation

# PORTFOLIO EXAMPLES

## Case Studies

### SILVER NANOPARTICLES
Otago Innovation

An advanced formulation to preserve caries-infected teeth and prolong life of dental fillings developed in collaboration by University of Otago's Dental School and Department of Chemistry.

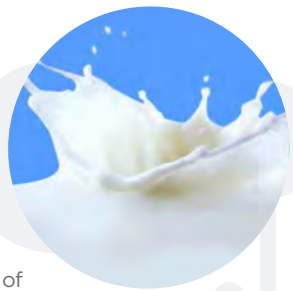
Secondary caries is the most common reason for dental restoration replacement and 280-350 million dental fillings are created every year in the US, Europe and Australia alone. Increasing the longevity of fillings is a human oral health priority.

Researchers at the University of Otago have created a novel silver NanoParticle ("NP") formulation that can be applied directly to teeth by dentists, without causing staining. It kills bacteria associated with caries to protect against development of secondary caries beneath fillings.

Otago Innovation has licensed the rights to this invention to a global dental materials manufacturer for further product development.

"PreSeed supported patent protection, validation and safety testing of this new material and engagement with dental materials manufacturer on a global scale. Discussions with industry to sell this invention inspired our inventors to develop a range of new dental materials to meet industry's needs. PreSeed was essential to accelerate these activities and to conclude a deal within 30 months."

Dr Alexandra Tickle, Commercialisation Manager, Otago Innovation Ltd



### CLOUDSPEC
Viclink

A spectroscopy innovation enabling the measurement and characterisation of cloudy, light scattering solutions such as milk.

PhD student Brendan Darby and Professor Eric Le Ru at Victoria University of Wellington have developed a potential breakthrough in infrared (IR) spectroscopic technique for measurement of solutions with high turbidity (cloudiness).

CloudSpec uses a combination of new hardware configuration and novel processing techniques that eliminate light scattering issues, thereby enabling cloudy solutions to be analysed with ease. CloudSpec will eliminate the need for the expensive instruments and processing steps currently used by analytical laboratories.

The project has been supported by KiwiNet's PreSeed backed emerging innovator fund and is a shining example of the innovation capability of research students at Victoria University of Wellington.

PreSeed has enabled further development of this technology alongside emerging innovator fund support and commercial mentoring.

"The emerging innovator fund from KiwiNet is an excellent mechanism to allow recently completed postgraduate students to explore the commercial potential of their research in a focused manner, with appropriate mentoring and guidance. It has made the difference for Brendan in choosing to take an entrepreneurial path out of his PhD."

Dr Anne Barnett, Senior Commercialisation Manager, Viclink

### AVALIA IMMUNOTHERAPIES
Viclink

An immunotherapy technology for treating cancer and other diseases.

Researchers at Victoria University of Wellington's Ferrier Research Institute and the Malaghan Institute of Medical Research have developed a promising immunotherapy vaccine platform technology applicable to treatment of cancer, infectious disease and allergy. Immunotherapy promises a revolution in the treatment of cancer as it utilises the body's immune system to fight the disease.

Avalia Immunotherapies Limited has been incorporated to commercialise the patented technology. The vaccine technology is scalable, easily manufactured and complementary to other modes of treatment. The platform is currently at a pre-clinical stage and attracting significant international attention.

This project has received New Zealand investment from PowerHouse Ventures, the New Zealand Venture Investment Fund, Malcorp Biodiscoveries Limited, Viclink, Callaghan Innovation and KiwiNet, demonstrating impressive commercial potential.

"PreSeed funding has been instrumental in the early stages of commercialisation and has supported the pre-clinical package development as well as securing the intellectual property portfolio. These activities have provided Avalia with the best possible platform from which to license and partner across a broad range of applications." Anne Barnett, Senior Commercialisation Manager, Viclink.

# PORTFOLIO EXAMPLES

## Case Studies

### **Ligar** – Molecularly Imprinted Polymers

Wintec and WaikatoLink spinout company, Ligar, has developed the ability to mass produce materials that extract specific molecules. These could be bad stuff such as food contaminants or heavy metals in factory waste. Or good stuff such as medicinal compounds and aromas from plant materials or precious metals from waste streams.

The Molecularly Imprinted Polymers (MIP) platform was developed at Wintec by Dr Miruna Pectu, now CSO at Ligar and can be applied in thousands of different ways. What looks like black powder is actually millions of tiny polymer beads, which are specifically designed to filter out good and bad particles from a liquid.

Between 2011 and 2013 the group that was to become Ligar received investment support from KiwiNet's PreSeed Accelerator Fund for three technology projects. They have subsequently received private investment and formed partnerships with global market leading corporations in the fields of consumer healthcare, food filtration and flavours & aromas.

Ligar is investing heavily in R&D and working with partners to develop bead and membrane-based filtration and extraction systems. These will enter the market in 2016.

'PreSeed funding was critical for taking MIPs from proof of principle stage to a product that was proven in commercial applications with partners we are now working with to take them to market. This in turn enabled Ligar to raise investment. Without PreSeed this would have been impossible.'

Nigel Slaughter CEO of Ligar and previously GM Commercial a WaikatoLink.

### **CO2 Supply for Greenhouses**
### Callaghan Innovation

Commercial greenhouses are increasingly relying on liquefied carbon dioxide to supplement plant growth and boost production. In New Zealand, a consistent CO2 supply is extremely costly and at times unreliable.

Vlatko Materic and his team at Callaghan Innovation have developed a novel CO2 capture material with an extremely high capacity and low cost, called Hot Lime. It will be used to recover clean CO2 from combusting local agricultural/forestry waste and give growers complete control over their CO2 supply with minimal costs and reduced environmental impact.

Having confirmed a strong grower interest in the technology and with technical work progressing rapidly thanks to PreSeed support, discussions are now underway with investors to spin-off the venture in early 2017.

"Having confirmed a strong grower interest in the technology and with technical work progressing rapidly thanks to PreSeed support, discussions are now underway with investors to spin-off the venture in early 2017."

Tim Balmer, Director Investments and Commercialisation, Callaghan Innovation Ltd.

CallaghanInnovation

# PORTFOLIO EXAMPLES

## Success Stories

### Zealafoam - Biopolymer Network

Researchers at the Biopolymer Network (BPN) have developed a low-density bioplastic foam (ZealaFoam®) that is made from sustainable, renewable resources.

The Biopolymer Network is now recognised as a world leader in biopolymer foam technologies, as ZealaFoam® is a genuinely eco-friendly alternative to EPS (polystyrene). It is compostable, able to be recycled after use in some areas and has the same impact quality and insulation properties as EPS.

The environmentally friendly bio-foam won "Best Innovation in Bioplastics" category at the International Bioplastics Awards in 2008 and also received national recognition at the 2013 New Zealand Innovators Awards.

The technology has created substantial international interest and through strategic partnering, the BPN has seen investment in equipment from two USA partners, which will significantly speed up the commercialisation process.

"Although we had produced some excellent prototypes, we were really struggling with two technical hurdles preventing us from moving the production to commercial scale.

**PreSeed funding allowed us to build and test a process that we believe will address these issues. Without this funding, the technology may not have evolved past pilot scale.**

The ability to showcase commercial production at a factory in Auckland will give us the opportunity to roll out to companies worldwide."

Sarah Heine, CEO, Biopolymer Network Limited

### Quiver Vision - University of Canterbury

Quiver Vision, was developed by University of Canterbury researchers and is a smart device application that brings ordinary, 2D coloured drawings to life through interactive 3D animations.

PreSeed investment from KiwiNet enabled technology development to be completed. The IP was sold in 2013 to start-up company Puteko Limited, which was mostly comprised of University of Canterbury employees. Puteko Limited is now based in Japan to be closer to its key market, with key R&D staff remaining in Christchurch.

Quiver Vision have worked with a number of large global companies and brands, such as: Air New Zealand, Ford, GEMO, BBC, Phonak, Toys R Us, Mini, Starbucks and Ralph Lauren. They have also had over 2 million downloads of the Quiver app on iOS and Android.

**To see this technology in action, check out http://quivervision.com**

**"PreSeed funding helped us take our prototype and create a product and business plan. This allowed us to launch our product globally and secure seed funding to grow the business - something which would have otherwise been impossible."**

Adrian Clark, QuiverVision

# Financial Statements

For the year ended 31 March 2016.

## CONTENTS

# Company Particulars

For the year ended 31 March 2016.

| | |
|---|---|
| State of Affairs | The Company was incorporated on the 25 January 2011 and commenced trading in August 2011. |
| Company Number | 3245229 |
| Authorised Capital | 234 Ordinary shares |
| Registered Office | B Block, University of Waikato<br>Gate 5, Hillcrest Road<br>Hamilton |
| Shareholders | WaikatoLink Limited<br>Victoria Link Limited<br>AgResearch Limited<br>Callaghan Innovation<br>University of Canterbury<br>Lincoln University<br>AUT Enterprises Limited<br>Otago Innovation Limited<br>New Zealand Institute for Plant and Food Research Limited<br>Landcare Research New Zealand Limited<br>Institute of Environmental Science and Research Limited<br>New Zealand Forest Research Institute Limited<br>Institute of Geological and Nuclear Sciences Limited |
| Directors | David Gary Hughes<br>Geoffrey Arthur Todd<br>Ruth Margaret Richardson<br>Mark Shane Stuart<br>Andrew Turnbull |
| Auditor | Audit New Zealand, on behalf of the Auditor General. |

# Directors' Report

For the year ended 31 March 2016.

## The Board of Directors present their annual report.

As required by section 211 of the Companies Act 1993, we disclose the following information:

+ Kiwi Innovation Network (KiwiNet) is a consortium of Universities and Crown Research Institutes working together to increase the scale and impact of scientific and technology based innovation in New Zealand.

+ There are no Directors' interests to declare.

+ The shareholders have agreed that the Annual Report need not disclose employees remuneration over $100,000 in accordance with section 211(1) of the Companies Act 1993.

+ No donations were made by the Company during the year.

+ The following Directors held office as directors in the Company at the end of the year:

  Ruth Margaret Richardson
  David Gary Hughes
  Geoffrey Arthur Todd
  Mark Shane Stuart
  Andrew Turnbull

# Statement of Management Responsibility

For the year ended 31 March 2016.

The Board of Directors of Kiwi Innovation Network Limited (the Company) accept responsibility for the preparation of the financial statements and the judgements used in these statements.

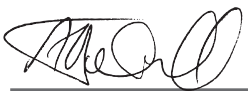
The Board is responsible for any end-of-year performance information provided by the Company under section 19A of the Public Finance Act 1989.

The Board accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the Company's financial reporting.

In the opinion of the Board, the annual financial statements for the financial period fairly reflect the financial position, and operations of the Company for the year ended 31 March 2016.

Director
Ruth Richardson

9 June 2016
Date



Director
Andrew Turnbull

9 June 2016
Date

# Statement of Comprehensive Revenue and Expense

**For the year ended 31 March 2016.**

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | $ | $ |
| Revenue | | | |
| Funding from the Crown | 1 | 3,753,208 | 4,006,062 |
| **Interest** | | **1,759** | **174** |
| Other Revenue | 2 | 106,375 | 2,865 |
| Total Revenue | | 3,861,341 | 4,009,101 |
| | | | |
| Expenditure | | | |
| Contractor Costs | 3 | 1,158,148 | 1,349,309 |
| Other Expenses | 4 | 2,689,213 | 2,672,328 |
| Depreciation | 9 | 213 | |
| Total Expenditure | | 3,847,574 | 4,021,637 |
| | | | |
| Surplus/(Deficit) before Tax | | 13,767 | (12,536) |
| | | | |
| Income Tax Expense | 5 | - | - |
| | | | |
| Surplus/(Deficit) after Tax | | 13,767 | (12,536) |
| | | | |
| Other Comprehensive Revenue and Expense | | - | - |
| | | | |
| Total Comprehensive Revenue and Expense | | 13,767 | (12,536) |

**The accompanying policies and notes on pages 45-51 form part of these financial statements.**

# Statement of Financial Position

| As at 31 March 2016. | Note | 2016 | 2015 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and Cash Equivalents | | 382,022 | 338,980 |
| Receivables | 7 | 1,229,663 | 1,314,661 |
| Prepayments | | 8,254 | 2,138 |
| **Total Current Assets** | | **1,619,939** | **1,655,778** |
| **Non-Current Assets** | | | |
| Property, Plant and Equipment | 9 | 1,919 | - |
| **Total Non-Current Assets** | | 1,919 | - |
| Total Assets | | 1,621,858 | 1,655,778 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Income in Advance | | 281,904 | - |
| Payables | 8 | 1,036,912 | 1,396,504 |
| **Total Current Liabilities** | | **1,318,816** | **1,396,504** |
| **Non-Current Liabilities** | | - | - |
| Total Liabilities | | 1,318,816 | 1,396,504 |
| Net Assets | | 303,043 | 259,274 |
| **Equity** | | | |
| Accumulated Surplus/(Deficit) | | (102,333) | (116,101) |
| Share Capital | 6 | 405,375 | 375,375 |
| Total Equity | | 303,042 | 259,274 |

**The accompanying policies and notes on pages 45-51 form part of these financial statements.**

# Statement of Changes in Equity

**For the year ended 31 March 2016.**

| | Share Capital | Accumulated Surplus/(Deficit) | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance at 1 April 2014 | 315,375 | (103,564) | 211,810 |
| **Total Comprehensive Revenue and Expense for the Year** | | | |
| Surplus/(Deficit) after Tax | - | (12,536) | (12,536) |
| Other Comprehensive Revenue and Expense | - | - | - |
| **Total Comprehensive Revenue and Expense for the Year** | **-** | **(12,536)** | **(12,536)** |
| **Transactions with Owners Recorded Directly in Equity** | | | |
| Share Issued | 60,000 | - | 60,000 |
| Shares Repurchased | - | - | - |
| **Balance at 31 March 2015** | **375,375** | **(116,100)** | **259,275** |
| **Total Comprehensive Revenue and Expense for the Year** | | | |
| Surplus/(Deficit) after Tax | - | 13,767 | 13,767 |
| Other Comprehensive Revenue and Expense | - | - | - |
| **Total Comprehensive Revenue and Expense for the Year** | **-** | **13,767** | **13,767** |
| **Transactions with Owners Recorded Directly in Equity** | | | |
| Shares issued | 30,000 | - | 30,000 |
| Shares repurchased | - | - | - |
| **Balance at 31 March 2016** | **405,375** | **(102,333)** | **303,042** |

**The accompanying policies and notes on pages 45-51 form part of these financial statements.**

# Statement of Cash Flows

**For the year ended 31 March 2016.**

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| **Cashflow from Operating Activities** | | |
| Receipts from the Crown | 3,849,006 | 3,376,834 |
| Receipts from Other Revenue | 388,279 | 60,365 |
| Interest Received | 1,759 | 174 |
| Payments to Suppliers | (255,560) | (636,039) |
| PreSeed Payments | (2,747,560) | (1,899,090) |
| Payments to Contractors | (1,171,255) | (1,348,091) |
| GST (net) | (49,496) | (29,189) |
| **Net cash flow from Operating Activities** | **15,173** | **(475,036)** |
| **Cashflow from Investing Activities** | | |
| Purchase of Property, Plant and Equipment | (2,132) | - |
| *Net cash flow from Investing Activities* | (2,132) | - |
| **Cashflow from Financing Activities** | | |
| Capital Contribution | 30,000 | 40,187 |
| *Net cash flow from Financing Activities* | 30,000 | 40,187 |
| **Net (decrease)/increase in cash and cash equivalents** | 43,042 | (434,849) |
| Cash and cash equivalents at beginning of the year | 338,980 | 773,829 |
| **Cash and cash equivalents at end of the year** | **382,022** | **338,980** |

**The accompanying policies and notes on pages 45-51 form part of these financial statements.**

# Statement of Accounting Policies

**For the year ended 31 March 2016.**

**Reporting entity**
Kiwi Innovation Network Limited (the "Company") is a consortium of Universities and Crown Research Institutes who are dedicated to taking a collaborative approach to research commercialisation. The company's role is to empower people who are involved in research commercialisation by helping them to access the tools, connections, investment and support they need.

The Company has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of the Company are for the year ended 31 March 2016. The financial statements have been approved for issue by the Board of Directors on 9 June 2016.

**Basis of preparation**
The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

*Statement of Compliance*
These financial statements have been prepared in accordance with the Financial Reporting Act 2013 and the requirements of the Crown Entities Act 2004 which includes the requirement to comply with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards. The Company qualifies as a Tier 2 reporting entity as for the two most recent reporting periods it has had between $2m and $30m in operating expenditure.

The financial statements comply with PBE accounting standards.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. The material adjustments arising on transition to the new PBE accounting standards are explained in note 18.

*Presentation currency and rounding*
The financial statements are presented in New Zealand dollars ($) and all values are rounded to the nearest dollar. There has been no change in the functional currency of the Company during the year.

**Basis of measurement**
The financial statements are prepared on the historical cost basis.

**Summary of significant accounting policies**
The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**Revenue**
*Funding from the Crown*
The Company is primarily funded from the Crown. This funding is restricted in its use for the purpose of the Company meeting its objectives. Funding that is receivable as compensation for expenses or losses already incurred are recognised in surplus or deficit in the period in which they become receivable. The Company considers there are no further conditions attached to the funding and it is recognised as revenue at the point of entitlement.

The fair value of revenue from the Crown has been determined to be equivalent to the amount due in the funding arrangements.

*PreSeed Accelerator Funds Received*
PreSeed Accelerator Funds Received are not recognised as revenue until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the funds will be received.

PreSeed Accelerator Funds are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

*Grants Received*
Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

*Interest Revenue*
Interest revenue is recognised using the effective interest method.

*Provision of Services*
Services provided to third parties on commerical terms are exchange transactions. Revenue from these services is recognised in proportion to the stage of completion at balance date.

**Expenditure**
*PreSeed Accelerator Funds Expenditure*
The Company has no obligation to award payment of PreSeed Accelerator Funds on receipt of a project application. PreSeed Accelerator Fund expenditure is only recognised when approval by the Investment Committee has been obtained and specific expenditure criteria has been met.

**Foreign Currency Transactions**
Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ$ (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

**Taxation**
The income tax expense recognised for the period is calculated using the taxes payable method and is determined using tax rules. Under the taxes payable method, income tax expense in respect of the current period is equal to the income tax payable for the same period adjusted for any differences between the estimated and actual income tax payable in prior periods.

**Borrowings**
Borrowings are recognised initially at fair value, plus transaction costs. Borrowings are subsequently stated at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

**Receivables**
Short term receivables are recorded at their face value less any provision for impairment.

A receivable is considered impaired when there is evidence that the Company will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

**Payables**
Short term payables are recorded at their face value.

**Equity**
Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

-Share Capital
-Accumulated Surplus/(Deficit)

*Share Capital*
Ordinary shares are classified as equity, transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instrument. Transaction costs are the costs arising on the issue of equity instruments, incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

**Goods and Services Tax**
All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from, the IRD including the GST relating to investing and financing activities, is classified as a net operating cash flow in the Statement of Cash Flows.

**Property, Plant and Equipment**
Property, plant and equipment consists of office equipment. This is measured at cost, less accumlated depreciation and impairment losses.

*Additions*
The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

*Depreciation*
Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of property, plant and equipment have been estimated as follows:

| | | |
|---|---|---|
| Office Equipment | 5 years | 20% |

**Critical Judgements in Applying Accounting Policies**
Management has exercised the following critical judgements in applying accounting policies:

*Grant Expenditure*
The Company must exercise judgement when recognising grant expenditure to determine if conditions of the grant have been satisfied by subcontractors.

# Notes to the Financial Statements

**For the year ended 31 March 2016.**

| | | 2016 | 2015 |
|---|---|---|---|
| **1** | **Funding from the Crown (Non Exchange)** | | |
| | Service Fee | 1,218,350 | 1,433,648 |
| | Pre-Seed Accelerator Fund | 2,534,858 | 2,572,414 |
| | Total Funding from the Crown | 3,753,208 | 4,006,062 |

There are no unfulfilled conditions and other contingencies attached to Pre-Seed Accelerator funds recognised.

| | | | |
|---|---|---|---|
| **2** | **Other Revenue** | | |
| | Other Revenue (Exchange) | 9,374 | 2,739 |
| | Other Revenue (Non Exchange) | 96,282 | - |
| | Foreign exchange profit | 719 | 126 |
| | **Total Other Revenue** | 106,375 | 2,865 |
| **3** | **Contractor Costs** | | |
| | Directors' Fees | 67,500 | 67,500 |
| | Investment Committee Independent Fees | 92,500 | 92,500 |
| | Management service fee | 998,147 | 1,189,309 |
| | Total Contractor Costs | 1,158,148 | 1,349,309 |
| **4** | **Other Expenses** | | |
| | Auditor's Remuneration | 10,306 | 10,084 |
| | Travel expenses | 88,157 | 111,514 |
| | Pre-seed Accelerator Fund | 2,358,739 | 2,392,237 |
| | Other | 232,011 | 158,493 |
| | Total Other Expenses | 2,689,213 | 2,672,328 |
| **5** | **Taxation** | | |
| | *Reconciliation of effective tax rate* | | |
| | Profit/(loss) before income tax | 13,767 | (12,536) |
| | Income tax using the Company tax rate | 3,855 | (3,510) |
| | Non-deductible expenses | | 2,360 |
| | Tax losses utilised | (3,855) | - |
| | **Tax Expense** | - | - |
| | Unused Tax losses and Credits | 25,652 | 29,507 |

# Notes to the Financial Statements

| | 2016 | 2015 |
|---|---|---|

## 6 Equity

Fully paid ordinary shares

| | Number of shares | Share Capital |
|---|---|---|
| **Balance as at 1 April 2014** | 180 | 315,375 |
| Issue of shares | 36 | 60,000 |
| **Balance as at 31 March 2015** | 216 | 375,375 |
| Issue of shares | 18 | 30,000 |
| Balance as at 31 March 2016 | 234 | 405,375 |

Fully paid ordinary shares carry one vote per share, carry a right to dividends and a pro rata share of net assets on wind up. All ordinary shares have no par value.

## 7 Receivables

| | | |
|---|---|---|
| Receivables (Non Exchange) | 1,218,018 | 1,314,416 |
| Receivables (Exchange) | 843 | 245 |
| GST Receivable | 10,802 | - |
| | 1,229,663 | 1,314,661 |

## 8 Payables

| | | |
|---|---|---|
| Trade Payables (Exchange) | 158,511 | 77,481 |
| GST Payable | - | 38,694 |
| Payables to Shareholders - PreSeed (Non Exchange) | 860,400 | 1,249,221 |
| Payables to Directors | 18,001 | 31,108 |
| | 1,036,912 | 1,396,504 |

# Notes to the Financial Statements

## 9 Property, Plant and Equipment

| | Office Equipment |
|---|---|
| **Cost** | |
| | $ |
| Balance at 1 April 2014 | - |
| Additions | - |
| Disposals | - |
| **Balance at 31 March 2015** | - |
| Balance at 1 April 2015 | - |
| Additions | 2,132 |
| Disposals | - |
| **Balance at 31 March 2016** | 2,132 |
| **Accumulated Depreciation** | |
| Balance at 1 April 2014 | - |
| Depreciation Expense | - |
| **Balance at 31 March 2015** | - |
| Balance at 1 April 2015 | - |
| Depreciation Expense | 213 |
| **Balance at 31 March 2016** | 213 |
| **Carrying amounts** | |
| At 1 April 2014 | - |
| At 31 March 2015 and 1 April 2015 | - |
| **At 31 March 2016** | 1,919 |

No property, plant and equipment is pledged as security for liabilities and no assets have restricted titles.

## 10 Related Party Transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Company would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

# Notes to the Financial Statements

**10.1 Related Party Transactions Required to be Disclosed**

Directors fees of $67,500 were incurred during the 2016 year (2015: $67,500).

Two of the Directors were also independent members of the Investment Committee and received $42,500 (2015: $42,500) as remuneration.

At year end the following amounts were owing to the directors:

| | | |
|---|---|---|
| - Directors Fees | $18,001 | (2015: $16,875) |
| - Investment Committee Fees | $21,511 | (2015: $10,625) |
| - Travel Reimbursement | Nil | (2015: $366) |
| - Phone Costs | Nil | (2015: Nil) |

**11 Commitments**

The Company has no commitments at 31 March 2016 (2015: Nil).

**12 Contingent Liabilities and Assets**

The Company has no contingent liabilities at 31 March 2016 (2015: Nil).
The Company has no contingent assets at 31 March 2016 (2015: Nil).

**13 Subsequent Events**

No material events have occurred subsequent to balance date.

**14 Going Concern**

The financial statements have been prepared on the basis that the company is a going concern.

# Notes to the Financial Statements

## 15 Financial instruments classification

| | 2016 | | |
|---|---|---|---|
| | Loans and receivables | Other amortised cost | Total carrying amount |
| **Assets** | | | |
| Cash and cash equivalents | 382,022 | - | 382,022 |
| Trade and other receivables | 1,237,917 | - | 1,237,917 |
| Total Assets | 1,619,939 | - | 1,619,939 |
| | | | |
| **Liabilities** | | | |
| Trade and other payables | - | 440,416 | 440,416 |
| Due to related party | - | 878,400 | 878,400 |
| Total Liabilities | - | 1,318,816 | 1,318,816 |

| | 2015 | | |
|---|---|---|---|
| | Loans and receivables | Other amortised cost | Total carrying amount |
| **Assets** | | | |
| Cash and cash equivalents | 338,980 | - | 338,980 |
| Trade and other receivables | 1,316,798 | - | 1,316,798 |
| **Total Assets** | 1,655,778 | - | 1,655,778 |
| | | | |
| **Liabilities** | | | |
| Trade and other payables | - | 116,175 | 116,175 |
| **Due to related party** | - | 1,280,329 | 1,280,329 |
| **Total Liabilities** | - | 1,396,504 | 1,396,504 |

# Notes to the Financial Statements

**16 Future Funding**

The Ministry of Business, Innovation and Employment extended the terms and funding of the agreement dated 18 May 2012, resulting in the Company securing additional funding of $3,930,778 (GST inclusive) up to 30 June 2018. It is the Company's intention to obtain a new service agreement with the Ministry of Business, Innovation and Employment for the following year.

**17 Accountability Requirements**

Kiwi Innovation Network Limited is a multi-parent subsidiary as defined in the Crown Entities Act.

Under section 139 of the Crown Entities Act, at the start of each financial year, a Crown entity is required to prepare a Statement of Intent for the current financial year and at least the two following financial years. This requirements applies unless the Crown entity is exempted from its requirements by or under this or another Act.

During this financial year the company applied and received an exemption until 30 June 2018, in accordance with section 157(2) of the Crown Entities Act 2004, not to prepare a Statement of Intent. The Company will again apply for a further exemption not to prepare a Statement of Intent.

**18 Adjustments Arising on Transition to New PBE Accounting Standards**

*Reclassification Adjustments*

There have been no reclassification adjustments on the face of the financial statements in adopting the new PBE accounting standards.

*Recognition and Measurement Adjustments*

There have been no recognition and measurement adjustments on the face of the financial statements in adopting the new PBE accounting standards.

*Comparatives*

Some of the 2015 comparatives have been changed for comparability. The overall effect on the Statement of Comprehensive Revenue and Expense and Statement of Financial Position is nil.

# Independent Auditor's Report

To the readers of Kiwi Innovation Network Limited's financial statements for the year ended 31 March 2016.

The Auditor-General is the auditor of Kiwi Innovation Network Limited (the Company).The Auditor-General has appointed me, B H Halford, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Company, on her behalf.

## Opinion

We have audited the financial statements of the Company on pages 5 to 14, that comprise the statement of financial position as at 31 March 2016, the statement of comprehensive revenue and expense, statement of changes in equity 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:

- present fairly, in all material respects:
    - its financial position as at 31 March 2016;
    - its financial performance and cash flows for the year then ended; and
- have been prepared in accordance with PBE Accounting Standards Reduced Disclosure Regime.

Our audit was completed on 9 June 2016. 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, and explain our independence.

## Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' 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.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Company's financial statements 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

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

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

## Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the Company, in accordance with PBE Accounting Standards Reduced Disclosure Regime.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

## Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 17 of the Public Audit Act 2001.

## Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

B H Halford
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand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