Annual Report 2010
Part Two

FINANCIAL STATEMENTS & OTHER STATUTORY REQUIREMENTS

Landcare Research
Manaaki Whenua

2010 International Year of Biodiversity

BIODIVERSITY IS LIFE
BIODIVERSITY IS ***OUR*** LIFE

The United Nations declared 2010 to be the International Year of Biodiversity. It is a celebration of life on earth and of the value of biodiversity for our lives. Landcare Research was the first New Zealand organisation to register as a partner on the Convention on Biological Diversity's IYOB global website. The cover of our Annual Report represents the extensive work that we do to protect this country's biodiversity, much of which is endemic – found nowhere else in the world but New Zealand.

Landcare Research New Zealand Limited
(Manaaki Whenua)
Annual Report 2010

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ANNUAL REPORT 2010
Our Annual Report is in two parts—together they fulfil our Annual Reporting responsibilities under the CRIs Act 1992. Detailed information about our research, operational activities and impacts, and governance is available on our website.

www.landcareresearch.co.nz

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Introduction

Our Annual Report is in two parts – together they fulfil our annual reporting responsibilities under the Crown Research Institutes Act 1992. PDFs of both Part One and Part Two are available on our website.

Part One of the Annual Report gives a summary of our science, business and operational performance during the year, and includes summary financial information.

Part Two (this document) presents our audited financial statements and other non-financial information required by the Ministry of Research, Science and Technology (MoRST) and the Crown Ownership Monitoring Unit (COMU, previously called the Crown Company Monitoring Advisory Unit or CCMAU).

Corporate social responsibility

Corporate social responsibility (CSR) is not just about visible programmes of good citizenship. It is a reflection of values and philosophies that are embedded in an organisation and evidenced in day-to-day activities to ensure the long-term sustainability and viability of the organisation. In this CSR context, 'social' encompasses the full range of stakeholders, local communities including indigenous peoples, the environment, and economic considerations beyond financial statements. CSR is responsibility to society for our actions and is fundamental to sustainable development.

Landcare Research published its first CSR report (also called sustainability or triple bottom line reports) in 1999. Since 2001, we have published a fully integrated, printed annual report covering all dimensions of our performance. We monitor, set targets for, and report on key aspects of our economic, social, and environmental performance, including the direct impacts of our business (e.g. resource use) and indirect impacts through the application of our science.

Our approach to CSR and sustainability goes beyond the focus on our business (science for sustainable outcomes) to how we do business, how we engage with our stakeholders, and how we add value to society and the natural environment. Our Sustainability Policy is reviewed annually and is on our public website. This overarching policy plus our Guiding Philosophy encapsulate our approach to CSR. On our intranet 'staffroom', we have our Code of Ethics Policy, which links numerous other ethics-related policies and codes of practice, all of which are available to staff. The Guiding Philosophy and Sustainability and Code of Ethics policies apply to all staff, senior executive managers and directors.

Our compliance management systems are strongly focused on best practice and continually monitoring and improving performance. We go beyond mere compliance – we also seek to assess and proactively manage future risk from, for example, environmental legislation, climate change, increasingly competitive global markets for talented staff, and issues that could damage our integrity and reputation.

Our approach to CSR and reporting continues to evolve. This year we published *Hatched*, an e-book on sustainable development in New Zealand. It is a comprehensive collection of interdisciplinary research findings, stories and case studies from 30 authors covering all aspects of sustainable development research. It was primarily designed for government, business and community practitioners, and has continued to get extremely positive reviews from these sectors. However, it has also been well-received by universities here and overseas. The book is available in a screen-friendly format (lower resolution to reduce download time, with extensive links both within the e-book and to external websites) and a high resolution format for those who wish to print each of the chapters.

This year, we also began working with members of the Sustainable Business Forum (SBF) at BusinessNZ to identify a core set of sustainability indicators that could be broadly relevant for all New Zealand businesses and to facilitate benchmarking between organisations.

Commitment to external initiatives

Landcare Research has voluntarily committed to a number of external initiatives that correspond to our own values, and which enable us to share in best practice of a much wider community.

We are members of the following:

- New Zealand Business Council for Sustainable Development (NZBCSD)
- Sustainable Business Network (SBN)
- Sustainable Business Forum at BusinessNZ
- EEO Trust

We are supporters of the:

- PSA's Partnerships for Quality approach
- Mainstream programme, which provides opportunities for people with disabilities

We have:

- ISO 14001 certification for our environmental management systems and practices
- Tertiary accreditation (the highest level) in the Accident Compensation Commission (ACC)'s programme for Workplace Safety Management Practices
- External (Telarc SAI) verification that our carbon-neutrality meets the requirements of the carboNZero CertTM programme across all our sites, including Sirtrack at Havelock North

Formal collaborative research centres

We are also formal partners in several collaborative research centres with universities, other CRIs and sectoral groups:

- The newly formed New Zealand Agricultural Greenhouse Gas Research Centre (NZAGRC) that involves five CRIs, Massey and Lincoln universities, DairyNZ and the Pastoral Greenhouse Gas Research Consortium (PGgRc) www.nzagrc.org.nz/
- The New Zealand Climate Change Centre (NZCCC) with Victoria University of Wellington, University of Canterbury, and all the CRIs www.nzclimatechangecentre.org
- The Centre for Biodiversity and Biosecurity (CBB) with the University of Auckland www.cbb.org.nz
- The Centre for Urban Ecosystem Sustainability (CUES) with the University of Auckland
- The New Zealand Centre for Sustainable Cities with University of Otago and five other partners http://sustainablecities.org.nz/

In addition, we are members of several formal research networks and consortia:

- The KiwImage consortium - a multi-agency, five-year programme of investment to acquire new higher resolution, multi-purpose satellite imagery for all of New Zealand and its subantarctic islands
- The Regional Councils' Biodiversity Forum, which decides regional council priorities for biodiversity research
- The Sustainable Land Use Research Initiative (SLURI) pools soil science expertise across three CRIs to develop new tools for regulators and land managers (failure to sustain our soil and water resources will put $2.16 billion of our total GDP at risk)
- Integrated Research for Aquifer Protection (IRAP) involves four CRIs, DairyNZ, Lincoln Environmental, Aqualinc and Environment Canterbury. The focus is on developing agriculture and rural economies while ensuring water remains clean, available and contaminant-free. The end-user advisory group includes regional and district councils, MAF, MfE, FAR, HortNZ, Te Rūnanga o Ngāi Tahu, and Federated Farmers
- NzOnet is a network of nitrous oxide researchers from four CRIs, Lincoln University and DairyNZ
- CarbonNet is a network of soil carbon researchers from five CRIs and three universities

Structure of our sustainability web pages

We use the GRI framework to guide our reporting and report in detail against the G3 guidelines plus additional indicators that are material to our Government owners and our own operations. This detailed information is available on our website (www.landcareresearch.co.nz/sustainability).

Feedback

We are keen to get feedback from stakeholders, and encourage readers to provide comments: feedback@landcareresearch.co.nz

Voices for sustainability

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- Role of Māori in sustainable development

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Summary table of financial performance

I. SUMMARY TABLE OF GROUP FINANCIAL PERFORMANCE INDICATORS

	2008	2009	2010 [1,2]	2010 [2]	2011 [2]
	Achieved	Achieved	Target	Achieved	Target
Revenue, $m	56.07	60.25	62.26	61.66	64.29
Net revenue, $m	49.52	53.13	55.07	54.82	57.57
EBIT, $m	1.43	2.36	2.28	2.19	3.05
EBIT margin	2.5%	3.9%	3.7%	3.6%	4.7%
Total assets, $m	44.58	48.35	45.98	50.31	49.24
Return on equity [3]	2.5%	5.3%	6.4%	6.4%	7.0%
Equity ratio [3]	60%	58%	62%	58%	61%
Dividend, $m	0.1	0.1	0.5	0.5	0.7
Gearing	13%	13%	6%	0%	0%
Interest cover	3.4	7.2	9.7	11.1	10.2

1 Target as per 2009/10 Statement of Corporate Intent (SCI).

2 2010 and 2011, gearing is calculated based on net debt and return on equity excludes extraordinary restructuring costs.

3 Return on equity and the equity ratio exclude the impact of 0% building depreciation announced in the Government's 2010 Budget, $3.7m for 2010. The return on equity and the equity ratio adjusted for the depreciation impact are -6.9% and 51% respectively.

Revenue: Includes science research, contract work for government and commercial clients, royalties, licence fees etc., plus income from the sale of product and the lease of assets. It excludes income from interest on investments and from finance leases, $0.3m for 2010.

EBIT: Earnings before interest and tax, and after committed business development expenditure and commercialisation expenditure. It excludes restructuring costs.

Return on equity: NPAT ÷ average shareholders' funds, expressed as a percentage. NPAT is net profit after tax. Shareholders' funds include share capital and retained earnings.

Equity ratio: Average shareholders' funds ÷ average total assets.

Gearing: Financial debt includes all interest-bearing liabilities. Gearing = financial debt ÷ financial debt plus shareholders' funds, expressed as a percentage. (The Minister of Finance and Minister of Research, Science and Technology each hold 50% of the shares on behalf of the public.)

Interest cover: Interest is the cost of debt and financial leases. Interest cover = EBIT ÷ interest.

Summary tables of non-financial performance

Crown Research Institutes have a wide range of performance and reporting responsibilities under the Operating Principles of the CRIs Act 1992. These are monitored by the Crown Organisations Monitoring Unit (COMU); previously the Crown Company Monitoring and Advisory Unit (CCMAU). The performance measures set out in summary on these pages have been developed in consultation with COMU, with performance targets published in our Statement of Corporate Intent.

Approach to external verification

This year, we continued our focus on obtaining external verification of our carbon-neutrality claims. As independent auditors to the carboNZero[CertTM] programme, Telarc SAI audited and confirmed our carbon-neutral status. Additionally, as required by our ISO 14001 status, Telarc have audited our environmental management systems from which we manage and report our environmental indicators.

For all of our reporting here and on our sustainability web pages, we have continued to apply the same rigour to data management and quality assurance protocols, which have been the backbone of external verification in past years. More explanation of our reporting protocols, and a complete list of the performance indicators that we monitor, are available on our website.

II. PUBLICATIONS & PRESENTATIONS

Landcare Research continues to focus on highly productive, excellent scientific research and supporting its effective application in policy and practice.

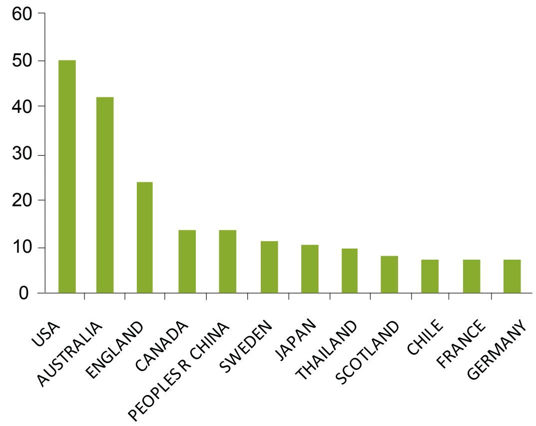
Publications & presentations (excludes Sirtrack)	2008 Actual	2009 Actual	2010[1] Target	2010 Actual	2011 Target
Commissioned reports on research issues & results	200	177	160	185	190
Contracted reports to clients of the Enviro-Mark®NZ & carboNZero^{CertTM} programmes	>229 [2]	42	-	22	-
Presentations about our work (Total)	**538**	**487**	**380**	**417**	**450**
- *Conference presentations*	*192*	*232*	-	*169*	-
- *Science presentations to stakeholders & community groups*	*279*	*205*	-	*220*	-
- *Presentations from Enviro-Mark & carboNZero programmes*	*67*	*50*	-	*28*	-
Publications on technical information & research results	165	181	260	349 [4]	250
Peer-reviewed scientific papers published	270	360 [3]	305	271	320
Keynote & plenary presentations	18	34	12	9	14

[1] Target as per 2009/10 Statement of Corporate intent (SCI).
[2] 2007/08 includes audit reports; audit reports excluded in subsequent years; final reports only.
[3] Includes scholarly books and papers presented at international conferences; 2007/08 and 2009/10 only include papers.
[4] Excludes video and social media. Includes books, book chapters and newsletters.

Our scientists have extensive networks of collaborative research with overseas researchers. The following graphs show the number of peer-reviewed scientific papers co-authored with colleagues in other countries.

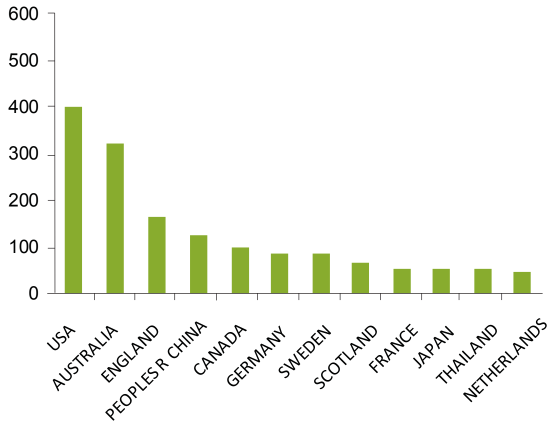
Papers with overseas co-authors 2009/2010

(Top 12 countries; 34 countries in total)



Papers with overseas co-authors 1993–2010

(Top 12 countries; 64 countries in total)



III. PROFESSIONAL CONTRIBUTIONS & NETWORKS

Many of our staff are recognised nationally and internationally for their expertise and they contribute to professional networks in a variety of ways:

- 39 staff (including research associates) hold 55 positions in professional societies (15 Fellows)
- 65 staff hold 127 positions on national and international advisory boards, technical groups and review panels (41 of these staff were invited by key stakeholders onto 66 advisory groups)
- 57 of our senior scientists (including research associates) hold 106 positions on the editorial boards of scientific journals
- 16 staff hold 24 directorships or board memberships
- 9 staff were invited to give keynote or plenary addresses at significant national and international conferences, with costs fully or partly covered
- 17 postdoctoral researchers were hosted, 5 of whom commenced during the year
- 30 staff were recognised with 24 awards from professional peers

IV. ENVIRONMENTAL TECHNOLOGIES & SERVICES

Commercialisation investment projects included the carboNZero^{CertTM} programme, Enviro-Mark®NZ, pest management technologies, Invasive Species International, EcoGene™, and other environmental technologies that are in the pipeline. Sirtrack products are not included here.

Research application (excludes Sirtrack)	2008 Actual	2009 Actual	2010 Target	2010 Actual	2011 Target
New or improved products, processes & services[1]	81	73	50	70	60
Patents granted					
– In NZ	0	1	2	1	2
– Overseas	0	0	1	0	1
Licensing arrangements entered into	2	3	3	2	3
Joint ventures or formal associations	0	0	1	1	1
Spin-off companies formed	0	0	1	0	1

[1] Includes new and upgraded tools and services available via our website. Does not include contract reports, peer-review roles or ongoing advisory positions.

Technology pipeline

At the end of the year our technology pipeline included:

- 8 technologies at the prototype stage, 1 of which has patent protection
- 12 technologies in developmental stages
- 7 technologies undergoing commercial testing; 1 has patent protection

V. USE OF NATIONALLY SIGNIFICANT DATABASES & COLLECTIONS

Landcare Research is custodian of seven of the recognised 'Nationally Significant Databases and Collections for New Zealand'. These cover New Zealand's biological resources (species and ecosystems), soil and land resources, and cultural knowledge. They are used extensively to underpin New Zealand's biosecurity, biodiversity, export/import trade, land management and publications of ecological and biosystematics interest. We are committed to increasing the value of these national assets to benefit both the public and private sectors.

Significant new publications

Wetland Restoration – a Handbook for New Zealand Freshwater Systems, 2010

Co-authored and published in collaboration with the Landcare Trust, this resource provides a detailed, comprehensive ecosystem approach toward understanding, protecting and enhancing our remaining wetlands. It is targeted at those who plan to or are already making a difference by improving wetlands, and is written in a way that can easily be understood and acted on. It is available free-of-charge on our website (www.landcareresearch.co.nz/services/biocons/wetlands/) or can be purchased through Manaaki Whenua Press.

Threatened Plants of New Zealand

Co-authored by one of our botanists, this is a comprehensive, up-to-date account of New Zealand's six extinct and 184 severely threatened native flora. One in 13 of New Zealand's native plants is threatened with extinction. Publication was supported by the New Zealand Plant Conservation Network, the Department of Conservation and MWH New Zealand; it is published by Canterbury University Press.

Systematics, Evolution, and Biogeography of Compositae

Three of our staff were co-authors of peer-reviewed chapters in this important book, published by the International Association for Plant Taxonomy (IAPT) in Vienna. Compositae is the largest family of flowering plants with more than 23,000 species (nearly 10% of all known flowering plants), which include economically important foods (e.g. lettuce, artichoke, and sunflower) and many ornamentals. This book's emphasis is not on descriptive information for all genera and species, but rather a new view on the phylogeny, biogeography and classification of the family largely based on new insights provided by molecular investigations over the last two decades. The book is the first comprehensive synthesis of all these new data and interpretations within a phylogenetic context. As such, it sets a new standard for understanding the evolution, phylogeny and biogeography of these plants.

Vol. 2 of Coleoptera for the Handbook of Zoology

The second of four volumes covering the systematics and biology of beetles (Coleoptera) was co-edited by one of our staff and two overseas colleagues. The 'Handbook' has 116 chapters and 786 pages covering 100 families of beetles, with information on their ecology, biology, morphology of all life stages, and comments on taxonomy. With approximately 350,000 described species (and a good many new species still being discovered), Coleoptera is by far the most species-rich order of insects (beetles make up about 40% of all insects), and the largest group of animals of comparable geological age. They are enormously significant in biodiversity and natural ecosystem processes, and are found everywhere except the polar regions and oceans. The work is of international significance but also lays the groundwork for many projects on New Zealand beetles. We have four families of endemic beetles, i.e. groups that are found nowhere else in the world but New Zealand.

Fauna of New Zealand series

Three new volumes were published. These are available (free of charge) via our website (http://fnz.landcareresearch.co.nz) or can be purchased through Manaaki Whenua Press. While intended for quite a specialised audience, each volume includes a popular summary in both English and Māori.

Requests for datasets & specimens	**2008 Actual**	**2009 Actual**	**2010 Target**	**2010 Actual**	**2011 Target**
Total (excluding database page views)	**>12,300**	**>20,700**	**>12,000**	**>13,400**	**>15,000**
Land Resource Information Systems (NZLRI, NSD) [1]	21 datasets	12 datasets	-	28 datasets	-
Visits to the GIS and Soils portals	-	*15,700*	-	*18,258*	-
National Vegetation Survey Databank: datasets supplied [1,2]	1605	1768	-	3,978 [2]	-
NZ Arthropod Collection (includes NZ National Nematode Collection): specimens loaned or supplied [2, 4]	c. 5000	15,000	-	7,000 [2, 3]	-
International Collection of Microorganisms from plants: cultures supplied [2]	522	740	-	721 [2]	-
NZ Fungal Herbarium (PDD): specimens loaned or supplied [2]	155	282	-	168 [2]	-
Associated database (ICMP and PDD): number of page views	*360,000*	*>256,600*	-	*237,900*	-
Allan Herbarium: specimens loaned or supplied [2]	4988	2903	-	1,552 [2]	-
Associated databases: number of page views	*6194 June 2008 only*	*>191,400*	-	*174,800*	-
Ngā Tipu Whakaoranga Ethnobotany Database: number of page views	*15,418*	*>17,400*	-	*41,240*	-
NZ Flax and living plant collections: collections supplied	27	29	-	34	-

1 Data deliveries were made to agencies ranging from central government to individuals. Each dataset enables use for multiple purposes.
2 Data are for outward loaned and supplied only; do not include incoming loans, exchanges or additions to the collections.
3 The number of specimens in each vial varies between 1 and more than 50 depending on size of organisms.
4 Fully searchable PDFs of 64 volumes, published between 1982 and 2010, of the *Fauna of New Zealand* series were made available on our website at http://fnz.landcareresearch.co.nz
5 The Allan Herbarium has a total of 15,000 specimens on loan *to* other herbaria, and 10,000 specimens on loan *from* other herbaria.

A significant advance in the public accessibility of Land Research Information Systems (LRIS) data has been made this year with the development of our new LRIS Portal: http://lris.scinfo.org.nz. Initial focus has been on data supply and a simple tool is now available to allow rapid selection and downloading of environment data for use in GIS and other applications that can handle geospatial data.

VI. SOCIAL & COMMUNITY RESPONSIBILITY

Staff often participate in activities intended to increase awareness of science issues within the community. Initiatives include presentations to schools or community groups, hosting visits to our facilities, participating in hui, support for science fairs, and engaging with the media. These activities are generally outside the contracted outputs in research programmes and may involve personal time and commitment from staff. Hence these activities are significantly under reported by our staff.

Social & community responsibility (excludes Sirtrack)	2008 Actual	2009 Actual	2010 Target	2010 Actual	2011 Target
Activities	-	51	90	110 [1]	100

[1] Excludes media coverage and excludes supervision of university students or lecturing.

Our nationally significant biological collections host numerous visitors, including public interest groups. The collections staff also provide identification services to the general public as well as to stakeholder agencies. For example, the Allan Herbarium hosted 270 visitors in 2009/10 and identified 1066 plants; the New Zealand Arthropod Collection answered 350 public enquiries.

In addition, Landcare Research is a strong supporter of the State Services Commission's Mainstream programme that facilitates employment opportunities for people who experience disability. Landcare Research had six Mainstream employees on staff last year, four of whom completed their two-year employment with us in the course of the year.

VII. STAKEHOLDER RELATIONSHIPS

Part of our strategic intent is to build relationships with public- and private-sector clients and stakeholders, support Māori economic development, build institution-to-institution linkages, and support the Royal Society of New Zealand's teacher fellowship programme because it gets more of our science into schools.

Stakeholder relationships (excludes Sirtrack)	2008 Actual	2009 Actual	2010 Target	2010 Actual	2011 Target
Invited technical expertise – total *comprising*:	**229**	**311**	**>150**	**234**	**>220**
Staff invited to participate in stakeholder meetings or workshops in New Zealand & overseas [1]	*191*	*251*	-	*193*	-
Landcare Research staff invited on to national advisory panels, groups & boards	*38*	*41*	-	*41 [2]*	-
Partnership initiatives – total *comprising:*	**365**	**390**	**>200**	**365**	**>350**
MOUs	*16*	*12*	-	*16*	-
Collaborative proposals and projects (excl. collaboration with other providers) [3]	*141*	*185*	-	*158 [4]*	-
New R&D proposals for Māori groups	-	*4*	*7*	*6*	*5*
Client staff on Landcare Research advisory groups [5]	*86*	*87*	-	*60*	-
Staff secondments – to other agencies	*3*	*4*	-	*3*	-
– from other agencies	*1*	*1*	-	*1*	-
Royal Society Teacher Fellowships	*2*	*1*	-	*1*	-
Other agency staff co-located with our staff	*85*	*101*	-	*100*	-
Our staff co-located with other agencies	*14*	*7*	-	*7*	-
Revenue from public- & private-sector client groups (excl FRST, MoRST, universities & other CRIs)	**$15.1m**	**$18.8m**	**-**	**$17.2m**	**-**

[1] Includes invitations to participate in overseas groups, meetings and workshops. Also includes the carboNZero and Enviro-Mark NZ programmes.
[2] 41 of our staff were invited to 66 advisory positions.
[3] The focus is on stakeholders with whom we collaborate. Hence we count the number of collaborators in each programme or project.
[4] Includes 30 Envirolink projects with regional, district and city councils this year. Excludes 85 with other researchers, 44 with overseas individuals or organisations, and 67 with New Zealand universities.
[5] Includes OBIs. 2007/08 and 2009/10 includes the LIUDD National Taskforce but 2009/10 does not.

VIII. LINKS WITH UNIVERSITIES

Part of our strategic intent is to strengthen links with universities.

Links with universities (excludes Sirtrack)	2008 Actual	2009 Actual	2010 Target	2010 Actual	2011 Target
NZ university staff in our research programmes	54	51 [1]	-	48 [1]	-
Our staff in university programmes	12	25 [2]	-	18 [2]	-
Postgraduates being supervised by our staff	94	98 [3]	-	98 [3]	-
Staff paid to lecture in university programmes	9	12 [4]	-	14 [4]	-
Honorary university positions	44	38 [5]	-	41 [5]	-
Māori scholarships/stipends	-	1	2	1	2

1 48 staff from 6 universities in 27 of our programmes.
2 18 staff in 21 programmes at 5 universities.
3 74 PhD and 24 MSc.
4 14 staff delivered 17 sets of lectures; another 22 staff delivered 28 lectures (gratis).
5 28 staff hold 41 positions.

IX. GOOD EMPLOYER

We report comprehensively on our good employer performance in our sustainability web pages.

Human resources (Excludes Sirtrack except where stated)	2007 Actual	2008 Actual	2009 Actual	2010 Target	2010 Actual	2011 Target
Total staff (FTEs) in Landcare Research	370	394	383	416	377	398
– in science teams [1]	273	288	269	298	263	250
– *with postgrad quals* (HC)	*192*	*225*	*246*	-	*210* [4]	-
– in science support [2]	43	46	45	50	43	45
– in general support [3]	54	60	69	<70	71	72
Sirtrack staff	32	44	38	43	40	32
Women (% of science team staff)	-	34%	31.2%	>40%	36.1%	>40%
Women recruited (% of science team staff)	-	40%	42.9%	-	38.1%	-
Māori science staff (HC)	-	-	8	9	10	10
Lost-time injuries	8.3	7	6	<10	3	<8
Days lost per lost-time accident	8.6	2.2	1.5	<4	1.7	<2
Staff turnover [5]	15.5%	10%	12.6%	8–10%	9.2% [5]	<10%
Turnover of key senior scientists [6]	6%	0	6%	<5%	0	<5%

1 Science teams: Staff members directly involved in the production of specified research outputs.

2 Science support: Staff members whose work logistically supports the outputs of the research teams but whose work could not of itself be described as research, for example: IT support staff, laboratory assistants, librarians, research report editors, general nursery and workshop staff.

3 General support: Staff members whose activities support the generic, non-research or infrastructural (management and general support) component of the CRI, for example: management, business development, commercialisation, financial, HR, secretarial, stores, grounds and buildings.

4 In addition, 22 science support and 17 general support staff also have postgraduate qualifications.

5 Turnover across all staff; 2009/10: science teams = 7.8%, science support = 6.5%, general support = 16.7%.

6 Science general managers, science team leaders and band 6 scientists.

FTE = Full time equivalent HC = Head count

X. ENVIRONMENTAL PERFORMANCE

We report comprehensively on our environmental performance (excluding Sirtrack) in our sustainability web pages.

Environmental Impacts (Excludes Sirtrack except where stated)	**2007 Actual**	**2008 Actual**	**2009 Actual**	**2010 Target**	**2010 Actual**	**2011 Target**
Motor vehicle travel (km/FTE)	2010	1690	1516	-	1138	-
Domestic air travel (km/FTE)	5738	5289	4662	<4500	4715	<4000
International air travel (km/FTE)	10,000	8594	9393	<10,000	9738	<10,000
Total energy (KWh/FTE) [1,3]	9191	8992	9238	<9000	9489 [2,3]	<8910
Imputed $C0_2$ (tonnes) from our activities [3,4]	(1432)	2389 [4] (1729)	3366	<2300	2981	<2500
$C0_2$ offsets (tonnes)	1600	2390	3366	<2300	2982 [5]	<2500
Avoidable waste to landfill (kg/FTE)	16.55	4.15	3.12	2.8	1.25	<2.0
Water use (megalitres) [6]	-	8.4	10.5	<9.9	10.3	<9.8
Native birds killed through by-catch [7]	0	6	2 [7,8]	<20	0 [8]	<15

[1] Includes electricity, reticulated gas and coal.

[2] Total energy use increased by 0.1% overall (2.7% per FTE) from 08/09. Target to reduce ratio of non-renewable to renewable energy was achieved.

- 79% of all energy purchased was renewable energy from Meridian (61% in 2008/09; 47% in 2007/08).
- 98% of all electricity purchased was renewable energy from Meridian (77% in 2008/09; 60% in 2007/08).
- Electricity consumption increased by 3% overall (6% increase per FTE) from 2008/09,part of which is attributed to including the animal facility in our calculations.
- Gas usage decreased by 16% overall (14% reduction per FTE).
- Coal usage increased by 9% overall (7% increase per FTE).

[3] Based on FTE figures averaged across the entire year.

[4] The sharp increase in imputed emissions was due predominantly to use of new emission factors for air travel adopted by the carboNZero$^{\text{Cert TM}}$ programme to align to international standards. On 1 July 2007, the emission factor increased from 1 (based on CO_2 emissions only) to 1.9 (which also takes into account oxides of nitrogen and water vapour). More information can be found on the carboNZero programme website (www.carbonzero.co.nz). Imputed CO_2 emissions calculated using the old emissions factor, in brackets for prior-year comparisons only. Data include Sirtrack. The sharp increase for 2008/09 includes 924t CO_2-e from a refrigerant leak at our Auckland site.

[5] Includes 425 tonnes offset by our carboNZero-certified electricity provider, and 2564 wind farm credits purchased through the carboNZero programme. (Currently we are 7 tonnes in credit)

[6] Data recorded across our 5 main sites, which house 97.5% of staff and all laboratories.

[7] Data reported per calendar year, as required by the Ministry of Agriculture and Forests (MAF).

[8] There were 13 studies involving routine trapping of pests with 3866 target pests caught; 8 native animals were also caught accidentally but were released unharmed.

In their Management System Assessment Report (March 2010), Telarc SAI noted:

'Since their last assessment, the company appears to have continued on a path of achievement. The management system was found to be well implemented and maintained especially considering the diversity of competencies.

The organisation has made improvements in the following areas since the last audit:

- *the continuing development of the company intranet so that staff have greater access to organisational knowledge*
- *the ongoing development of Greenhouse Gas monitoring and reporting capabilities*
- *the ongoing use of video conferencing and expected further development of this medium'*

The Capability Fund: developing our science

Administered by MoRST, the Capability Fund helps CRIs to retain and develop capability for the benefit of New Zealand.

This year new categories were used to more closely align this internal investment with our overall science direction and science portfolio development. The new process involved greater 'top down' direction than the previous process that called for proposals from staff.

Investments were made in the following categories:

- The three key science outcomes from the (then) Science and Technology Strategy. The goal was to commit 20% of available funds to each of the three outcomes: sustaining and restoring biodiversity, sustainable land environments, and sustainable business and living. These projects would be 1-2 year allocations, capped in the second year to 40% of available funds.
- The two science portfolios, Biological Systems and Environment and Society, would each commit 20% of available funds to team-based and generally one-year allocations.
- The Hayward postdoctoral science award: $133,000. This prestigious science award, devoid of the direct influences of the commercial imperatives and science outcomes of the other allocations, is allocated every two years.

The allocations were made based on:

- A balance of capability maintenance and new and over-the-horizon capabilities covering a spectrum from targeted research to product development.
- Integration across science disciplines and outcomes.
- Alignment with stakeholder emerging needs.

2009/10 Capability Fund investment

Key area	Amount ($000)	Actual (%)	Target (%)
Sustaining and restoring biodiversity outcome	1,475,114	27	20
Sustaining land environments outcome	905,060	16	20
Sustaining business and living outcome	971,080	18	20
Biological Systems Portfolio	1,061,444	19	20
Environment Systems Portfolio	1,083,952	20	20
Total	**5,496,650**	100	100

61% of the funding was allocated to the three Outcomes (science outcomes for 2008/09 and as at 1 July 2009). The amount allocated to Sustaining and restoring biodiversity was larger because it contained some larger projects important to future capability, such as 'Towards a unified model of multi-species herbivory ($178k)' and 'Integrating phylogenetics and ecology ($300k)', and also contained the Hayward scholarship ($133k).

CAPABILITY FUND PROJECT EXAMPLES

Carbon dynamics and decomposition of dead wood for dominant species in forest ecosystems

Better knowledge about the rates of decay for our most common tree species significantly improves our understanding of forest ecosystems and carbon storage. We studied the deadwood dynamics of New Zealand's most abundant indigenous woody species and found that wood decomposition rates vary at least three-fold among dominant species. We also found that while key nutrients such as nitrogen and phosphorus and the structural components of wood such as lignin content vary significantly among species, carbon content does not. These findings greatly improve our understanding of carbon dynamics in forests by providing decay functions for common tree species, and provide data for predicting future changes in forest carbon with shifts in tree species composition or mortality. This research will underpin future work with DOC on carbon sequestration and pest animal control, and will support MfE's carbon accounting.

Towards a unified model of multi-species herbivory in New Zealand forests

Possums have a major impact on the foliage of native trees, particularly palatable species such as kāmahi. In some forests possums kill individual trees by stripping virtually all the leaves while other nearby trees of the same species are relatively untouched. In other forests browsing can be dramatic but more uniform. A challenge for DOC and other land management agencies is to spend their limited pest management budget in ways that ensure a tree species such as kāmahi is not completely lost, or preferably is appropriately represented, in a particular region. This research has combined previous modelling of tree biomass, forest canopy cover, and mammal population dynamics and impact, to develop new models of the impact of herbivory on tree mortality. The work has already led to two additional DOC research contracts and is relevant to the FRST-funded programme 'Invasive mammal impacts on biodiversity'.

Emerging pest plants of the 21st century

Many of New Zealand's next weeds already exist here but have yet to become problematic. This detailed genetic and reproductive research into recently established weed species provided new insights into how naturalised weeds spread. The work focused on *Banksia* and *Acacia* species, which originated from Australia, and in particular the cultivated gene pool – seeds and plants commercially grown here in New Zealand. The research provided the evidence necessary for regional councils to justify propagation restrictions for these species, and will influence the authorities' own planting plans. Because of the capability we have developed, we have secured FRST funding that has enabled the recruitment of an Australian postdoctoral researcher to further improve our understanding of potential weeds.

Soil carbon strategy development

Every year ten times more carbon dioxide is released into the atmosphere through soil respiration than from the burning of fossil fuels. Effectively managing soils to sequester more carbon would help mitigate climate change. Landcare Research has a diverse range of expertise in soil carbon, and this project funded the development of our soil carbon strategy. Through the purchase of a Vis-NIR spectroradiometer we have initiated the development of spectral reflectance techniques for soil carbon analysis. The funding has also enabled one of our senior researchers to coordinate the establishment of CarbonNet, a national network of soil carbon researchers from different organisations.

Science futures

Landcare Research is leading thinking around New Zealand's long-term strategic science priorities. The need to undertake world-class, relevant research poses numerous internal challenges, for example, in staff development, collaboration with appropriate organisations and stakeholder engagement to achieve influence and impact. This project was about future-proofing our science – looking at the way Landcare Research needs to operate to continue to be successful. We undertook a review of national and international literature, and convened internal and external workshops. The project has led to nine internal development initiatives for 2010/11 including creating a science niche around problems of national significance, as well as concepts for benchmarking our science.

Manufacturing a life cycle perspective

Life Cycle Management (LCM), the 'cradle-to-grave' approach to thinking about product design, manufacture, use and disposal, is becoming increasingly important for New Zealand businesses, particularly those exporting to environmentally aware markets. LCM expertise in New Zealand is limited so we have used the Capability Fund to support an LCM collaborative research project. The project is: gaining an understanding of how to apply LCM in small- medium sized manufacturing companies; helping six case-study companies adopt LCM; and training up to six Masters students to become future LCM practitioners.

Riverbank erosion – the forgotten process

This project, to study the role of riverbank erosion in catchment sediment generation, has addressed a gap in Landcare Research's otherwise comprehensive understanding of erosion processes. Initial work has been undertaken to provide data on rates of bank erosion that will underpin the development of a model. Trial sites along two reaches of the extensively studied Waipaoa River were established. Information from earlier research and aerial photographs from the 1950s were compared with accurate 2005 data about the location and elevation of riverbanks. The study showed that bank collapses up to 65 metres in width occurred during Cyclone Bola, and that sediment from cliff erosion in the two reaches of the Waipaoa River was three times greater than that coming from alluvial banks.

Next-generation visualisation

Modern informatics technology is enabling engaging new ways of presenting information. This research, at the forefront of technology development, will lead to the creation of a visualisation toolkit that will give researchers and the public better access to information in our nationally significant databases and collections. One concept created is an audio geotagging tool that enables geographic locations to be synchronised with audio during interactive whiteboard sessions. The technology relies on custom web applications to combine gestural feedback from a Nintendo Wiimote with Google's mapping and geo-coding services. Another development is the creation of a geographic web content management system that combines Google Maps and web database technologies. We are using the system to create a website of information about projects that are enhancing New Zealand's natural environment.

Remote sensing – correction of satellite imagery

Landcare Research's considerable expertise in satellite mapping technology has led to significant mapping contracts, including three large LUCAS (Land Use and Carbon Analysis System) projects with MfE – the last secured ahead of international competition. Our technology, called EcoSat, produces standardised imagery by correcting data that vary according to the satellite viewing angle, sun position, varying topography and atmosphere. This project developed laboratory experiments of canopy reflectance to further improve the EcoSat technology so that low-sun-angle imagery can be used. These improvements will further increase the efficiency of land use mapping in LUCAS by reducing the number of change areas to be manually checked. We are now better placed to secure upcoming mapping contracts.

Tania Simpson, Jo Brosnahan (Chair)
Graeme Boyd, John Luxton, Robin Pratt,
Victoria Taylor, Alastair Lawrence,
Peter Schuyt

Directors' report

The Directors of Landcare Research New Zealand Limited (Manaaki Whenua) are pleased to report that the Company fulfilled its obligations under the Crown Research Institutes Act 1992 for the year ended 30 June 2010. The disclosures relate to Landcare Research New Zealand Limited and its subsidiaries (the 'Group').

Core purpose

To drive innovation in New Zealand's management of terrestrial biodiversity and land resources in order to both protect and enhance the terrestrial environment and grow New Zealand's prosperity.

Governance framework

The Minister of Finance and Minister of Research, Science and Technology each hold 50% of the Company's shares on behalf of the public. The shareholding Ministers appoint the Chair, Deputy Chair, and the six other directors to the Board of Landcare Research. All directors are non-executive. Board decisions are made collectively – individual directors have no separate governing role. The Board evaluates its performance on a regular basis.

Board responsibilities

Board responsibilities include providing strategic direction, selecting, evaluating and recommending remuneration for the Chief Executive, succession planning for and appointment of a new Chief Executive, formulating policy, managing risk, ensuring legislative compliance, monitoring performance (economic, environmental and social), and communicating with the shareholding Ministers and other stakeholders.

Commitment to sustainability

The Board fully believes that sustainability is an essential part of management practices at Landcare Research and affects not only the Company's current operations but also opportunities to grow and prosper. The Board reviews sustainability activities and initiatives each month.

Commitment to ethical standards and compliance

Our Code of Ethics Policy is an overarching document that links numerous other ethics-related policies and codes of practice, which apply to all staff, senior executive managers and directors. Policies include a Protected Disclosures (whistle-blower) Policy and guidelines. Every two years, the Audit and Risk Management subcommittee reviews Landcare Research's Code of Ethics Policy.

Many staff are committed to professional codes of ethics by virtue of membership in scientific and other professional societies. The Landcare Research Code of Ethics Policy complements these. If a correct course of action is not clear the issue must be raised with managers or, if necessary, the Board, who review the code biennially. The Board regularly monitors whether the directors, managers, and staff maintain high standards of ethical behaviour and generally act as good corporate citizens.

During the year, there were no material incidences of unethical practice or non-compliance with internal protocols or legislation.

As well as setting out an expectation that staff, executives and directors must act honestly and in good faith, refraining from any activities that might bring discredit to the organisation or harm to colleagues, the policy covers points relating to lawful conduct, conflicts of interest, diligence, confidentiality, intellectual property, scientific honesty, fairness in relationships, privacy, and environmental sustainability and animal welfare. There is a zero tolerance of corruption and financial fraud.

All policies, codes of practice and guidelines are available to all staff via our intranet 'staffroom'.

Māori perspectives and Treaty responsibilities

Historically, physical survival and spiritual well-being for Māori depended on the land. Traditional protocols practised over the centuries were a form of resource management.

Contemporary scientific process has largely ignored Māori cultural values and the rationale from which these developed. We have a responsibility to set this right and accept the validity of traditional perspectives and approaches. Among Māori, there is a desire for increased involvement in science and resource management. The Treaty Claims process also makes collaboration a priority between Māori, local authorities, conservationists and researchers.

Since 1994, Landcare Research has worked on a number of collaborative research programmes involving significant components of mātauranga Māori. These include a number of programmes relating to Māori values for land use planning, ecosystem health and sustainable development; integrated catchment management; wetland and estuary monitoring and restoration; indigenous biodiversity; ethnobotany; and indigenous forestry. Māori are increasingly wanting research programmes that will help them build capacity and develop frameworks for managing their resources and to ensure sustainable customary harvesting of taonga species such as the kererū (native pigeon), oi (grey-faced petrel), tuna (eels), and native timber. These programmes tackled complex multidimensional issues using different epistemologies and incorporating traditional ways of understanding, interpreting, studying and resolving problems.

Planning and reporting

In May and June each year, the Board negotiates a Statement of Corporate Intent (SCI) and a Strategic Business Plan for the next financial year with the shareholding Ministers. The SCI sets out the Company's core business, performance measures, and targets (financial and non-financial) for the coming year in accordance with the Operating Principles of the Crown Research Institutes Act 1992. The SCI is tabled in Parliament, and is a public document. All CRIs must produce a SCI, then report performance against the stated measures and targets.

All CRIs must produce an annual report by 30 September. The reports are tabled in Parliament, and each CRI's performance is reviewed by the Parliamentary Select Committee for Science and Education.

The Strategic Business Plan, which contains the key business initiatives and more detailed financials, is confidential to the CRI and shareholding Ministers.

Performance for 2009/10

Operating results

Group revenue for the year increased to $61.967 million from $60.454 million in the previous year.

The Group net surplus before taxation expense increased to $2.307 million from $1.973 million in 2008/09. The consolidated net deficit after tax attributable to parent company shareholders was $2.026 million compared with $1.439 million surplus in 2008/09. The net deficit after tax includes $3.7 million loss due to the impact of 0% building depreciation announced in the Government's 2010 Budget. The Group met its 6.4% target return on equity excluding the impact of 0% building depreciation announced in the Government's May 2010 Budget.

Directors

	Appointed	Term expires	Board Meetings attended (11)	Audit Committee Meetings attended (2)	Remuneration 2009/10	Remuneration 2008/09
Graeme S Boyd	01-07-05	30-06-11	11	2	$22,571	$22,026
Jo A Brosnahan	01-07-06	30-06-12	10 (Chair)	2	$46,000	$46,000
Alastair R Lawrence	12-06-04	30-06-10	10	2 (Chair to Aug. 09)	$30,363	$28,333
Hon.M John F Luxton	01-07-09	30-06-12	10	2	$22,571	-
Robin Pratt	01-07-08	30-06-11	10	2	$22,571	$22,026
Peter M Schuyt	01-09-09	30-06-12	8 of 9	1 of 1 (Chair from Sep. 09)	$18,976	-
Tania J Simpson	01-07-09	30-06-12	10	2	$22,571	-
Victoria A Taylor	01-09-09	30-06-12	9 of 9	1 of 1	$18,976	-

Precautionary approach

The Board had no cause to adopt a precautionary approach during the year. No situation arose where there was uncertainty regarding serious potential risks to health of staff or public, or harm to the environment.

Declared interests

Pursuant to S140(2) of the Companies Act 1993, directors have declared they should be regarded as having an interest in any contract that may have been made with the entities listed below by virtue of their directorship or membership of those entities during the year ended 30 June 2010:

Jo A Brosnahan *QSO, MA (Hons), FCILT, FNZIM, MInstD*

Abilities Foundation, Trustee
Centre for Brain Research Advisory Board, Member
Chartered Institute of Logistics and Transport International, International Vice President
Harkness Trust, Trustee
Jo Brosnahan Leadership, Principal
Leadership NZ, Executive Chair
New Zealand Quality Foundation Ltd, Director
Personal Footprint Ltd, Director and Shareholder
Te Whaka Tangata, Mentor

Graeme S Boyd *MSc, MInstD*

Boyd Insight Ltd, Director and Shareholder
Community Growth Ltd, Director
PAPINZ Ltd, Director
Phytomed Medicinal Herbs Ltd, Director
Priority One, Board Member
Sirtrack Ltd, Director

Alastair R Lawrence *BCA*
Antipodes Capital Ltd, Director and Shareholder
Antipodes Consult Ltd, Director
Antipodes Properties Ltd, Director and Shareholder
Haines NZ Ltd, Advisor
Endeavour Productions Ltd, Shareholder

Hon. M John F Luxton *BAgSc, DipAgSc, DipBusSc, MMgt*
DairyNZ Ltd, Chairman
Impac Services Ltd, Director
JD & RD Wallace Ltd, Director
Kaimai Cheese Company Ltd, Director
Luxton & Co. Ltd, Director and Shareholder
Marire Holdings Ltd, Director and Shareholder
Massey University Foundation, Trustee
NZ Geographic Trust, Trustee
The Tatua Co-operative Dairy Company Ltd, Director
Transparency International, Director
Wallace Corporation Ltd, Director

Robin Pratt *MB, ChB, FRCPA, MBA, AMInstD*
Artisanz Export Ltd, Director and Shareholder
Christchurch Women's Refuge, Deputy Chair and Member
Feronia Ltd, Managing Director and Shareholder
Tasman Farms Ltd, Director
The Van Diemen's Land Company, Director
Testing Laboratory Registration Council, Chair (Telarc SAI is 75% owned by the TLR Council)

Peter M Schuyt *BCom, CA*
Apata Ltd, Director
Dairy Investment Fund Ltd, Director and Shareholder
Golden Bay Fruit 2008 Ltd, Director
NZ Institute of Chartered Accountants, Councillor
Port Nelson Ltd, Director
The Tatua Co-operative Dairy Company Ltd, Director
University of Waikato, Councillor
WaikatoLink Ltd, Director
World Wildlife Fund, Trustee

Tania J Simpson *MMM (Māori), BA (Māori), AMInstD*
Kowhai Consulting Ltd, Director and Shareholder
Mighty River Power Ltd, Director
Oceania Group Ltd, Director
Tui Trust, Trustee
Waitangi Tribunal, Member

Victoria A Taylor *BCom, MInstD*
Hall Family Trust, Beneficiary
Structure Ventures Ltd, Director and Shareholder
Vehicle Testing Group Ltd, Director

No directors acquired or disposed of equity securities in the Company during the year; and the Board has received no notices from directors of the Company requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

Directors of subsidiaries

Sirtrack Limited
Julian R Raine
Ralph A Marshall *BCom, FNZICA, MInstD*
Dean W Joiner *BE*
Graeme S Boyd *MSc, MInstD*

Landcare Research US Limited
Mike S Lee BTech (Food), Dip Bus Studies
Carol R Bellette *BCom, CA, MBA(Dist.), MInstD*

Directors' and officers' liability insurance

The Group has entered into a Deed of Indemnity that includes insurance to cover directors and certain employees to the fullest extent permissible by law. Certain actions are excluded – for example, penalties and fines imposed in respect to breaches of the law and liabilities arising from any activity not conducted for the benefit of, or on behalf of, Landcare Research or its subsidiaries.

Donations

The Group has made various donations totalling $7,000 during the year ($21,000 in 2008/09).

Auditors

Audit New Zealand has been appointed as the agent of the Auditor-General in accordance with S32 of the Public Audit Act 2001.

Remuneration to Audit New Zealand in 2009/10 totalled $103,000 ($101,000 in 2008/09) for audit work, plus $1,000 for other services ($1,000 in 2008/09).

Employee remuneration

Total cost to the Group	Number of employees 2009/10	2008/09
$370,000 – $379,999	1(*)	-
$360,000 – $369,999	-	1(*)
$230,000 – $239,999	-	1
$220,000 – $229,999	2	2
$210,000 – $219,999	1	-
$200,000 – $209,999	-	1
$190,000 – $199,999	1	-
$180,000 – $189,999	1	-
$170,000 – $179,999	-	1
$160,000 – $169,999	1	1
$150,000 – $159,999	2	1
$140,000 – $149,999	5	1
$130,000 – $139,999	6	9
$120,000 – $129,999	5	5
$110,000 – $119,999	11	9
$100,000 – $109,999	12	12

(*) CEO of Landcare Research New Zealand Limited

This table includes redundancy and termination payments to one employee in 2009/10 (2008/09: nil).

Compensation paid or payable to 10 persons in 2009/10 (2008/09: five) who ceased to be employees during the year totalled $297,000 in 2009/10 (2008/09: $128,000).

Signed, for and on behalf of the Board

JA Brosnahan

JA Brosnahan
Chair
24 August 2010

PM Schuyt

PM Schuyt
Director
24 August 2010

Audited financial statements

Statement of comprehensive income

for the year ended 30 June 2010

		Consolidated			Parent		
		2010	2010	2009	2010	2010	2009
		Actual	Budget	Actual	Actual	Budget	Actual
	Note	$000s	$000s	$000s	$000s	$000s	$000s
Revenue	2.	61,967	62,929	60,454	57,415	57,226	55,093
Finance costs	3.	198	236	326	191	223	323
Operating expenses	3.	59,462	60,550	58,155	54,319	55,163	52,943
Surplus before tax		**2,307**	**2,143**	**1,973**	**2,905**	**1,840**	**1,827**
Income tax expense	26.	669	650	534	849	559	489
Impact of 0% building depreciation	26.	3,664	0	0	3,379	0	0
Total income tax expense		4,333	650	534	4,228	559	489
Surplus/(deficit) after tax		**(2,026)**	**1,493**	**1,439**	**(1,323)**	**1,281**	**1,338**
Surplus/(deficit) attributable to Parent company		(2,026)	1,493	1,439	(1,323)	1,281	1,338
Other comprehensive income							
Total other comprehensive income for the period		0	0	0	0	0	0
Total comprehensive income for the period		**(2,026)**	**1,493**	**1,439**	**(1,323)**	**1,281**	**1,338**
Total comprehensive income attributable to Parent company		(2,026)	1,493	1,439	(1,323)	1,281	1,338

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2010

	Consolidated			Parent		
	2010	2010	2009	2010	2010	2009
	Actual	Budget	Actual	Actual	Budget	Actual
	$000s	$000s	$000s	$000s	$000s	$000s
Balance at 1 July	**27,948**	**27,429**	**26,638**	**26,546**	**26,088**	**25,325**
Total comprehensive income for the year ended 30 June	(2,026)	1,493	1,439	(1,323)	1,281	1,338
Dividends paid	(479)	(525)	(117)	(479)	(525)	(117)
Amalgamation of subsidiary	0	0	(12)	(3)	0	0
Balance at 30 June	**25,443**	**28,397**	**27,948**	**24,741**	**26,844**	**26,546**
Total comprehensive income attributable to Parent company	(2,026)	1,493	1,439	(1,323)	1,281	1,338
Total	**(2,026)**	**1,493**	**1,439**	**(1,323)**	**1,281**	**1,338**

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2010

		Consolidated			Parent		
		2010	2010	2009	2010	2010	2009
		Actual	Budget	Actual	Actual	Budget	Actual
	Note	$000s	$000s	$000s	$000s	$000s	$000s
ASSETS							
Current assets							
Cash and cash equivalents	4.	5,328	2,102	5,855	5,059	1,934	5,516
Trade and other receivables	5.	9,225	10,036	7,646	9,727	9,881	7,795
Inventories	6.	1,338	1,100	1,305	234	100	89
Finance lease receivable	7.	74	0	67	74	0	67
Derivative financial instruments	8.	55	0	43	4	0	7
Total current assets		**16,020**	**13,238**	**14,916**	**15,098**	**11,915**	**13,474**
Non-current assets							
Property, plant and equipment	9.	32,003	30,845	31,270	29,939	28,685	29,109
Patents and intellectual property	10.	477	175	105	477	211	105
Intangible assets	11.	845	603	995	818	619	956
Investments	12.	0	0	0	1,521	1,521	1,521
Deferred tax asset	26.	0	138	14	0	87	0
Finance lease receivable	7.	973	973	1,046	973	973	1,046
Total non-current assets		**34,298**	**32,734**	**33,430**	**33,728**	**32,096**	**32,737**
Total assets		**50,318**	**45,972**	**48,346**	**48,826**	**44,011**	**46,211**
LIABILITIES							
Current liabilities							
Trade and other payables	13.	6,388	5,890	5,727	6,167	5,852	5,524
Provisions		160	0	46	0	0	0
Employee benefit liabilities	14.	4,654	3,648	4,503	4,410	3,508	4,176
Bank overdraft	15.	0	0	134	0	0	134
Finance lease	16.	45	0	9	36	0	0
Revenue in advance	17.	4,872	3,381	4,869	4,758	3,151	4,732
Tax payable		350	0	459	487	0	408
Total current liabilities		**16,469**	**12,919**	**15,747**	**15,858**	**12,511**	**14,974**
Non-current liabilities							
Employee benefit liabilities	14.	614	656	634	606	656	625
Borrowings	15.	4,000	4,000	4,000	4,000	4,000	4,000
Finance lease	16.	91	0	17	83	0	0
Deferred tax liability	26.	3,701	0	0	3,538	0	66
Total non-current liabilities		**8,406**	**4,656**	**4,651**	**8,227**	**4,656**	**4,691**
Total liabilities		**24,875**	**17,575**	**20,398**	**24,085**	**17,167**	**19,665**
NET ASSETS		**25,443**	**28,397**	**27,948**	**24,741**	**26,844**	**26,546**
EQUITY							
Ordinary shares	18.	10,515	10,515	10,515	10,515	10,515	10,515
Retained earnings	18.	14,928	17,882	17,433	14,226	16,329	16,031
Total equity		**25,443**	**28,397**	**27,948**	**24,741**	**26,844**	**26,546**

The accompanying notes form part of these financial statements.

JA Brosnahan *PM Schuyt*

JA Brosnahan
Chair

PM Schuyt
Director

24 August 2010

Statement of cash flows

for the year ended 30 June 2010

	Note	Consolidated			Parent		
		2010 Actual $000s	2010 Budget $000s	2009 Actual $000s	2010 Actual $000s	2010 Budget $000s	2009 Actual $000s
Cash flows from operating activities							
Receipts from customers		60,121	61,899	62,614	55,262	56,283	56,738
Interest received		264	107	164	256	119	195
Payments to suppliers and employees		(54,670)	(56,284)	(53,544)	(49,866)	(50,960)	(48,307)
Interest paid		(196)	(236)	(338)	(189)	(223)	(336)
Tax refund/(paid)		(727)	(643)	(40)	(677)	(552)	(61)
Net cash generated from operating activities	20.	**4,792**	**4,843**	**8,856**	**4,786**	**4,667**	**8,229**
Cash flows from investing activities							
Proceeds from sale of property, plant and equipment		16	0	0	16	0	0
Purchase of property, plant and equipment		(4,265)	(3,831)	(3,947)	(4,198)	(3,675)	(3,707)
Purchase of intangible assets		(457)	0	(804)	(448)	0	(770)
Advances made to subsidiaries		0	0	0	0	(50)	0
Net cash used in investing activities		**(4,706)**	**(3,831)**	**(4,751)**	**(4,630)**	**(3,725)**	**(4,477)**
Cash flows from financing activities							
Proceeds from borrowings		0	1,300	3	0	1,300	0
Repayment of borrowings		0	(1,300)	0	0	(1,300)	0
Dividends paid		(479)	(525)	(117)	(479)	(525)	(117)
Net cash used in financing activities		**(479)**	**(525)**	**(114)**	**(479)**	**(525)**	**(117)**
Net increase/(decrease) in cash		**(393)**	**487**	**3,991**	**(323)**	**417**	**3,635**
Cash, cash equivalents and bank overdrafts at beginning of the year	4.	5,721	1,615	1,730	5,382	1,517	1,747
Cash, cash equivalents and bank overdrafts at end of the year		**5,328**	**2,102**	**5,721**	**5,059**	**1,934**	**5,382**

The accompanying notes form part of these financial statements.

for the year ended 30 June 2010

1 SUMMARY OF ACCOUNTING POLICIES

Reporting entity

Landcare Research New Zealand Limited is a Crown Research Institute governed by the Crown Research Institutes Act 1992 and Crown Entities Act 2004. The Landcare Research Group ('the Group') consists of Landcare Research New Zealand Limited and its 100% owned subsidiaries, Sirtrack Limited and Landcare Research US Limited. Landcare Research International Limited was amalgamated with the Parent company on 31 May 2010 to become part of Landcare Research New Zealand Limited. Landcare Research New Zealand Limited and Sirtrack Limited are incorporated in New Zealand; Landcare Research US Limited is incorporated in the USA.

The core purpose of the Group is to provide science solutions to enable the wise use and care of land environments to enhance New Zealand's prosperity.

These audited financial statements of the Group are for the year ended 30 June 2010 and were authorised by the Board of Landcare Research New Zealand Limited on 24 August 2010.

Basis of preparation

The financial statements of the Group have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IRFS, and other applicable financial reporting standards, as appropriate for profit-oriented entities.

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

The financial statements have been prepared on a historical cost basis modified by revaluation of certain financial instruments. The financial statements are presented in New Zealand dollars, the functional currency of the Group, and all values are rounded to the nearest thousand dollars ($000).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the surplus or deficit.

Standards, amendments and interpretations issued but not yet effective

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS 9 Financial Instruments	1 January 2013	30 June 2014
NZ IFRS 5 Non-current Assets held for Sale and Discontinued Operations	1 January 2010	30 June 2011
NZ IAS 1 Presentation of Financial Statements	1 January 2010	30 June 2011
NZ IAS 7 Statement of Cash flows	1 January 2010	30 June 2011
NZ IAS 24 Related Parties (Revised 2009)	1 January 2011	30 June 2012

The above standards and interpretations are not expected to have a material impact on the financial results. Except for the impending changes noted above there are no other standards or interpretations applicable to the Group that have been issued but are not yet effective.

Subsidiaries

Where the Group has the capacity to control the financing and operating policies of an entity, so as to obtain benefits from its activities, all such entities are consolidated as subsidiaries within the Group financial statements. This power exists where the Group controls the majority voting power on the governing body, or where such policies have been irreversibly predetermined by the Group, or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

The Group measures the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, in exchange for control of the subsidiary plus any costs directly attributable to the business combination. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the surplus or deficit.

Basis of consolidation

The purchase method is used to prepare the consolidated financial statements; this involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

Landcare Research New Zealand Limited's investment in its subsidiaries is carried at cost in its 'Parent entity' financial statements.

Revenue

Revenue is measured at the fair value of consideration received.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided. Income received for goods and services which have not yet been supplied to customers has been recognised as Revenue in Advance. Sales of goods are recognised when a product is sold to the customer.

Interest income is recognised using the effective interest method, whereby the estimated future cash receipts are exactly discounted from the net carrying amounts through the expected life of the financial assets.

Dividends are recognised when the right to receive payment has been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset in accordance with NZ IAS 23 Borrowing costs (revised). All other borrowing costs are expensed in the period they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Income tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax *liabilities* are generally recognised for all taxable temporary differences. Deferred tax *assets* are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill, or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting profit nor taxable profit. Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is recognised against the surplus or deficit, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

Finance leases

A finance lease is a lease that substantially transfers to the lessee all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the Group recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Group will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

An operating lease is a lease that does not substantially transfer all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Loans are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the statement of comprehensive income as a grant.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

Inventories

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost and net realisable value. Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the average cost method.

The write-down from cost to net realisable value is recognised in the surplus or deficit.

Financial assets

The Group classifies its financial assets into the following three categories: financial assets at fair value through profit or loss, loans and receivables, and financial assets at fair value through other comprehensive income. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The three categories of financial assets are:

Financial assets at fair value through surplus or deficit

This category has two sub-categories: financial assets held for trading, and those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if designated as so by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. After initial recognition they are measured at their fair values. Gains or losses on remeasurement are recognised in the surplus or deficit. Financial assets in this category include foreign currency forward contracts.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit. 'Trade and other receivables' are classified as loans and receivables in the statement of financial position.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are those that are designated as fair value through other comprehensive income or are not classified in any of the other categories above. This category encompasses:

- Investments that the Group intends to hold long term but which may be realised before maturity.
- Shareholdings that the Group holds for strategic purposes. The Parent's investments in its subsidiaries are not included in this category as they are held at cost (as allowed by NZ IAS 27 *Consolidated and Separate Financial Statements*) whereas this category is to be measured at fair value.

After initial recognition, these investments are measured at their fair value. Gains and losses are recognised directly in other comprehensive income except for impairment losses, which are recognised in the surplus or deficit. In the event of impairment, any cumulative losses previously recognised in other comprehensive income will be removed from other comprehensive income and recognised in the surplus or deficit even though the asset has not been derecognised. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the surplus or deficit.

Impairment of financial assets

At each balance sheet date the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit.

Accounting for derivative financial instruments and hedging activities

The Group uses derivative financial instruments to cover the risk on foreign exchange. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their value. The Group does not designate derivatives as a hedging instrument and therefore accounts for derivative instruments at fair value through profit or loss. Changes in the fair value of derivative instruments are recognised immediately in the surplus or deficit.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Property, plant and equipment

Property, plant and equipment consist of:

- *Operational assets* – these include land, buildings, library books, plant and equipment, and motor vehicles.
- *Restricted assets* – these are collections and databases, held by the Group, that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- *Capital work in progress* – this has been included within plant and equipment, and is not depreciated until ready for use.

Property, plant and equipment are shown at cost, less accumulated depreciation and impairment losses. Assets are not reported with a financial value in cases where they are not realistically able to be reproduced or replaced, and when they do not generate cash flows and where no market exists to provide a valuation.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on the Group's property, plant and equipment, other than land, at rates that will write off the cost of the assets to their estimated residual values over their useful lives. All Parent company's depreciable assets are depreciated on a straight-line (SL) basis. Sirtrack Limited's depreciable assets are depreciated at Inland Revenue rates on a diminishing value (DV) basis. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Depreciation rates	Parent (SL)	Sirtrack (DV)
Buildings	1.67–10%	3–12%
Plant and equipment	5–20%	12–80%
IT equipment	25%	26–48%
Motor vehicles	25%	31%
Furniture and fittings	10%	9–30%
Office equipment	20%	12–40%
Finance lease assets	20%	25–36% (SL)
Library books and periodicals	20–50%	-
Rare books collections	1%	-

Intangible assets

Software acquisition and website development costs

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software and websites are recognised as an expense when incurred. Costs that are directly associated with the development of software and websites for internal use by the Group are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Patents and intellectual property

Patents and intellectual property are capitalised on the basis of costs incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	3 years	33%
Intellectual property	3–20 years	5–35%

Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential. The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

Employee benefits

Short-term benefits

Employee benefits that the Group expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Group recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Group anticipates leave entitlements will be used by staff to cover those future absences.

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

All actuarial gains and losses that arise subsequent to the transition date in calculating the Group's obligation with respect to long service leave, retirement gratuities and sick leave are recognised as an expense in the surplus or deficit.

Superannuation schemes

- *Defined contribution schemes:* obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.
- *Defined benefit schemes:* the Group makes contributions to the Government Superannuation Fund, which is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Long service leave, retirement leave and sick leave

Entitlements that are payable beyond 12 months, such as long service leave, retirement leave and sick leave, have been calculated on an actuarial basis. The calculations are based on likely future entitlements accruing to staff, based on years of service, years to entitlement, payment history, the likelihood that staff will reach the point of entitlement, and contractual entitlements information.

Provisions

The Group recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive), as a result of a past event, that probable expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost, using the effective interest method.

Goods and Service Tax (GST)

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (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 an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those in the annual business plan approved by the Shareholding Ministers at the beginning of the year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Group for the preparation of the financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements the Group has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Revenue recognition

The Group uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver research services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed.

Critical judgements in applying the Group's accounting policies

Management has exercised the following critical judgements in applying the Group's accounting policies for the year ended 30 June 2010:

Leases classification

Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Company.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas for an operating lease no such asset is recognised.

The Group has exercised its judgement on the appropriate classification of property and equipment leases and has determined that a number of lease arrangements are finance leases.

Provision for warranty

The Group has exercised judgement on the appropriate level of provision for warranty on sales of wildlife tracking equipment.

Changes in accounting policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the previous year.

The Group has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

- NZ IAS 1 Presentation of Financial Statements (Revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004). The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The Group has decided to prepare a single statement of comprehensive income for the year ended 30 June 2010 under the revised standard. Financial statement information for the year ended 30 June 2009 has been restated accordingly. Items of other comprehensive income presented in the statement of comprehensive income were previously recognised directly in the statement of changes in equity.

- NZ IAS 23 (Revised 2007) supersedes the previous version of NZ IAS 23 Borrowing Costs (issued 2004). NZ IAS 23 (Revised 2007) mandates the capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset for profit-oriented entities.

2 REVENUE

	Consolidated		Parent	
	2010	2009	2010	2009
	Actual	Actual	Actual	Actual
	$000s	$000s	$000s	$000s
Revenue from operations consisted of the following items:				
FRST/MoRST	32,183	30,566	32,183	30,566
New Zealand non-FRST/MoRST	24,034	23,634	23,711	23,087
International non-FRST/MoRST	5,403	6,011	1,181	1,200
Interest revenue:				
Bank deposits	213	104	205	98
Finance leases	98	103	98	103
Subsidiaries	0	0	36	38
	311	207	339	239
Gain/(loss) on foreign currency contracts fair value	36	36	1	1
Total revenue	**61,967**	**60,454**	**57,415**	**55,093**

3 PROFIT BEFORE INCOME TAX

	Consolidated		Parent	
	2010	2009	2010	2009
	Actual	Actual	Actual	Actual
	$000s	$000s	$000s	$000s
Profit before income tax has been arrived at after charging the following expenses:				
Finance costs:				
Interest on loans	198	326	191	323
Employee remuneration	31,058	30,100	28,433	27,838
Superannuation contributions	1,097	1,071	1,097	1,071
Employee entitlements increase/(decrease)	132	583	215	507
Net bad and doubtful debts	31	13	31	13
Donations	7	21	2	2
Auditors' remuneration:				
Audit New Zealand – audit services	103	101	84	80
Audit New Zealand – other services	1	1	1	1
Directors' fees	263	228	205	176
Depreciation and amortisation of non-current assets	3,953	3,908	3,777	3,695
Loss on sale of non-current asset	6	0	6	0
Operating lease rental	995	865	995	865
Cost of sales	2,346	2,211	579	466
Movement in inventory	32	(831)	145	9

4 CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2010 Actual $000s	2009 Actual $000s	2010 Actual $000s	2009 Actual $000s
Cash at bank and in hand	331	381	62	42
Short-term deposits maturing three months or less from date of acquisition	4,997	5,474	4,997	5,474
Total cash and cash equivalents	**5,328**	**5,855**	**5,059**	**5,516**

The carrying value of short-term deposits with maturity dates for three months or less approximates their fair value.

Cash and bank overdrafts include the following for the purposes of the cash flow statement:

	Consolidated		Parent	
	2010 Actual $000s	2009 Actual $000s	2010 Actual $000s	2009 Actual $000s
Cash at bank and in hand	331	381	62	42
Short-term deposits maturing three months or less from date of acquisition	4,997	5,474	4,997	5,474
Bank overdraft	0	(134)	0	(134)
	5,328	**5,721**	**5,059**	**5,382**

5 TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2010 Actual $000s	2009 Actual $000s	2010 Actual $000s	2009 Actual $000s
Trade debtors	8,278	6,957	7,949	6,448
Accrued income and sundry debtors	133	50	133	50
Receivables from subsidiaries (note 23)	0	0	681	500
Prepayments	829	652	779	610
Loans to related parties (note 23)	0	0	200	200
	9,240	7,659	9,742	7,808
Less provision for impairment of receivables	(15)	(13)	(15)	(13)
Total trade and other receivables	**9,225**	**7,646**	**9,727**	**7,795**
Total non-current portion	**0**	**0**	**0**	**0**
Total current portion of trade & other receivables	**9,225**	**7,646**	**9,727**	**7,795**

The carrying value of trade and other receivables approximates their fair value. The carrying value of loans to related parties approximates their fair value.

Apart from FRST/MoRST, which are both Government owned, there is no concentration of credit risk to receivables outside the Group, as the Group has a large number of customers.

As of 30 June 2010, all overdue receivables have been assessed for impairment and appropriate provisions applied. Landcare Research holds no collateral as security or other credit enhancements over receivables that are either past due date or impaired. The impairment provision has been calculated based on expected losses for Landcare Research's pool of debtors. Expected losses have been determined based on review of specific debtors.

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
As at 1 July	13	0	13	0
Additional provisions made during the year	30	13	30	13
Receivables written off during the period	(28)	0	(28)	0
As at 30 June	**15**	**13**	**15**	**13**
Age of trade debtors				
Current	7,241	6,150	7,048	5,705
Outstanding	1,037	807	901	743
Total trade debtors	**8,278**	**6,957**	**7,949**	**6,448**

6 INVENTORIES

	Consolidated		Parent	
	2010 Actual $000s	2009 Actual $000s	2010 Actual $000s	2009 Actual $000s
Raw materials (at cost)	983	1,081	0	0
Work in progress (at cost)	121	135	0	0
Finished goods (at net realisable value)	234	89	234	89
Total inventories	**1,338**	**1,305**	**234**	**89**

7 ANALYSIS OF FINANCE LEASE RECEIVABLE

	Consolidated		Parent	
	2010 Actual $000s	2009 Actual $000s	2010 Actual $000s	2009 Actual $000s
Total minimum lease payments are receivable:				
Not later than one year	165	165	165	165
Later than one year and not later than five years	660	660	660	660
Later than five years	908	1,072	908	1,072
Total minimum lease payments	1,733	1,897	1,733	1,897
Future finance charges	(686)	(784)	(686)	(784)
Total present value of minimum lease payments	**1,047**	**1,113**	**1,047**	**1,113**
Present value of minimum lease payments are receivable:				
Not later than one year	74	67	74	67
Later than one year and not later than five years	371	339	371	339
Later than five years	602	707	602	707
Total	**1,047**	**1,113**	**1,047**	**1,113**
Current	74	67	74	67
Non-current	973	1,046	973	1,046
Total	**1,047**	**1,113**	**1,047**	**1,113**

Finance lease receivable relates to the animal house facility. The building transfers to Lincoln University for nil consideration in 2016. Landcare Research New Zealand Limited has the right to continue occupying the building for a further 10 years to 2026 at a rent of $1.00 per annum.

8 DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated		Parent	
	2010 Actual $000s	2009 Actual $000s	2010 Actual $000s	2009 Actual $000s
Current asset portion				
Foreign currency forward contracts	55	43	4	7
Total derivative financial instruments	**55**	**43**	**4**	**7**

9 PROPERTY, PLANT AND EQUIPMENT

2009	Parent Land $000s	Parent Buildings $000s	Parent Plant & equipment $000s	Parent Library assets $000s	Parent Total $000s	Subsidiary Land $000s	Subsidiary Buildings $000s	Subsidiary Plant & equipment $000s	Subsidiary Finance lease $000s	Subsidiary Total $000s	Group Total $000s
Cost at 1 July 2008	519	19,841	30,504	3,510	54,374	477	1,286	722	43	2,528	**56,902**
Accumulated depreciation	0	(5,833)	(17,281)	(2,263)	(25,377)	0	(78)	(277)	(26)	(381)	**(25,758)**
Net book value at the beginning of the year	519	14,008	13,223	1,247	28,997	477	1,208	445	17	2,147	**31,144**
Year ended 30 June 2009											
Net book value at the beginning of the year	519	14,008	13,223	1,247	28,997	477	1,208	445	17	2,147	**31,144**
Additions	0	979	1,974	478	3,431	3	70	91	16	180	**3,611**
Disposals	0	0	(23)	0	(23)	0	0	0	(19)	(19)	**(42)**
Accumulated depreciation on disposals	0	0	22	0	22	0	0	0	18	18	**40**
Current year depreciation	0	(407)	(2,436)	(475)	(3,318)	0	(46)	(107)	(12)	(165)	**(3,483)**
Net book value at the end of the year	519	14,580	12,760	1,250	29,109	480	1,232	429	20	2,161	**31,270**
At 30 June 2009											
Cost	519	20,820	32,455	3,988	57,782	480	1,357	813	40	2,690	**60,472**
Accumulated depreciation	0	(6,240)	(19,695)	(2,738)	(28,673)	0	(125)	(384)	(20)	(529)	**(29,202)**
Net book value at the end of the year	519	14,580	12,760	1,250	29,109	480	1,232	429	20	2,161	**31,270**

2010	Parent Land $000s	Parent Buildings $000s	Parent Plant & equipment $000s	Parent Library assets $000s	Parent Total $000s	Subsidiary Land $000s	Subsidiary Buildings $000s	Subsidiary Plant & equipment $000s	Subsidiary Finance lease $000s	Subsidiary Total $000s	Group Total $000s
Cost at 1 July 2009	519	20,820	32,455	3,988	57,782	480	1,357	813	40	2,690	**60,472**
Accumulated depreciation	0	(6,240)	(19,695)	(2,738)	(28,673)	0	(125)	(384)	(20)	(529)	**(29,202)**
Net book value at the beginning of the year	519	14,580	12,760	1,250	29,109	480	1,232	429	20	2,161	**31,270**
Year ended 30 June 2010											
Net book value at the beginning of the year	519	14,580	12,760	1,250	29,109	480	1,232	429	20	2,161	**31,270**
Additions	0	1,624	2,167	441	4,232	0	1	55	0	56	**4,288**
Disposals	0	(178)	(698)	0	(876)	0	0	0	0	0	**(876)**
Accumulated depreciation on disposals	0	157	697	0	854	0	0	0	0	0	**854**
Current year depreciation	0	(409)	(2,487)	(484)	(3,380)	0	(45)	(96)	(12)	(153)	**(3,533)**
Net book value at the end of the year	519	15,774	12,439	1,207	29,939	480	1,188	388	8	2,064	**32,003**
At 30 June 2010											
Cost	519	22,266	33,924	4,429	61,138	480	1,358	868	40	2,746	**63,884**
Accumulated depreciation	0	(6,492)	(21,485)	(3,222)	(31,199)	0	(170)	(480)	(32)	(682)	**(31,881)**
Net book value at the end of the year	519	15,774	12,439	1,207	29,939	480	1,188	388	8	2,064	**32,003**

9 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Heritage Assets

Heritage collection assets are those assets held for the duration of their physical lives because of their unique scientific importance. The Crown, when establishing Crown Research Institutes in 1992, transferred various national databases and reference collections to individual Institutes at nil value. Many of these databases and collections were specifically identified by the Foundation for Research, Science and Technology as being of significant national importance, and they have covenants attached to them restricting an Institute's ability to deal with them.

Landcare Research has the following nationally significant collections and databases that have been defined as heritage assets:

- The New Zealand Arthropod Collection (NZAC) including the New Zealand National Nematode Collection (NZNNC) and associated database NZACbugs, BUGS bibliography and Pacific database
- The New Zealand Fungal & Plant Disease Herbarium (PDD)
- The International Collection of Micro-Organisms from Plants (ICMP) and associated NZFungi Database
- The Allan Herbarium
- The National Vegetation Survey Databank (NVS)
- The 'Ngā Tipu Whakaoranga' Ethnobotany Database and New Zealand Flax and Living Plant collections

Further details on these heritage assets are shown in the company's Statement of Corporate Intent Appendix II.
The nature of these heritage assets, and their significance to the science and research that Landcare Research undertakes, makes it necessary to disclose them.
No reliable valuation is able to be obtained for these assets, and so they remain at nil value.

A rare books collection, previously considered to be part of the reference collections, was introduced in 2002/03 on a market value basis. This value has been accepted as deemed cost.

10 PATENTS AND INTELLECTUAL PROPERTY

	Consolidated	Parent
	Actual $000s	Actual $000s
As at 1 July 2008		
Cost	189	87
Accumulated amortisation and impairment	(87)	(8)
Net book amount	**102**	**79**
Year ended 30 June 2009		
Opening net book amount	102	80
Additions	43	43
Disposals	(13)	(13)
Amortisation charge	(27)	(5)
Closing net book amount	**105**	**105**
As at 1 July 2009		
Cost	220	118
Accumulated amortisation and impairment	(115)	(13)
Net book amount	**105**	**105**
Year ended 30 June 2010		
Opening net book amount	105	105
Additions	375	375
Amortisation charge	(3)	(3)
Closing net book amount	**477**	**477**
As at 30 June 2010		
Cost	595	493
Accumulated amortisation and impairment	(118)	(16)
Net book amount	**477**	**477**

11 INTANGIBLE ASSETS

	Consolidated Actual $000s	Parent Actual $000s
As at 1 July 2008		
Cost	2,192	2,053
Accumulated amortisation and impairment	(1,511)	(1,407)
Net book amount	**681**	**646**
Year ended 30 June 2009		
Opening net book amount	681	646
Additions	717	683
Amortisation charge	(403)	(373)
Closing net book amount	**995**	**956**
As at 1 July 2009		
Cost	2,909	2,736
Accumulated amortisation and impairment	(1,914)	(1,780)
Net book amount	**995**	**956**
Year ended 30 June 2010		
Opening net book amount	995	956
Additions	266	256
Amortisation charge	(416)	(394)
Closing net book amount	**845**	**818**
As at 30 June 2010		
Cost	3,175	2,992
Accumulated amortisation and impairment	(2,330)	(2,174)
Net book amount	**845**	**818**

12 INVESTMENTS IN SUBSIDIARIES

	Consolidated		Parent	
	2010 Actual $000s	2009 Actual $000s	2010 Actual $000s	2009 Actual $000s
Investment in Sirtrack Limited	0	0	1,450	1,450
Investment in Landcare Research International Limited	0	0	0	0
Investment in Landcare Research US Limited	0	0	71	71
Total investments in subsidiaries	**0**	**0**	**1,521**	**1,521**

Landcare Research New Zealand Limited has 100% interest in Sirtrack Limited and Landcare Research US Limited.

The investments in subsidiaries are carried at cost in the Parent entity statement of financial position, except for Landcare Research International Limited shares of $400,000, which were considered as impaired and written down in 2005/06.

Landcare Research International Limited was amalgamated with Landcare Research New Zealand Limited, the Parent company, on 31 May 2010 to become Landcare Research New Zealand Limited.

The subsidiaries are unlisted companies, and accordingly, there are no published price quotations to determine the fair value of these investments; therefore, they are accounted at cost as per the accounting policies.

13 TRADE AND OTHER PAYABLES

	Consolidated 2010 Actual $000s	Consolidated 2009 Actual $000s	Parent 2010 Actual $000s	Parent 2009 Actual $000s
Trade payables	3,469	3,262	3,232	3,085
Amounts due to related parties	0	0	71	71
Amounts due to directors	7	0	7	0
GST & PAYE	999	1,113	976	1,102
Sundry creditors and accruals	1,913	1,352	1,881	1,266
Total trade and other payables	**6,388**	**5,727**	**6,167**	**5,524**

The carrying value of trade and other payables approximates their fair value.

14 EMPLOYEE BENEFIT LIABILITIES

	Consolidated 2010 Actual $000s	Consolidated 2009 Actual $000s	Parent 2010 Actual $000s	Parent 2009 Actual $000s
Accrued pay	576	438	521	395
Annual leave	2,110	2,183	1,979	2,061
Long service leave	1,039	1,065	1,031	1,056
Retirement leave	102	96	102	96
Time in lieu	168	139	168	139
Sick leave	65	61	63	59
Bonus provision	1,006	1,013	1,006	853
Restructuring provision	202	142	146	142
Total employee benefit liabilities	**5,268**	**5,137**	**5,016**	**4,801**
Comprising:				
Current	4,654	4,503	4,410	4,176
Non-current	614	634	606	625
Total	**5,268**	**5,137**	**5,016**	**4,801**

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis by Eriksens and Associates Limited as at 30 June 2010. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, likelihood staff will reach the point of entitlement, and contractual entitlements information; and
- Present value of estimated future cash flows using the following key assumptions:
  - Discount rates of 3.44–6.00% based on the risk-free rates as calculated from the yields on the New Zealand Government Bonds.
  - Inflation factor of 2.75% based on the expected long-term increase in remuneration of employees.

15 BORROWINGS

	Consolidated		Parent	
	2010	2009	2010	2009
	Actual	Actual	Actual	Actual
	$000s	$000s	$000s	$000s
Current				
Bank overdraft	0	134	0	134
Total current borrowings	**0**	**134**	**0**	**134**
Non-current				
Borrowings	4,000	4,000	4,000	4,000
Total non-current borrowings	**4,000**	**4,000**	**4,000**	**4,000**

The overdraft is unsecured.

The carrying value of borrowings approximates their fair value. Borrowings are unsecured. The $4,000,000 non-current borrowings have a maturity date of 8 March 2012 and a floating interest rate of 4.82% as at 30 June 2010.

	Consolidated		Parent	
	$000s	$000s	$000s	$000s
Maturity analysis and effective interest rates	**Overdraft**	**Borrowings**	**Overdraft**	**Borrowings**
2009				
Less than one year	134	0	134	0
Later than one year	0	4,000	0	4,000
Greater than five years	0	0	0	0
2010				
Less than one year	0	0	0	0
Later than one year	0	4,000	0	4,000
Greater than five years	0	0	0	0
Interest rates				
June 2009	9.70%	7.20%	9.70%	7.20%
June 2010	0	4.36%	0	4.36%

16 ANALYSIS OF FINANCE LEASE LIABILITIES

	Consolidated		Parent	
	2010	2009	2010	2009
	Actual	Actual	Actual	Actual
	$000s	$000s	$000s	$000s
Total minimum lease payments are payable:				
Not later than one year	60	11	49	0
Later than one year and not later than five years	104	22	93	0
Later than five years	0	0	0	0
Total minimum lease payments	164	33	142	0
Future finance charges	(28)	(7)	(23)	0
Present value of minimum lease payments	**136**	**26**	**119**	**0**
Present value of minimum lease payments are payable:				
Not later than one year	45	9	36	0
Later than one year and not later than five years	91	17	83	0
Later than five years	0	0	0	0
Total	**136**	**26**	**119**	**0**
Current	45	9	36	0
Non-current	91	17	83	0
Total	**136**	**26**	**119**	**0**

17 REVENUE IN ADVANCE

	Consolidated		Parent	
	2010 Actual $000s	2009 Actual $000s	2010 Actual $000s	2009 Actual $000s
FRST public good science funding	2,301	2,504	2,301	2,504
MoRST capability funding	573	528	573	528
Commercial contracts	1,998	1,837	1,884	1,700
	4,872	**4,869**	**4,758**	**4,732**

The carrying value of revenue in advance approximates fair value.

18 EQUITY

	Consolidated		Parent	
	2010 Actual $000s	2009 Actual $000s	2010 Actual $000s	2009 Actual $000s
Retained earnings				
As at 1 July	17,433	16,123	16,031	14,810
Dividends paid	(479)	(117)	(479)	(117)
Transfer of minority interest	0	(12)	(3)	0
Surplus/(deficit) for the year	(2,026)	1,439	(1,323)	1,338
As at 30 June	**14,928**	**17,433**	**14,226**	**16,031**
Share capital				
As at 1 July	10,515	10,515	10,515	10,515
As at 30 June	**10,515**	**10,515**	**10,515**	**10,515**

The issued capital of the company is 10,515,000 fully paid up and equally ranking shares.

Dividends of $0.0456 (June 2009 full year: $0.0111) per share were paid during the year ended 30 June 2010.

19 CAPITAL MANAGEMENT

The Group's capital is its equity, which comprises retained earnings and other reserves. Equity is represented by net assets.

The Group is subject to the financial management and accountability provisions of the Crown Entities Act 2004, Crown Research Institutes Act 1992 and the Shareholding Ministers' Annual Operating Framework, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

The Group manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure the Group effectively achieves its objectives and purpose, while remaining a going concern.

20 RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Consolidated		Parent	
	2010 Actual $000s	2009 Actual $000s	2010 Actual $000s	2009 Actual $000s
Surplus/(deficit) after tax	(2,026)	1,439	(1,323)	1,338
Add/(less) non-cash items:				
Depreciation and amortisation	3,953	3,908	3,777	3,695
Non-current employee entitlements	(20)	12	(19)	13
Deferred tax	3,715	136	3,472	152
Add/(less) items classified as investing or financing activities:				
Loss on sale of non-current assets	6	0	6	0
Movement in finance lease receivable	67	62	67	62
Add/(less) movements in working capital items:				
Inventory	(32)	(384)	(145)	(9)
Trade and other receivables	(1,580)	697	(1,932)	21
Trade and other payables	568	779	621	634
Employee benefit liabilities	152	571	234	494
Derivative financial instruments	(13)	(36)	3	(1)
Revenue in advance	2	1,672	25	1,830
Net cash inflow/(outflow) from operating activities	**4,792**	**8,856**	**4,786**	**8,229**

21 CAPITAL COMMITMENTS AND OPERATING LEASES

	Consolidated		Parent	
	2010 Actual $000s	2009 Actual $000s	2010 Actual $000s	2009 Actual $000s
Capital commitments				
Estimated capital expenditure contracted for at balance date but not paid or provided for	372	192	372	168
Operating lease commitments				
Lease commitments under non-cancellable operating leases:				
Within one year	460	510	460	510
Later than one year and not later than two years	375	268	375	268
Later than two years and not later than five years	996	517	996	517
Later than five years	3,349	2,199	3,349	2,199

22 CONTINGENCIES

The Group is not aware of any significant contingent assets or liabilities as at balance date (2009:nil).

23 RELATED PARTY TRANSACTIONS

Landcare Research New Zealand Limited is the ultimate parent of the Group and controls two entities, being Sirtrack Limited and Landcare Research US Limited.

Amalgamation with Landcare Research International Limited
On 31 May 2010 Landcare Research International Limited was amalgamated into Landcare Research New Zealand Limited.

Intercompany transactions between Landcare Research New Zealand Limited and its subsidiaries are transacted on a commercial and arm's length basis. No transaction between companies within the Landcare Research Group took place at nil or nominal value during the year.

	Parent	
	2010	2009
	Actual	Actual
The following transactions were carried out with related parties:	$000s	$000s
Sirtrack Limited		
Interest received	36	38
Services provided to Sirtrack	57	34
Products and services provided by Sirtrack	132	174
Loan outstanding	200	200
Intercompany current account receivable	681	497
Landcare Research International Limited		
Intercompany current account receivable	0	2
Landcare Research US Limited		
Intercompany current account receivable/(payable)	(71)	(71)

Landcare Research New Zealand Limited has capitalised Landcare Research US Limited for a sum of US$50,000, but the amount has been held by the Parent company pending requirement, and will be paid out on request.

	Consolidated		Parent	
	2010	2009	2010	2009
	Actual	Actual	Actual	Actual
Key management personnel compensation	$000s	$000s	$000s	$000s
Salaries and other short-term employee benefits	2,071	2,222	1,477	1,466
Post-employment benefits	0	0	0	0
Other long-term benefits	0	0	0	0
Termination benefits	0	0	0	0

Key management personnel include Directors, Chief Executive Officer and other senior management personnel.

23 RELATED PARTY TRANSACTIONS CONTINUED

During the year Director remuneration payments (including expense reimbursements) were made to the following entities at the request of the Directors and relate exclusively to Director remuneration payments that would have otherwise been paid directly to the existing Directors.

	2010	2009	2010	2009	2010	2009
	Services received from	Services received from	Services provided to	Services provided to	Amounts (Payable to)/ Receivable	Amounts (Payable to)/ Receivable
	$000s	$000s	$000s	$000s	$000s	$000s
Jo Brosnahan Leadership	48	49	0	0	(1)	(1)
Antipodes Consult Limited	28	31	0	0	0	0
Boyd Insight Limited	22	22	0	0	(1)	0
Feronia Limited	22	22	0	0	(1)	0
Luxton & Co. Limited (new)	22	0	0	0	(1)	0
Structure Ventures Limited (new)	11	0	0	0	0	0
Hall Family Trust (new)	7	0	0	0	(1)	0
Urlwin Associates (retired)	0	29	0	0	0	0

During the year Landcare Research provided services to or received services from the following companies, in which Directors have declared an interest. These transactions were conducted on normal commercial terms. Related parties have ceased and commenced during the year due to changes in directorships as noted.

	2010	2009	2010	2009	2010	2009
	Services received from	Services received from	Services provided to	Services provided to	Amounts (Payable to)/ Receivable	Amounts (Payable to)/ Receivable
	$000s	$000s	$000s	$000s	$000s	$000s
University of Waikato (commenced)	337	0	92	0	(96)	0
Telarc SAI Limited	66	16	4	0	0	1
Haines NZ Limited	44	74	0	0	0	0
Testing Laboratories Registration Council	11	10	0	0	0	0
NZ Institute of Chartered Accountants (commenced)	4	0	0	0	0	0
Mighty River Power Limited (commenced)	0	0	19	0	0	0
Dairy NZ Inc. Limited (commenced)	0	0	130	0	115	0
Meridian Energy (ceased)	0	194	0	181	0	0

The ultimate shareholder of the Company is the Crown. The Company undertakes many transactions with other CRIs, government departments and Crown agencies. These transactions are carried out on a commercial and arm's length basis. During the year the following transactions occurred:

	2010	2009	2010	2009	2010	2009
	Services received from	Services received from	Services provided to	Services provided to	Amounts (Payable to)/ Receivable	Amounts (Payable to)/ Receivable
	$000s	$000s	$000s	$000s	$000s	$000s
Crown entities, SOEs and government departments	5,222	4,824	45,400	42,684	2,933	(304)
Inland Revenue Department	13,206	11,840	0	0	(1,468)	(1,508)

24 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after balance date.

25 FINANCIAL INSTRUMENT RISKS

The Group has a series of policies to manage the risks associated with financial instruments. The Group is risk averse and seeks to minimise exposure from its treasury activities. Treasury and cash management policies approved by the Board do not allow any transactions that are speculative in nature to be entered into.

Market risk

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group is not exposed to price risk as it does not hold financial assets held at fair value through other comprehensive income.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group operates internationally and is exposed to foreign exchange risk arising from various contract exposures, primarily with respect to the US dollar, Australian dollar, Euro dollar and UK pound. Currency risk arises when future commercial transactions, recognised assets and recognised liabilities are denominated in a currency that is not the entity's functional currency.

At 30 June 2010, if the US dollar had weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, deficit after tax for the year would have been $28,000 (2009: $34,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US-dollar-denominated trade payables and receivables.

At 30 June 2010, if the Australian dollar had weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, deficit after tax for the year would have been $24,000 (2009: $23,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Australian-dollar-denominated trade payables and receivables.

At 30 June 2010, if the Euro dollar had weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, deficit after tax for the year would have been $3,000 (2009: $4,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-dollar-denominated trade payables and receivables.

At 30 June 2010, if the UK pound had weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, deficit after tax for the year would have been $2,000 (2009: $5,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of UK-pound-denominated trade payables and receivables.

The Group foreign exchange management policy is to cover the risk on any foreign currency transactions greater than $100,000.

Interest rate risk

The interest rates on the Group's borrowings are disclosed in note 15.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowing issued at fixed rates expose the Group to fair value interest rate risk.

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk.

If interest rates on borrowings at 30 June 2010 had fluctuated by plus or minus 0.5%, the effect would have been to decrease/increase the deficit after tax by $14,000 (2009: $14,000) as a result of higher/lower interest expense on floating rate borrowings.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Landcare Research, causing Landcare Research to incur a loss. Landcare Research has a significant concentration of credit risk with the Foundation for Research, Science and Technology and Ministry of Research, Science and Technology; however, the risk is mitigated as both these entities are also Government owned.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

25 FINANCIAL INSTRUMENT RISKS CONTINUED

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses the Parent and Group's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

2009	Carrying amount $000s	Contractual cash flows $000s	Less than 1 year $000s	1 – 2 years $000s	2 – 5 years $000s	More than 5 years $000s
Group						
Bank overdraft	134	134	134	0	0	0
Creditors & other payables	5,727	5,727	5,727	0	0	0
Secured loans	4,000	4,433	161	161	4,111	0
Finance leases	26	33	11	22	0	0
Total	**9,887**	**10,327**	**6,033**	**183**	**4,111**	**0**
Parent						
Bank overdraft	134	134	134	0	0	0
Creditors & other payables	5,524	5,524	5,524	0	0	0
Secured loans	4,000	4,433	161	161	4,111	0
Finance leases	0	0	0	0	0	0
Total	**9,658**	**10,091**	**5,819**	**161**	**4,111**	**0**

2010	Carrying amount $000s	Contractual cash flows $000s	Less than 1 year $000s	1 – 2 years $000s	2 – 5 years $000s	More than 5 years $000s
Group						
Creditors & other payables	6,388	6,388	6,388	0	0	0
Secured loans	4,000	4,326	193	4,133	0	0
Finance leases	136	164	60	104	0	0
Total	**10,524**	**10,878**	**6,641**	**4,237**	**0**	**0**
Parent						
Creditors & other payables	6,167	6,167	6,167	0	0	0
Secured loans	4,000	4,326	193	4,133	0	0
Finance leases	119	142	49	93	0	0
Total	**10,286**	**10,635**	**6,409**	**4,226**	**0**	**0**

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

26 TAXATION

	Consolidated		Parent	
	2010 Actual $000s	2009 Actual $000s	2010 Actual $000s	2009 Actual $000s
Components of tax expense				
Current tax	604	474	738	408
Adjustments to current tax in prior years	14	(76)	18	(71)
Deferred tax expense	3,715	136	3,472	152
Income tax expense	**4,333**	**534**	**4,228**	**489**

26 TAXATION CONTINUED

	Consolidated		Parent	
	2010	2009	2010	2009
	Actual	Actual	Actual	Actual
	$000s	$000s	$000s	$000s
Relationship between tax expense and accounting profit				
Surplus/(deficit) before tax	2,307	1,973	2,905	1,827
Tax at 30%	691	592	871	548
Non-deductible expenditure	40	19	37	16
Non-taxable income	(62)	0	(62)	0
Prior-year adjustment	0	(77)	3	(73)
Group loss offset	0	0	0	(2)
Income tax expense	669	534	849	489
Impact of 0% building depreciation	3,664	0	3,379	0
Total income tax expense	**4,333**	**534**	**4,228**	**489**

Deferred tax assets/(liabilities)	Property, plant and equipment $000s	Employee entitlements $000s	Other provisions $000s	Total $000s
Parent				
Balance at 1 July 2008	(889)	919	57	87
Charged to surplus/(deficit)	(176)	13	10	(153)
Charged to other comprehensive income	0	0	0	0
Balance at 1 July 2009	(1,065)	932	67	(66)
Charged to surplus/(deficit)	(3,434)	(60)	22	(3,472)
Charged to other comprehensive income	0	0	0	0
Balance at 30 June 2010	**(4,499)**	**872**	**89**	**(3,538)**
Group				
Balance at 1 July 2008	(889)	949	90	150
Charged to surplus/(deficit)	(176)	20	20	(136)
Charged to other comprehensive income	0	0	0	0
Balance at 1 July 2009	(1,065)	969	110	14
Charged to surplus/(deficit)	(3,719)	(41)	45	(3,715)
Charged to other comprehensive income	0	0	0	0
Balance at 30 June 2010	**(4,784)**	**928**	**155**	**(3,701)**

The corporate tax rate has been reduced from 30% to 28% with effect from the 2011/12 year.
The financial effect of the change in tax rate on deferred taxation has been included in the financial statements for the year ended 30 June 2010.

	2010	2009
	Actual	Actual
	$000s	$000s
Imputation credit account (Subsidiary–Sirtrack Limited only)		
Opening balance at 1 July	619	639
Taxation paid/(refund)	48	(20)
Attached to dividends	0	0
Closing balance at 30 June	**667**	**619**

27 EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Statement of comprehensive income

The 0% depreciation on buildings announced in the Government's Budget 2010 has increased tax expense by $3,664k; this impact was not budgeted.

Statement of financial position

Cash and cash equivalents exceed budget by $3.2m due to a higher than budgeted opening cash position.

The 0% depreciation on buildings announced in the Government's Budget 2010 has increased deferred tax liability by $3,664k; this impact was not budgeted.

Statement of responsibility

In terms of Section 155 of the Crown Entities Act 2004, we hereby certify that:

1 We have been responsible for the preparation of these financial statements and the judgements used therein.

2 We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

3 We are of the opinion that the financial statements of Landcare Research New Zealand Limited and the Group fairly reflect the financial position and operations for the year ended 30 June 2010.

JA Brosnahan

JA Brosnahan
Chair
24 August 2010

PM Schuyt

PM Schuyt
Director
24 August 2010

AUDIT REPORT
To the readers of Landcare Research New Zealand Limited
and group's financial statements
for the year ended 30 June 2010

The Auditor-General is the auditor of Landcare Research Limited (the company) and group. The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company and group, on her behalf, for the year ended 30 June 2010.

Unqualified opinion

In our opinion:

- The financial statements of the company and group on pages 19 to 44:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the company and group's financial position as at 30 June 2010; and
    - the results of their operations and cash flows for the year ended on that date.
- Based on our examination the company and group kept proper accounting records.

The audit was completed on 24 August 2010, and this is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

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

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

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

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

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the company and group as at 30 June 2010 and the results of their operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Crown Research Institutes Act 1992 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Research Institutes Act 1992.

Independence

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

In addition to the audit, we completed an assurance engagement reporting on the profit calculation pursuant to the staff profit share scheme. This engagement is compatible with those independence requirements.

Other than the audit and this engagement, we have no relationship with or interests in the company or any of its subsidiaries.

Julian Tan

Julian Tan
Audit NewZealand
On behalf of the Auditor-General
Christchurch, New Zealand

DIRECTORY

DIRECTORS

Jo A Brosnahan (Chair)
Graeme S Boyd
W Grant Guilford (From 1 July 2010)
Alastair R Lawrence (Deputy) (Retired 30 June 2010)
Hon. M John F Luxton
Robin Pratt
Peter M Schuyt (From 1 Sept 2009)
Tania J Simpson
Victoria A Taylor (From 1 Sept 2009)

SENIOR MANAGEMENT TEAM

Dr Warren J Parker: Chief Executive Officer
Carol R Bellette: Chief Financial Officer
Katrina F Direen: General Manager People & Performance
Mike S Lee: General Manager Business
Dr David P Choquenot: General Manager Biological Systems
Dr Richard FS Gordon: General Manager Environment & Society

CORPORATE (REGISTERED) OFFICE

Canterbury Agriculture & Science Centre
Gerald Street
PO Box 40
Lincoln 7640
New Zealand

Phone +64 3 321 9999
Fax +64 3 321 9998

Website www.landcareresearch.co.nz
Email <surname><initial>@landcareresearch.co.nz

BANKERS: The National Bank of New Zealand
AUDITORS: Audit New Zealand on behalf of the Auditor-General
SOLICITORS: Buddle Findlay

WHERE YOU CAN FIND US:

ALEXANDRA
43 Dunstan Road
PO Box 282
Alexandra 9340

Ph: (03) 440 2930
Fax: (03) 440 2931

AUCKLAND
231 Morrin Road, St Johns
Private Bag 92170
Auckland 1142

Ph: (09) 574 4100
Fax: (09) 574 4101

DUNEDIN
764 Cumberland Street
Private Bag 1930
Dunedin 9054

Ph: (03) 470 7200
Fax: (03) 470 7201

GISBORNE
ZG FM Building, Grey Street
PO Box 445
Gisborne 4040

Ph: (06) 863 1345
Fax: (06) 863 1346

HAMILTON
Gate 10
Silverdale Road
Private Bag 3127
Hamilton 3240

Ph: (07) 859 3700
Fax: (07) 859 3701

HAVELOCK NORTH (SIRTRACK)
Goddard Lane
Private Bag 1403
Havelock North 4157

Ph: (06) 877 7736
Fax: (06) 877 5422

LINCOLN
Gerald Street
PO Box 40
Lincoln 7640

Ph: (03) 321 9999
Fax: (03) 321 9998

NELSON
First Floor, 24 Nile Street
Private Bag 6
Nelson 7042

Ph: (03) 545 7700
Fax: (03) 545 7701

PALMERSTON NORTH
Riddet Road, Massey
University Campus
Private Bag 11052
Palmerston North 4442

Ph: (06) 353 4800
Fax: (06) 353 4801

WELLINGTON
6th Floor, Equinox House
Wellington 6143
111 The Terrace
PO Box 10345

Ph: (04) 382 6649
Fax: (04) 913 9977

Landcare Research
Manaaki Whenua

Annual Report Part Two 2010