

CONSOLIDATED

FINANCIAL STATEMENTS & OTHER STATUTORY REQUIREMENTS



Landcare Research New Zealand Limited
(Manaaki Whenua)
Annual Report 2009

ISSN (print) 1172-7942
ISSN (web) 1177-9969

Consolidated financial accounts
ISSN (print) 1172-9996
ISSN (web) 1173-0277

ANNUAL REPORT 2009

This year's report is presented in two parts. Part 2 should be read in conjunction with Part 1, 'The economy & the environment'. Detailed information about our research, operational activities and impacts, and governance is available on our website.

www.landcareresearch.co.nz



INTRODUCTION _____	3
CORPORATE SOCIAL RESPONSIBILITY _____	4
SUMMARY TABLE OF FINANCIAL PERFORMANCE _____	5
SUMMARY TABLES OF NON-FINANCIAL PERFORMANCE _____	5
THE CAPABILITY FUND _____	12
DIRECTORS' REPORT _____	14
AUDITED FINANCIAL STATEMENTS _____	18
NOTES TO THE FINANCIAL STATEMENTS _____	21
STATEMENT OF RESPONSIBILITY _____	41
AUDIT REPORT _____	42
DIRECTORY _____	43

CONTENTS

360 PAPERS
PUBLISHED

NATIONAL & INTERNATIONAL
ADVISORY GROUPS:

60 STAFF 109 POSITIONS

Commissioned reports
for science
customers: **177**

COLLABORATIVE RESEARCH PROJECTS WITH
END-USERS: 185

\$60.45m REVENUE
RECOGNISED

VISION: INNOVATIVE SCIENCE FOR A
SUSTAINABLE FUTURE

Introduction

We have again printed our annual report in two parts – together they fulfil our annual reporting responsibilities under the Crown Research Institutes Act 1992.

Part 2 (this document) presents our audited financial statements, which are of interest to only a limited number of stakeholders, particularly as the move to International Financial Reporting Standards (IFRS) in the 2007/08 year doubled the length of our financial reporting. Similarly, we believe the manner in which we report Capability Fund investments, as specified by the Ministry for Research, Science and Technology (MoRST) and the Crown Company Monitoring Advisory Unit (CCMAU), is of interest to only a few stakeholders. Because of this, and our desire to reduce our environmental impacts, we have again chosen to print a limited edition of Part 2 as all this information is readily available on our website.

Part 1 of the Annual Report (entitled 'The economy and the environment') gives a summary of our science, business and operational performance during the year, and includes summary financial information. This part is more widely

distributed among stakeholders, including staff. It is also available on our website, where it is supported by considerably more information.

In October 2008, we launched an extensive new sustainability section on our website. Through these web pages, we report comprehensively on our economic, environmental, good employer and community performance. We are able to make considerable connections between our own sustainability performance and our research, which in turn is all about sustainability. We use the Global Reporting Initiative (GRI) framework to guide our reporting, and last year achieved the A-application level, checked and confirmed by the GRI. A section called 'Voices for sustainability' includes invited perspective pieces, including one from Allen White of the Tellus Institute in Boston, Massachusetts. We are also continuing to highlight the Māori voice in sustainable resource management and that of other indigenous peoples.

We recommend that our printed Annual Report is read in conjunction with information on our website.

STRUCTURE OF OUR SUSTAINABILITY WEB PAGES

Voices for sustainability

- External perspective comment
- Role of Māori in sustainable development

Our sustainability aims

- Statement from the Chief Executive
- Business & Science strategy
- Stakeholder engagement
- Our commitment to external sustainability initiatives

Our progress

- Our approach to reporting
 - GRI application
- Our economic performance
 - Revenue & expenditure
 - Supply chain
- Our climate change impacts
- Our environmental impacts
 - ISO 14001
 - Materials use & recycling
 - Energy
 - Travel
 - Emissions & offsets
 - Water & wastewater
 - Solid waste
 - Biodiversity
 - Compliance
- Our people
 - Knowledge management
 - Good employer
 - Social responsibility to staff
 - Compliance
- Our community links

Science for sustainability

- Our 'science for sustainability' outcomes
- Backbone research
- Capability development
- Collaboration
 - Networks that extend science capability
 - Partnerships that add value or enhance delivery of science & business services
- Impact & integrity of our research
- Environmental technologies & services

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. In this context, 'social' encompasses the full range of stakeholders, local communities including indigenous peoples, the environment, and economic considerations beyond financial statements. CSR is about being responsible 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 and our reporting continue to evolve.

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. We use the Global Reporting Initiative framework to guide our reporting, and on our website we report in detail against the G3 guidelines plus additional indicators that are material to our Landcare Research activities.

Our sustainability policy is reviewed annually and was updated in April this year – it is on our public website. This overarching policy plus our guiding philosophy encapsulate our approach to CSR. On our intranet 'staffroom', we have a 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.

COMMITMENT TO EXTERNAL INITIATIVES

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

We are:

- A founding member of the New Zealand Business Council for Sustainable Development (NZBCSD)
- A member of the Sustainable Business Network (SBN)
- A registered Stakeholder Organisation with the Global Reporting Initiative (GRI)
- A member of the EEO Trust
- A supporter of the Mainstream programme, which provides opportunities for people with disabilities, and we received another award from Mainstream in August 2008
- A participant in the Accident Compensation Commission's programme for Workplace Safety Management Practices (we have tertiary accreditation, the highest level)
- A supporter of the PSA's Partnerships for Quality approach
- ISO 14001 certified for our environmental management systems and practices

Summary table of financial performance

I. SUMMARY TABLE OF FINANCIAL PERFORMANCE INDICATORS

	2007 ¹	2008 ²	2009 ³		2010 ⁴
	Achieved	Achieved	Target	Achieved	Target
Revenue, \$m	52.76	56.07	55.10	60.25	62.26
Net revenue, \$m	46.43	49.52	52.70	53.13	55.07
EBIT, \$m	1.70	1.43	0.8	2.36	2.28
EBIT margin	3.2%	2.5%	1.5%	3.9%	3.7%
Total assets, \$m	42.28	44.58	45.41	48.35	45.98
Return on equity	3.4%	2.5%	1.2%	5.3%	6.4%
Equity ratio	56%	60%	59%	58%	62%
Gearing	19%	13%	13%	13%	6%
Interest cover	4.6	3.4	2.2	7.2	9.7

¹ Prepared under previous generally accepted accounting practice.

² Prepared under NZ IFRS from 2008 onwards.

³ 2009 target excludes FRST subcontracts.

⁴ 2010 target, gearing is calculated based on net debt and return on equity excludes extraordinary restructuring costs. Target as per 2009/10 Statement of Corporate intent (SCI), updated since 2008/09 SCI.

Revenue: Includes science research, contract work for the 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, \$207k for 2009.

EBIT margin: 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 Company Monitoring and Advisory Unit (CCMAU). The performance measures set out in summary on these pages have been developed in consultation with CCMAU, with performance targets published in our Statement of Corporate Intent.

Approach to external verification

This year, we focused on obtaining external verification of our carbon-neutrality claims. As independent auditors to the carbonZero^{Cent} programme, Telarc audited Landcare

Research across three years and Sirtrack for the last two years, and confirmed our carbon-neutral status. Additionally, as required by our IS14001 status, Telarc have audited our environmental management systems from which we manage and report our environmental indicators.

For the rest 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)	2007 Actual	2008 Actual	2009 Target	2009 Actual	2010 ¹ Target
Commissioned reports on research issues & results	145	200	150	177	160
Contracted reports to clients of the Enviro-Mark [®] NZ & carboNZero programmes	-	>229 ²	NT	42 ²	NT
Presentations about our work (Total)	300	538	330	487	380
- Conference presentations		192		232	
- Science presentations to stakeholders & community groups		279		205	
- Presentations from Enviro-Mark & carboNZero programmes		67		50	
Publications on technical information & research results	250	165	255	181	260
Peer-reviewed scientific papers published	320	270	300	360	305
Keynote & plenary presentations	12	18	12	34	12

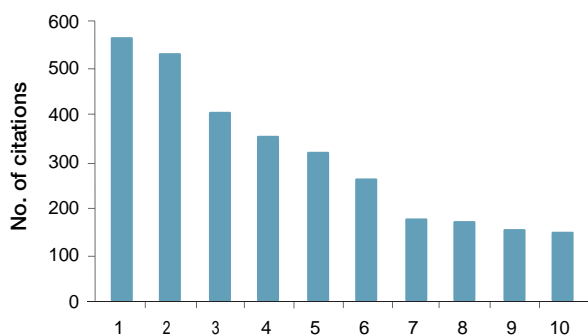
¹ Target as per 2009/10 Statement of Corporate intent (SCI), updated since 2008/09 SCI.

- Data not collected.

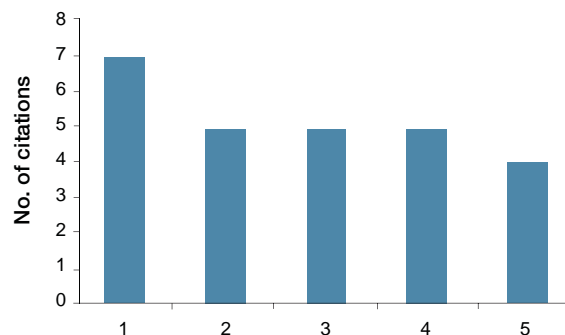
² 2007/08 includes audit reports; 2008/09 excludes audit reports.

While published papers are read by professional peers and add to the general body of knowledge, most papers are never cited as having had an impact on other research publications. Landcare Research publications have professional impact as shown by the following citations of our top publications.

Citations for the ten most cited papers produced by Landcare Research staff in 1999–2009



Citations for the five most cited papers produced by Landcare Research staff in 2008/09



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:

- 42 staff (including research associates) hold 65 positions in professional societies (11 Fellows)
- 60 staff hold 109 positions on national and international advisory boards, technical groups and review panels (41 of these staff were invited by key stakeholders onto 67 advisory groups)
- 47 of our senior scientists (including research associates) hold 89 positions on the editorial boards of scientific journals
- 12 staff hold 22 directorships or board memberships
- 24 staff were invited to give keynote or plenary addresses at significant national and international conferences, with costs fully or partly covered
- 14 postdoctoral researchers were hosted, 6 of whom commenced during the year
- 24 staff were recognised with 26 awards from professional peers

IV. ENVIRONMENTAL TECHNOLOGIES & SERVICES

Commercialisation investment projects included the carboNZero^{Cert™} programme, Enviro-Mark[®]NZ, pest management technologies, international pest management consultancy, EcoGene[™], and other environmental technologies that are in the pipeline.

Research application (excludes Sirtrack)	2007 Actual	2008 Actual	2009 Target	2009 Actual	2010 Target
New or improved products, processes & services	47	81 ¹	50	73 ¹	50
Patents granted					
– In NZ	1	0	1	1	2
– Overseas	1	0	1	0	1
Licensing arrangements entered into	1	2	3	3	3
Joint ventures or formal associations	4	0	2	0	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:

- 10 technologies at the prototype stage, 1 of which has patent protection
- 12 technologies in developmental stages
- 6 technologies undergoing commercial testing; 2 have patent protection

V. SOCIAL AND 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.

Social & community responsibility (excludes Sirtrack)	2007 Actual	2008 Actual	2009 Target	2009 Actual	2010 Target
Activities	-	-	75	51 ¹	90

¹ 51 events but some activities involve several staff, e.g. about 20 staff participated in the Lincoln Bioblitz. Excludes media coverage.

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 265 visitors in 2008/09 and identified >900 plants.

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. Our Human Resources Manager was presented with a special merit award at the Mainstream Awards ceremony in recognition and appreciation of his ongoing commitment to the Mainstream Programme.

VI. 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. We were pleased to receive inaugural backbone funding of \$1.8m dedicated to the databases and collections that we manage. They are used extensively to underpin New Zealand's biosecurity, biodiversity, export/import trade, and land management. We are committed to increasing the value of these national assets for both public and private benefit.

Requests for datasets & specimens	2007 Actual	2008 Actual	2009 Target	2009 Actual	2010 Target
Total (excluding database page views)	>10,860	>12,300	>10,000	>20,700	>12,000
Land Resource Information Systems (NZLRI, NSD) ¹	13 datasets	21 datasets	-	12 datasets	-
<i>Visits to the GIS and Soils portals</i>	-	-	-	15,700	-
National Vegetation Survey Databank: datasets supplied ^{1,2}	851	1605	-	1768	-
NZ Arthropod Collection (includes NZ National Nematode Collection): specimens loaned or supplied ²	≈5500	c. 5000	-	15,000 ^{3,4}	-
International Collection of Microorganisms from plants: cultures supplied ²	≈1169	522	-	740	-
NZ Fungal Herbarium (PDD): specimens loaned or supplied	>3300	155 ²	-	282 ²	-
<i>Associated database (ICMP and PDD): number of page views</i>	>362,800	360,000	-	>256,600	-
Allan Herbarium: specimens loaned or supplied ²	>1686	4988	-	2903 ^{2,5}	-
<i>Associated databases: number of page views</i>	>204,000	6194 ⁶ June 2008 only	-	>191,400	-
<i>Ngā Tipu Whakaoranga Ethnobotany Database: number of page views</i>	>19,000	15,418	-	>17,400	-
NZ Flax and living plant collections: collections supplied	28	27	-	29	-

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 Approximately 10,000 pinned specimens, 1,500 slide-mounted specimens, and about 35,000 ethanol-preserved specimens in 6,000 vials. The number of specimens in each vial varies between 1 and more than 50 depending on size of organisms.

⁴ Fully searchable PDFs of 45 volumes, published between 1982 and 2005, 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 6,000 specimens on loan to other herbaria.

⁶ Data unavailable for early part of year.

Significant new publications

A Flora of the Liverworts and Hornworts of New Zealand Vol 1 was published during the year, co-authored with the Field Museum in Chicago. Detailed notes are provided on distribution and habitat, and discussions under the family and genus descriptions place the New Zealand flora in the context of the world liverwort and hornwort flora. There is increasing interest in these plants – both for the keystone

role that they play in ecosystems and for their potential pharmacological properties.

One of our Research Associates co-edited the *Handbook of Clay Science – Developments in Clay Science: Volume 1*, which includes contributions from 66 authors from 18 countries. It is the most comprehensive modern handbook

on clay science, and provides up-to-date concepts, properties and reactivity of clays and clay minerals, and covers classical and new environmental, industrial and health applications of clays, as well as the instrumental techniques for clay mineral analysis.

A team led by one of our soil scientists produced a new edition of the *Land Use Capability Survey Handbook*. The previous edition, printed 1971 and reprinted in 1974, became difficult to source, lacked objective methodologies and user-friendly guides, and became more and more out-of-date. The new 2009 edition showcases our expertise

in soils and landscape interpretation. The up-to-date land management information and tools, and the increasing need for the primary sector to demonstrate good environmental management, are driving a renaissance in land use capability (LUC) assessments, particularly at the farm scale.

This year, in response to public interest, Manaaki Whenua Press prepared and published *Plants that Poison* in conjunction with the National Poisons Centre. In the first 3 months, 1055 copies were sold.

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)	2007 Actual	2008 Actual	2009 Target	2009 Actual	2010 Target
Invited technical expertise – total comprising:	>85	229	>150	311	>150
<i>Staff invited to participate in stakeholder meetings or workshops in New Zealand & overseas</i>	>50	191 ¹	NT	251 ¹	NT
<i>Landcare Research staff invited on to national advisory panels, groups & boards</i>	>35	38 ³	NT	41 ²	NT
Partnership initiatives – total comprising:	>250	365	>180	390	>200
<i>MOUs</i>	10	16	NT	12	NT
<i>Collaborative proposals and projects (excl. collaboration with other providers) ³</i>	>120 ¹	141 ¹	NT	185 ⁴	NT
<i>Partnerships with Māori groups ⁵</i>	13	17	3	-	-
<i>New R&D proposals for Māori groups ⁵</i>	-	-	-	4	7
<i>Client staff on Landcare Research advisory groups</i>	>20	86 ⁶	NT	87 ⁶	NT
<i>Staff secondments – to other agencies – from other agencies</i>	3	3 1	NT NT	4 1	NT NT
<i>Royal Society Teacher Fellowships</i>	2	2	NT	1	NT
<i>Other agency staff co-located with our staff</i>	76	85	NT	101	NT
<i>Our staff co-located with other agencies</i>	12	14	NT	7	NT
Revenue from public- & private-sector client groups (excl FRST, MoRST, universities & other CRIs)	\$12.9m	\$15.1m	NT	\$18.8m	NT

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 67 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 35 EnviroLink projects with regional, district and city councils this year. Excludes 68 with other researchers, 44 with overseas individuals or organisations, and 74 with New Zealand universities.

⁵ Indicator was changed in the 2008/09 SCI.

⁶ Includes OBIs, LIUDD National Task Force, other research programmes.

NT = No target set

VIII. LINKS WITH UNIVERSITIES

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

Links with universities (excludes Sirtrack)	2007 Actual	2008 Actual	2009 Target	2009 Actual	2010 Target
NZ university staff in our research programmes	31	54	NT	51 ¹	NT
Our staff in university programmes	12	12	NT	25 ²	NT
Postgraduates being supervised by our staff	124	94	NT	98 ³	NT
Staff paid to lecture in university programmes	8	9	NT	12 ⁴	NT
Honorary university positions	51	44	NT	38 ⁵	NT
Māori scholarships/stipends	-	-	1	1	2

¹ 51 staff from 8 universities in 28 of our programmes.

² 25 staff in 23 programmes at 6 universities.

³ 74 PhD and 24 MSc.

⁴ 12 staff delivered 13 sets of lectures; another 5 staff delivered 7 lectures (gratis).

⁵ 29 staff hold 38 positions.

IX. GOOD EMPLOYER

This information complements that presented in Part 1 of our Annual Report 'The economy and the environment'.

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

Human resources (Excludes Sirtrack except where stated)	2006 Actual	2007 Actual	2008 Actual	2009 Target	2009 Actual	2010 Target
Total staff (FTEs) in Landcare Research	367	370	394	408	383	461
– in science teams ¹	275	273	288	295	269	298
– with postgrad quals (HC)	190	192	225	NT	246 ⁴	NT
– in science support ²	40	43	46	50	45	50
– in general support ³	53	54	60	63	69	<70
Sirtrack staff	28	32	44	42	38	43
Women (% of science team staff)	35%	-	34%	>40%	31.2%	>40%
Women recruited (% of science team staff)	57%	-	40%	NT	42.9%	NT
Māori science staff (HC)	-	-	-	8	8	9
Lost-time injuries	11	8.3	7	NT	6	NT
Days lost per time accident	19.5	8.6	2.2	<5	1.5	<4
Staff turnover ⁵	13.8 %	15.5%	10%	8–10%	12.6% ⁵	8–10%
Turnover of key senior scientists ⁶	6.5%	6%	0	5%	6%	<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, 25 science support and 11 general support staff also have postgraduate qualifications.

⁵ Turnover across all staff; 2008/09: science teams = 12.5%, science support = 13%, general support = 13%.

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

NT = No target FTE = Full time equivalent HC = Head count

X. ENVIRONMENTAL PERFORMANCE

This information complements that presented in Part 1 of our Annual Report 'The economy and the environment'. We report comprehensively on our environmental performance (including Sirtrack) in our sustainability web pages.

Environmental Impacts (2009 Includes Sirtrack except where stated)	2006 Actual	2007 Actual	2008 Actual	2009 Target	2009 Actual	2010 Target
Motor vehicle travel (km/FTE)	2143	2010	1690	NT	1526	NT
Domestic air travel (km/FTE)	5400	5738	5289	<5050	4662	<4500
International air travel (km/FTE)	13,800	10,000	8594	<10,000	9393	<10,000
Total energy (KWh/FTE) ¹	9405 (9422)	9191 (9220)	8992 (9019)	<8117	9238 ^{2,3}	<9000
Imputed CO ₂ (tonnes) from our activities	(1763)	(1432)	2389 ⁴ (1729)	<2389 ⁴ (1670)	3366 ⁴	<2300 -
CO ₂ offsets (tonnes)	1625	1600	2390 ⁴	NT	3366 ⁵	<2300
Avoidable waste to landfill (kg/FTE)	-	16.55	4.15	3.64	3.12	2.8
Native birds killed through by-catch ⁶	9	0	6	<25	2 ^{7,8}	<20

¹ Includes electricity, reticulated gas and coal.

² Total energy use increased by 3.3% overall (2.7% per FTE) from 07/08. Target to reduce ratio of non-renewable to renewable energy was achieved.

- 61% of all energy purchased was renewable energy from Meridian (47% in 2007/08; 46% in 2006/07).

- 77% of all electricity purchased was renewable energy from Meridian (60% in 2007/08; 61% in 2006/07).

- Electricity consumption increased by 2.9% overall (2.3% increase per FTE) from 2007/08.

- Gas usage decreased by 14.9% overall (15.4% reduction per FTE).

- Coal usage increased by 16% overall (15.4% increase per FTE).

³ Previous years' calculations used FTEs for June; we have now recalculated average energy use based on FTE figures averaged across the entire year. Numbers in brackets are data reported in previous annual reports, and are provided as comparative information.

⁴ The sharp increase in imputed emissions is due predominantly to use of new emission factors for air travel adopted by the carboNZero^{Cert}™ programme to align to international standards. On 1 July 2007, the emission factor increased from 1 (based on carbon dioxide 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 CO₂ emissions calculated using the old emissions factor, in brackets for prior year comparisons only. Data includes Sirtrack. The sharp increase for 2008/09 includes 924t CO₂-e from a refrigerant leak at our Auckland site.

⁵ Includes 328 tonnes offset by our carboNZero-certified electricity provider, and 2955 wind farm credits purchased through the carboNZero programme plus 83 credit over-purchase from the previous year.

⁶ Data reported per calendar year, as required by the Ministry of Agriculture and Forests (MAF).

⁷ There were 19 studies involving routine trapping of pests with 5675 target pests caught. 27 native animals were also caught accidentally – 2 robins were found dead in traps targeting rodents, and the remaining 25 lizards and birds were released unharmed.

⁸ Excludes Sirtrack (not relevant).

We contracted Telarc SAI to conduct an audit of our processes for measuring greenhouse gas emissions from our operational activities. Their report noted:

'A very pleasing feature of this verification audit was the organisation's strong focus on sustainability and improvement relating to its environmental effects. The organisation has operated a certified ISO 14001 environmental management system for at least 10 years. Hence considerable historical evidence of its environmental performance and improvement is available. The metrics and targets for this system are detailed in a sustainability action plan, which combines both greenhouse gas emission and ISO 14001 environmental metrics and targets. Progress against these metrics is reported in detail to the Landcare Research Senior Management Team (SMT) on a monthly basis and via the SMT to the Board.'

The Capability Fund: maintaining and developing our science

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

Capability Fund proposals are submitted by Landcare Research staff for consideration by a subset of our leadership group. This year four criteria were used to assess and approve Capability Fund projects: science excellence and originality, strategic fit and target impact/benefit, risk and achievability, and future funding pathway.

Landcare Research planned to allocate its 2008/09 Capability Fund investment in four key areas:

- 1) Existing capabilities** (target: 10–20% of fund): to maintain and enhance existing capability, particularly when other funding shortfalls occur, enabling affected teams to develop new revenue streams.

- 2) New, emerging and over-the-horizon opportunities** (target: 65–75% of fund): to move existing staff into new areas, anticipate future issues and opportunities, and recruit new skills.
- 3) Environmental technologies** (target: 5–7.5% of fund): to fund proof-of-concept studies as a key part of product pipeline development before consideration for commercialisation.
- 4) Fellowships/training/visiting experts** (target: 7.5–10% of fund): to fund PhD and Masters scholarships, staff training, Manaaki Whenua and Manaaki Tangata Travel Fellowships, Hayward Senior Fellowship and Hayward Postdoctoral Fellowship.

The above targets were determined by Landcare Research Senior Management and approved by the Board.

2008/09 Capability Fund investment

Key area	Amount (\$000)	Actual (%)	Target (%)
Existing capabilities	551.9	11	10–20
New and emerging opportunities	3,827.1	75	65–75
Environmental technologies	35.0	1	5–7.5
Fellowships & training	655.5	13	7.5–10
Total	5,114.5		

The amount invested in existing capabilities is lower than last year's 21%, partly because of the advent of Backbone Funding. The new and emerging opportunities area continues to be the most important because it enables the organisation to scope new technology and develop new skills that will lead to success. The environmental technologies category was underutilised because projects in the other areas appeared better investments. The fellowship area has enabled capacity building of 12 researchers, links with overseas institutions, and post-graduate training to develop new specialist skills.

CAPABILITY FUND PROJECT EXAMPLES

1) Existing capabilities

Modelling spatial and temporal sediment fluxes generated by channel incision, Waipaoa catchment

This research combined knowledge of landscape function with state-of-the-art modelling to provide new insights into how climate, tectonic and vegetation drivers have shaped the Waipaoa catchment over the past 15,000 years. By reconstructing the catchment terrace surfaces we were able to calculate sediment generation and movement to the ocean over that period. This work is of international significance, particularly because of science community concern that climate change could lead to additional sediment

overloading of ocean shelves, causing submarine landslides that could result in tsunamis.

2) New, emerging and over-the-horizon opportunities

Semantic Web technologies

The next generation of online computing technologies, the semantic web, will deliver new ways of associating related information across the web and provide richer content-based search and navigation systems. This project was to develop capability in semantic web technologies to begin a broader integration of our Nationally Significant Databases with other usually unrelated datasets. The development of this expertise led to MoRST supporting our work, together with collaborators, to create semantic computing solutions to address a lack of standards for land cover and land use classifications. These standards will ultimately make the information more accessible and useful.

Unlocking the black box of soil microbial function through integrative research across a gradient of vegetation change

This project is essentially about integrating multiple ways of understanding ecosystems – bringing together experts in ecosystem processes, global change processes, and soil and

landscape responses – to achieve a unified understanding of ecosystem function. We now have a cross-team platform of scientists with leading expertise in grassland-to-bush transitions, and in particular on trade-offs between major ecosystem services (carbon sequestration, biodiversity, nutrient cycling) during different types of woody successions. Using 30 plots in Canterbury, initial conclusions were drawn about the amounts of carbon being sequestered in the soil, and in the trees and shrubs.

Developing optimised responses to global change mitigation and adaptation

Understanding land use responses to global climate and designing effective mitigation policy requires a comprehensive understanding of the environmental and economic issues. We are developing a model, based on the Manawatu catchment, that considers the consequences of a range of land-use-response options. In the second year of this project we finalised the inputs for the major land uses in the catchment: sheep/beef, dairy and forestry. Additional funding has been secured enabling us to extend the capability of the Manawatu model to other environmental issues and replicate it in a catchment in Canterbury, as well as building a better understanding of farmer responses to environmental policy and climate change mitigation options.

Ecosystem consequences of Crown land reform

Sheep and cattle are being removed from large tracts of high country Crown Pastoral Lease land through Tenure Review. But little is known about the likely consequences for biodiversity – particularly woody native and weed vegetation, and pest animal impacts – as well as carbon storage. We have been studying mānuka and matagouri growth rates at grazed and ungrazed high country sites throughout the South Island. The work has led to a successful FRST contract 'Invasive mammal impacts', and our improved understanding of the ecological consequences of retiring pastoral land is likely to be valuable to key customers such as DOC and regional councils.

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

About one-quarter of all above-ground biomass in a forest is dead wood. 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 15 most abundant indigenous woody species using a combination of marked individual trees in permanent plots and known discrete disturbance events, such as earthquakes and windthrows. We are now assembling the most comprehensive New Zealand dataset on wood decay. It will underpin future work with DOC on carbon sequestration and pest animal control, and will support MfE's carbon accounting.

'Ignore me at your peril – emerging pest plants of the 21st century'

Many of New Zealand's next weeds already exist here but have yet to become problematic. This project was to get a better understanding of how naturalised weeds spread. The work, which included collaboration with other New Zealand and Australian weed experts, focused on detailed genetic and reproductive research into recently established weed species, particularly *Banksia* and *Acacia* species. The findings will help Biosecurity New Zealand and regional councils to manage emerging weeds more effectively. The work has already led to FRST support that will enable the expansion of our emerging weeds research capability.

Biodiversity offsets

Heightened awareness of the environmental impacts of organisations' activities has led to growing interest in a framework for determining biodiversity offsets whereby the residual unavoidable negative environmental impacts are compensated by restoration activities off-site. The aim is to have no net loss of biodiversity while enabling some developments to proceed. We developed and applied a biodiversity offset approach, contributed to a national industry workshop on the relevance of offsets in New Zealand under existing RMA legislation, and published research on why suitable offsets are challenging to achieve in practice.

3) Environmental technologies

Aerosol delivery device for pest management

With our ongoing research into new control methods for possums, such as fertility control and species-selective toxins, we have been simultaneously addressing another key challenge: how to effectively deliver the control agents. For the past two years we have been developing an aerosol delivery device that could spray the control agent into the nasal cavity of a possum. Our research in the past year has led to several key mechanical improvements to the design. We will continue to refine the prototype device to ensure we have a robust 'proof of concept' before considering options for commercialising the product.

4) Fellowships and training

Carbon dynamics in diverse warm temperate rain forests

Through a Hayward Senior Fellowship, Scottish scientist Dr David Burslem spent a six-month sabbatical supporting our research into Northland rain forests. Our project team's study of seedling growth provided new insights into the effects of topography, soil nutrients and light on the regeneration of dominant canopy tree species in Northland. The information will be useful to forest managers, DOC and Northland iwi, and will help optimise the carbon storage potential for the forests. Our staff benefited from collaborating with Dr Burslem, who also provided valuable input into some other research programmes.

Directors' report



Jo Brosnahan (Chair) Anne Urlwin (Deputy) Graeme Boyd Alastair Lawrence Robin Pratt William Te Aho Jill White

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 2009. The disclosures relate to Landcare Research New Zealand Limited and its subsidiaries (the 'Group').

Core purpose of Landcare Research

To undertake research and development to protect and enhance New Zealand land environments and enable their sustainable use in economic development.

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 five 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.

Change of Government

Since the new Government came into office, the Chair and Chief Executive have actively engaged with the new Ministers to better understand Government priorities and expectations in order that these can be reflected in the governance of Landcare Research. The Board looks forward to establishing a good working relationship with the Minister for Research, Science and Technology.

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 an 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 2008/09

Operating results

Group revenue for the year increased to \$60.454 million from \$56.224 million in the previous year.

The Group net surplus before taxation expense increased to \$1.973 million from \$1.122 million in 2007/08; and the consolidated net surplus after tax attributable to parent company shareholders was \$1,439,000 compared with \$632,000 in 2007/08.

	Appointed	Term expires	Board Meetings attended (10)	Audit Committee Meetings attended (2)	Remuneration 2008/09	Remuneration 2007/08
Graeme S Boyd	01-07-05	30-06-11	9	1	\$22,026	\$23,000
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	\$28,333	\$23,000
Robin Pratt	01-07-08	30-06-11	10	2	\$22,026	0
William S Te Aho	30-05-03	30-06-09	9	2	\$22,026	\$23,000
Anne J Urlwin	02-07-01	30-06-09	8 (Deputy)	2 (Chair)	\$27,776	\$28,750
J Jill White	14-07-03	30-10-08	4 of 4	0 of 1	\$7,342	\$23,000

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 2009:

Graeme S Boyd *MSc, MInstD*

Boyd Insight Ltd, Managing Director
Community Growth Ltd, Director
Export BOP, Executive Committee
PAPINZ, Director
Priority One, Director
Sirtrack Ltd, Director

Jo A Brosnahan *QSO, MAHons, FCILT, FNZIM, MInstD*

Asia NZ Foundation, Trustee
Centre for Brain Research Advisory Board, Member
Chartered Institute of Logistics and Transport International, International Vice President
Hobsonville Land Company, Board Member
Housing NZ Corporation, Board Member
Jo Brosnahan Leadership, Principal
Leadership NZ, Executive Chair
New Zealand Quality Foundation Ltd, Board Member
Personal Footprint Ltd, Director
Testing Laboratories Registration Council, Board Member
Telarc SAI Ltd, Subsidiary of Testing Laboratories Registration Council

Alastair R Lawrence *BCA*

Antipodes Capital Ltd, Director
Antipodes Consult Ltd, Director
Antipodes Properties Ltd, Director
Endeavour Entertainment, Shareholder
Haines NZ Ltd, Shareholder
JAB Hellaby Trust, Trustee

Robin Pratt *Phd, MB, ChB, FRCPA, MBA, MInstD*

Artisanz Export Ltd, Director
EnviroSave Ltd, Director
Feronia Ltd, Managing Director
NZ Labs Ltd, Adviser
Testing Laboratory Registration Council, Chair
Telarc SAI Ltd, Subsidiary of Testing Laboratories Registration Council
The Van Diemen's Land Company, Director

William S Te Aho *BA, LLB, MBA*

Indigenous Corporate Solutions Ltd, Managing Director
Kapa Haka International Ltd, Managing Director
Pohara Developments Ltd, Managing Director
Tarawera Developments Ltd, Director
Tawaroa Farm Management Ltd, Director
Whakarewarewa Village Charitable Trust, Chair
Whakarewarewa Thermal Village Tours Ltd, Managing Director

Anne J Urlwin *BCom, CA, ACIS, FNZIM, FInstD*

Invest South Ltd, Director
Lakes Environmental Ltd, Director
Meridian Energy Ltd, Director
Naylor Love Construction Ltd, Director
Naylor Love Enterprises Ltd, Director
Naylor Love Ltd, Director
New Zealand Blood Service, Chair
New Zealand Cricket Inc., Board Member
New Zealand Domain Name Registry Ltd, Chair
Urlwin Associates Ltd, Director

J Jill White *MNZM, MA, BSc*

(resigned 30 October 2008)

Age Concern Foundation (Manawatu) Trust, Trustee
Horizons Regional Council, Councillor
Lottery Manawatu-Wanganui Community Committee, Chair
Manawatu-Wanganui Regional Disaster Relief Fund Trust, Chair
Palmerston North Methodist Social Services Steering Committee, Member
Sanitary Works Technical Advisory Committee, Chair

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

Dean W Joiner *BE*

ES John Tan *BScHons, BCom, CA, ACIS* (resigned 28 November 2008)

Phil Cowan *BScHons, PhD* (resigned 30 June 2009)

Graeme S Boyd *MSc, MInstD*

Ralph A Marshall *BCom, FNZICA, MInstD*

Landcare Research International Limited

Warren J Parker *BAGScHons, MAgScHons, PhD, MInstD*

Carol R Bellette *BCom, CA, MBA(Dist.), 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 \$21,000 during the year (\$11,000 in 2007/08).

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 2008/09 totalled \$101,000 (\$125,000 in 2007/08) for audit work, plus \$1,000 for other services (\$nil in 2007/08).

Employee remuneration

Total cost to the Group	Number of employees			Number of employees	
	2008/09	2007/08		2008/09	2007/08
\$360,000 – \$369,999	1(*)	-	\$170,000 – \$179,999	1	-
\$330,000 – \$339,999	-	1(*)	\$160,000 – \$169,999	1	2
\$230,000 – \$239,999	1	-	\$150,000 – \$159,999	1	1
\$220,000 – \$229,999	2	-	\$140,000 – \$149,999	1	-
\$210,000 – \$219,999	-	1	\$130,000 – \$139,999	9	6
\$200,000 – \$209,999	1	-	\$120,000 – \$129,999	5	6
\$190,000 – \$199,999	-	1	\$110,000 – \$119,999	9	8
\$180,000 – \$189,999	-	2	\$100,000 – \$109,999	12	11

(*) CEO of Landcare Research New Zealand Limited

This table includes redundancy and termination payments to nil employees in 2008/09 (2007/08: one). Compensation paid or payable to five persons in 2008/09 (2007/08: three) who ceased to be employees during the year totalled \$128,000 in 2008/09 (2007/08: \$110,000).

Signed, for and on behalf of the Board

JA Brosnahan

JA Brosnahan

Chair

25 August 2009

AR Lawrence

AR Lawrence

Director

25 August 2009

Audited financial statements

Statement of financial performance

for the year ended 30 June 2009

	Note	Consolidated			Parent		
		2009	2009	2008	2009	2009	2008
		Actual	Budget	Actual	Actual	Budget	Actual
		\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Revenue	2.	60,454	62,419	56,224	55,093	56,950	51,577
Finance costs	3.	326	367	422	323	365	422
Operating expenses	3.	58,155	61,597	54,680	52,943	56,193	50,151
Profit before tax expense		1,973	455	1,122	1,827	392	1,004
Income tax expense	26.	534	137	490	489	118	344
Profit for the period		1,439	318	632	1,338	274	660
Profit attributable to:							
Parent company		1,439	318	632	1,338	274	660
		1,439	318	632	1,338	274	660

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2009

	Consolidated			Parent			
	2009	2009	2008	2009	2009	2008	
	Actual	Budget	Actual	Actual	Budget	Actual	
		\$000s	\$000s	\$000s	\$000s	\$000s	
Balance at 1 July		26,638	26,595	23,623	25,325	25,384	22,413
Surplus/(deficit) for the year		1,439	318	632	1,338	274	660
Total recognised income/(expense) for the year ended 30 June		1,439	318	632	1,338	274	660
Issue of shares		0	0	2,500	0	0	2,500
Dividends paid		(117)	(117)	(117)	(117)	(117)	(117)
Amalgamation of subsidiary		(12)	0	0	0	0	(131)
Balance at 30 June		27,948	26,796	26,638	26,546	25,541	25,325

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2009

	Note	Consolidated			Parent		
		2009	2009	2008	2009	2009	2008
		Actual	Budget	Actual	Actual	Budget	Actual
		\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
ASSETS							
Current assets							
Cash and cash equivalents	4.	5,855	82	2,055	5,516	68	1,747
Trade and other receivables	5.	7,646	8,715	8,344	7,795	8,730	7,616
Inventories	6.	1,305	1,120	922	89	120	80
Finance lease receivable	7.	67	0	62	67	0	62
Derivative financial instruments	8.	43	0	6	7	0	6
Total current assets		14,916	9,917	11,389	13,474	8,918	9,511
Non-current assets							
Trade and other receivables	5.	0	0	0	0	0	200
Property, plant and equipment	9.	31,270	33,634	31,144	29,109	31,321	28,997
Patents and intellectual property	10.	105	55	102	105	55	79
Intangible assets	11.	995	687	681	956	687	646
Investments	12.	0	0	0	1,521	1,521	1,521
Deferred tax asset	26.	14	698	150	0	647	87
Finance lease receivable	7.	1,046	422	1,114	1,046	422	1,114
Total non-current assets		33,430	35,496	33,191	32,737	34,653	32,644
Total assets		48,346	45,413	44,580	46,211	43,571	42,155
LIABILITIES							
Current liabilities							
Trade and other payables	13.	5,727	5,532	5,691	5,524	5,315	5,496
Provisions		46	0	50	0	0	0
Employee benefit liabilities	14.	4,503	4,684	3,930	4,176	4,544	3,681
Bank overdraft	15.	134	0	325	134	0	0
Borrowings	15.	0	100	0	0	100	0
Finance lease	16.	9	0	10	0	0	0
Revenue in advance	17.	4,869	3,700	3,198	4,732	3,470	2,903
Tax payable		459	0	103	408	0	138
Total current liabilities		15,747	14,016	13,307	14,974	13,429	12,218
Non-current liabilities							
Employee benefit liabilities	14.	634	601	622	625	601	612
Borrowings	15.	4,000	4,000	4,000	4,000	4,000	4,000
Finance lease	16.	17	0	13	0	0	0
Deferred tax liability	26.	0	0	0	66	0	0
Total non-current liabilities		4,651	4,601	4,635	4,691	4,601	4,612
Total liabilities		20,398	18,617	17,942	19,665	18,030	16,830
NET ASSETS		27,948	26,796	26,638	26,546	25,541	25,325
EQUITY							
Ordinary shares	18.	10,515	10,515	10,515	10,515	10,515	10,515
Retained earnings	18.	17,433	16,281	16,123	16,031	15,026	14,810
Total equity		27,948	26,796	26,638	26,546	25,541	25,325

The accompanying notes form part of these financial statements.

JA Brosnahan

AR Lawrence

JA Brosnahan
Chair

AR Lawrence
Director

25 August 2009

Statement of cashflows

for the year ended 30 June 2009

	Note	Consolidated			Parent		
		2009	2009	2008	2009	2009	2008
		Actual	Budget	Actual	Actual	Budget	Actual
		\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Cashflows from operating activities							
Receipts from customers		62,614	54,783	54,443	56,738	48,833	50,064
Interest received		164	123	107	195	200	196
Payments to suppliers and employees		(53,544)	(49,858)	(49,766)	(48,307)	(44,577)	(45,689)
Interest paid		(338)	(365)	(422)	(336)	(365)	(422)
Tax refund/(paid)		(40)	(14)	(92)	(61)	5	(119)
Net cash generated from operating activities	20.	8,856	4,669	4,270	8,229	4,096	4,030
Cashflows from investing activities							
Purchase of property, plant and equipment		(3,947)	(5,873)	(4,478)	(3,707)	(5,518)	(3,093)
Purchase of intangible asset		(804)	0	(390)	(770)	0	(305)
Acquisition of shares in subsidiary		0	0	0	0	0	(1,300)
Net cash used in investing activities		(4,751)	(5,873)	(4,868)	(4,477)	(5,518)	(4,698)
Cashflows from financing activities							
Proceeds from borrowings		3	100	0	0	100	0
Repayment of borrowings		0	0	(1,649)	0	0	(1,646)
Issue of shares		0	0	2,500	0	0	2,500
Dividends paid		(117)	(117)	(117)	(117)	(117)	(117)
Net cash generated from financing activities		(114)	(17)	734	(117)	(17)	737
Net increase/(decrease) in cash		3,991	(1,221)	136	3,635	(1,439)	69
Cash, cash equivalents and bank overdrafts at beginning of the year		1,730	1,303	1,594	1,747	1,507	1,678
Cash, cash equivalents and bank overdrafts at end of the year	4.	5,721	82	1,730	5,382	68	1,747

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2009

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 subsidiaries, Sirtrack Limited (100% owned), Landcare Research International Limited (100% owned) and Landcare Research US Limited (100% owned). Fertility Control Limited was amalgamated with the Parent company on 1 July 2007 to become part of Landcare Research New Zealand Limited. Landcare Research New Zealand Limited, Landcare Research International 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 undertake research and development to protect and enhance New Zealand land environments and enable their sustainable use in economic development. The Office of the Auditor General has confirmed the Group's status as a profit oriented entity.

These audited financial statements of the Group are for the year ended 30 June 2009 and were authorised by the Board of Landcare Research New Zealand Limited on 25 August 2009.

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). The financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, 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 statement of financial performance.

Standards and interpretation issued and not yet adopted

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS 3 Business combinations	1 July 2009	30 June 2010
NZ IFRS 8 Operating segments	1 January 2009	30 June 2010
NZ IAS 1 Presentation of financial statements	1 January 2009	30 June 2010
NZ IAS 23 Borrowing costs	1 January 2009	30 June 2010
NZ IAS 27 Consolidated and separate financial statements	1 July 2009	30 June 2010

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 Landcare Research 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 statement of financial performance.

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 are recognised as an expense in the period in which they are incurred.

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 are charged or credited to the statement of financial performance, except when these relate to items charged or credited directly to equity, in which case the tax is dealt with in equity. The corporate tax rate has been reduced from 33% to 30% with effect from the 2008/09 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 2008.

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 financial performance 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 FIFO method.

The write-down from cost to net realisable value is recognised in the statement of financial performance.

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 equity. 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 profit or loss, in which case the transaction costs are recognised in the statement of financial performance.

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 profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss 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 statement of financial performance. 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 statement of financial performance. 'Trade and other receivables' are classified as loans and receivables in the statement of financial position.

Financial assets at fair value through equity

Financial assets at fair value through equity are those that are designated as fair value through equity 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 equity except for impairment losses, which are recognised in the statement of financial performance. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the statement of financial performance even though the asset has not been derecognised. On derecognition, the cumulative gain or loss previously recognised in equity is recognised in the statement of financial performance.

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 statement of financial performance.

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 statement of financial performance.

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 statement of financial performance.

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, owned 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.

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 statement of financial performance.

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%	4–12%
Plant and equipment	5–20%	12–60%
IT equipment	25%	26–48%
Motor vehicles	25%	31%
Furniture and fittings	10%	9–30%
Office equipment	20%	18–40%
Finance lease assets		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 statement of financial performance. 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 statement of financial performance.

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 statement of financial performance.

Superannuation schemes

- *Defined contribution schemes:* obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the statement of financial performance 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; and
- The present value of the estimated future cash flows. Discount rates of 3.79% to 8.64% and an inflation factor of 2.75% were used. The discount rate is based on the risk-free rates as calculated from the yields on the New Zealand Government Bonds. The inflation factor is based on the expected long-term increase in remuneration of employees.

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 2009:

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 Company 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 Company 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.

2 REVENUE	Consolidated		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
Revenue from operations consisted of the following items:				
FRST/MoRST	30,566	30,513	30,566	30,513
New Zealand non-FRST/MoRST	23,634	19,850	23,087	19,438
International non-FRST/MoRST	6,011	5,705	1,200	1,381
Interest revenue:				
Bank deposits	104	41	98	29
Finance leases	103	109	103	109
Subsidiaries	0	0	38	101
	207	150	239	239
Gain/(loss) on foreign currency contracts fair value	36	6	1	6
Total revenue	60,454	56,224	55,093	51,577

3 PROFIT BEFORE INCOME TAX	Consolidated		Parent	
	2009	2008	2009	2008
	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	326	422	323	422
Employee remuneration	30,100	28,538	27,838	26,584
Superannuation contributions	1,071	924	1,071	924
Employee entitlements increase/(decrease)	583	262	507	151
Net bad and doubtful debts	13	5	13	5
Donations	21	11	2	2
Auditors' remuneration				
Audit New Zealand – audit services	101	125	80	94
Audit New Zealand – other services	1	0	1	0
Directors' fees	228	213	176	167
Depreciation and amortisation of non-current assets	3,908	3,743	3,695	3,579
Operating lease rental	865	799	865	799
Cost of sales	2,211	1,934	466	288
Movement in inventory	(831)	9	9	80

	Consolidated		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
4 CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	381	1,133	42	825
Short-term deposits maturing three months or less from date of acquisition	5,474	922	5,474	922
Total cash and cash equivalents	5,855	2,055	5,516	1,747

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:

Cash at bank and in hand	381	1,133	42	825
Short-term deposits maturing three months or less from date of acquisition	5,474	922	5,474	922
Bank overdraft	(134)	(325)	(134)	0
	5,721	1,730	5,382	1,747

	Consolidated		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
5 TRADE AND OTHER RECEIVABLES				
Trade debtors	6,957	6,844	6,448	6,038
Accrued income and sundry debtors	50	726	50	718
Receivables from subsidiaries (note 23)	0	0	500	119
Prepayments	652	774	610	741
Loans to related parties (note 23)	0	0	200	200
	7,659	8,344	7,808	7,816
Less provision for impairment of receivables	(13)	0	(13)	0
Total trade and other receivables	7,646	8,344	7,795	7,816
Less non-current portion:				
Loans to related parties (note 23)	0	0	0	200
Total non-current portion	0	0	0	200
Total current portion of trade & other receivables	7,646	8,344	7,795	7,616

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 2009, 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:

As at 1 July 2008	0	19	0	19
Additional provisions made during the year	13	5	13	5
Receivables written off during the period	0	(24)	0	(24)
As at 30 June 2009	13	0	13	0

Age of trade debtors

Current	6,150	5,878	5,705	5,307
Outstanding	807	966	743	731
Total trade debtors	6,957	6,844	6,448	6,038

6 INVENTORIES	Consolidated		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
Raw materials (at cost)	1,081	709	0	0
Work in progress (at cost)	135	133	0	0
Finished goods (at net realisable value)	89	80	89	80
Total inventories	1,305	922	89	80

7 ANALYSIS OF FINANCE LEASE RECEIVABLE	Consolidated		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$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	1,072	1,238	1,072	1,238
Total minimum lease payments	1,897	2,063	1,897	2,063
Future finance charges	(784)	(887)	(784)	(887)
Total present value of minimum lease payments	1,113	1,176	1,113	1,176

Present value of minimum lease payments are receivable	Consolidated		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
Not later than one year	67	62	67	62
Later than one year and not later than five years	339	310	339	310
Later than five years	707	804	707	804
Total	1,113	1,176	1,113	1,176
Current	67	62	67	62
Non-current	1,046	1,114	1,046	1,114
Total	1,113	1,176	1,113	1,176

Finance lease receivable relates to a prior-period adjustment reclassifying the animal house facility as a finance lease as 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 ten years to 2026 at a rent of \$1.00 per annum.

8 DERIVATIVE FINANCIAL INSTRUMENTS	Consolidated		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
Current asset portion				
Foreign currency forward contracts	43	6	7	6
Total derivative financial instruments	43	6	7	6

9 PROPERTY, PLANT AND EQUIPMENT

2008	Parent					Subsidiary					Group
	Land	Buildings	Plant & equipment	Library assets	Total	Land	Buildings	Plant & equipment	Finance lease	Total	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Cost at 1 July 2007	519	19,398	28,917	3,031	51,865	467	656	429	37	1,589	53,454
Accumulated depreciation	0	(5,386)	(15,667)	(1,825)	(22,878)	0	(56)	(210)	(15)	(281)	(23,159)
Net book value at the beginning of the year	519	14,012	13,250	1,206	28,987	467	600	219	22	1,308	30,295
Year ended 30 June 2008											
Net book value at the beginning of the year	519	14,012	13,250	1,206	28,987	467	600	219	22	1,308	30,295
Additions	0	443	2,313	479	3,235	10	630	293	6	939	4,174
Disposals	0	0	(726)	0	(726)	0	0	0	0	0	(726)
Accumulated depreciation on disposals	0	0	726	0	726	0	0	0	0	0	726
Current year depreciation	0	(447)	(2,340)	(438)	(3,225)	0	(22)	(67)	(11)	(100)	(3,325)
Net book value at the end of the year	519	14,008	13,223	1,247	28,997	477	1,208	445	17	2,147	31,144
At 30 June 2008											
Cost	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 end of the year	519	14,008	13,223	1,247	28,997	477	1,208	445	17	2,147	31,144

2009	Parent					Subsidiary					Group
	Land	Buildings	Plant & equipment	Library assets	Total	Land	Buildings	Plant & equipment	Finance lease	Total	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$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

Library assets, national databases and reference collections

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 attaching to them restricting an Institute's ability to deal with them.

The national databases and reference collections which transferred to Landcare Research New Zealand Limited are listed in Appendix II to the company's Statement of Corporate Intent.

For the purposes of these financial statements the assets are recorded at their nil transfer value, as Wareham Cameron & Co. (professional valuers) confirmed in 2008 that they considered there was no reliable basis for a valuation to be undertaken of these assets.

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

As at 1 July 2007

	Consolidated Actual \$000s	Parent Actual \$000s
Cost	150	48
Accumulated amortisation and impairment	(48)	(6)
Net book amount	102	42

Year ended 30 June 2008

Opening net book amount	102	42
Additions	39	39
Amortisation charge	(39)	(2)
Closing net book amount	102	79

As at 30 June 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 30 June 2009

Cost	220	118
Accumulated amortisation and impairment	(115)	(13)
Net book amount	105	105

11 INTANGIBLE ASSETS

As at 1 July 2007

	Consolidated Actual \$000s	Parent Actual \$000s
Cost	1,932	1,816
Accumulated amortisation and impairment	(1,245)	(1,165)
Net book amount	687	651

Year ended 30 June 2008

Opening net book amount	687	651
Additions	351	328
Disposals	(91)	(91)
Amortisation on disposals	91	91
Amortisation charge	(357)	(333)
Closing net book amount	681	646

As at 30 June 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 30 June 2009

Cost	2,909	2,736
Accumulated amortisation and impairment	(1,914)	(1,780)
Net book amount	995	956

12 INVESTMENTS IN SUBSIDIARIES	Consolidated		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$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, Landcare Research International 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.

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		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
Trade payables	3,262	3,874	3,085	3,677
Amounts due to related parties	0	0	71	71
GST & PAYE	1,113	732	1,102	723
Sundry creditors and accruals	1,352	1,085	1,266	1,025
Total trade and other payables	5,727	5,691	5,524	5,496

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

14 EMPLOYEE BENEFIT LIABILITIES	Consolidated		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
Accrued pay	438	307	395	284
Annual leave	2,183	2,239	2,061	2,143
Long service leave	1,065	1,076	1,056	1,062
Retirement leave	96	123	96	123
Time in lieu	139	106	139	106
Sick leave	61	63	59	60
Bonus provision	1,013	638	853	515
Restructuring provision	142	0	142	0
Total employee benefit liabilities	5,137	4,552	4,801	4,293
Comprising:				
Current	4,503	3,930	4,176	3,681
Non-current	634	622	625	612
Total	5,137	4,552	4,801	4,293

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 2009. 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 3.79–8.64% 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

Current

	Consolidated		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
Bank overdraft	134	325	134	0
	134	325	134	0

Non-current

Borrowings	4,000	4,000	4,000	4,000
	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 4.02% as at 30 June 2009.

Maturity analysis and effective interest rates

	Overdraft	Borrowings	Overdraft	Borrowings
2008				
Less than one year	325	0	0	0
Later than one year	0	4,000	0	4,000
Greater than five years	0	0	0	0

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

Interest rates

June 2008	9.10%	8.71%	0.00%	8.71%
June 2009	9.70%	7.20%	9.70%	7.20%

16 ANALYSIS OF FINANCE LEASE LIABILITIES

Total minimum lease payments are payable

	Consolidated		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
Not later than one year	11	11	0	0
Later than one year and not later than five years	22	15	0	0
Later than five years	0	0	0	0
Total minimum lease payments	33	26	0	0
Future finance charges	(7)	(3)		
Present value of minimum lease payments	26	23	0	0

Present value of minimum lease payments are payable

Not later than one year	9	10	0	0
Later than one year and not later than five years	17	13	0	0
Later than five years	0	0	0	0
Total	26	23	0	0
Current	9	10	0	0
Non-current	17	13	0	0
Total	26	23	0	0

17 REVENUE IN ADVANCE	Consolidated		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
FRST public good science funding	2,504	970	2,504	970
MoRST capability funding	528	257	528	257
Commercial contracts	1,837	1,971	1,700	1,676
	4,869	3,198	4,732	2,903

The carrying value of revenue in advance approximates fair value.

18 EQUITY	Consolidated		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
Retained earnings				
As at 1 July 2008	16,123	15,608	14,810	14,398
Dividends paid	(117)	(117)	(117)	(117)
Transfer of minority interest	(12)	0	0	(131)
Surplus/(deficit) for the year	1,439	632	1,338	660
As at 30 June 2009	17,433	16,123	16,031	14,810
Share capital				
As at 1 July 2008	10,515	8,015	10,515	8,015
Proceeds from shares issued	0	2,500	0	2,500
As at 30 June 2009	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.

On 25 June 2008 Landcare Research Limited issued 2,500,000 shares to the Minister of Finance and the Minister of Research, Science and Technology. The fair value of these shares was \$2,500,000 fully paid up and equally ranked with the other shares on issue.

Dividends of \$0.0111 (June 2008 full year: \$0.0146) per share were paid during the year ended 30 June 2009.

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	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
Surplus/(deficit) after tax	1,439	632	1,338	660
<i>Add/(less) non-cash items:</i>				
Depreciation and amortisation	3,908	3,743	3,695	3,579
Non-current employee entitlements	12	108	13	109
Deferred tax	136	293	152	302
<i>Add/(less) items classified as investing or financing activities:</i>				
Movement in finance lease receivable	62	56	62	56
<i>Add/(less) movements in working capital items:</i>				
Inventory	(384)	97	(9)	28
Trade and other receivables	697	(1,266)	21	(817)
Trade and other payables	779	827	634	533
Employee benefit liabilities	571	154	494	43
Derivative financial instruments	(36)	0	(1)	0
Revenue in advance	1,672	(374)	1,830	(463)
Net cash inflow/(outflow) from operating activities	8,856	4,270	8,229	4,030

21 CAPITAL COMMITMENTS AND OPERATING LEASES	Consolidated		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
Capital commitments				
Estimated capital expenditure contracted for at balance date but not paid or provided for	192	461	168	400
Operating lease commitments				
Lease commitments under non-cancellable operating leases:				
Within one year	510	490	510	490
Later than one year and not later than two years	268	318	268	318
Later than two years and not later than five years	517	223	517	223
Later than five years	2,199	2,128	2,199	2,128

22 CONTINGENCIES

The Group is not aware of any significant contingent assets or liabilities as at balance date (2008:nil).

23 RELATED PARTY TRANSACTIONS

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

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

	Parent	
	2009	2008
	Actual	Actual
	\$000s	\$000s
The following transactions were carried out with related parties:		
<i>Sirtrack Limited</i>		
Interest received	38	101
Services provided to Sirtrack	34	34
Products and services provided by Sirtrack	174	74
Loan outstanding	200	200
Intercompany current account receivable	497	119
<i>Landcare Research International Limited</i>		
Intercompany current account receivable	2	0
<i>Landcare Research US Limited</i>		
Intercompany current account receivable/(payable)	(71)	(71)

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

	Consolidated		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
Key management personnel compensation				
Salaries and other short-term employee benefits	2,222	1,915	1,466	1,407
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.

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.

	Services received from \$000s	Services provided to \$000s	Amounts (Payable to)/Receivable \$000s
Jo Brosnahan Leadership	49	0	(1)
Antipodes Consult Limited	31	0	0
Urlwin Associates	29	0	0
Boyd Insight Limited	22	0	0
Feronia Limited	22	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.

	Services received from \$000s	Services provided to \$000s	Amounts (Payable to)/Receivable \$000s
Meridian Energy	194	181	0
Haines NZ Limited	74	0	0
Telarc SAI Limited	16	0	1
Testing Laboratories Registration Council	10	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:

	Services received from \$000s	Services provided to \$000s	Amounts (Payable to)/Receivable \$000s
Crown entities, SOEs and government departments	4,824	42,684	(304)

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 equity.

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 2009, if the US dollar had weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, post-tax profit for the year would have been \$34,000 (2008: \$30,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US-dollar-denominated trade payables and receivables.

At 30 June 2009, if the Australian dollar had weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, post-tax profit for the year would have been \$23,000 (2008: \$17,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Australian-dollar-denominated trade payables and receivables.

At 30 June 2009, if the Euro dollar had weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, post-tax profit for the year would have been \$4,000 (2008: \$9,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-dollar-denominated trade payables and receivables.

At 30 June 2009, if the UK pound had weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, post-tax profit for the year would have been \$5,000 (2008: \$6,000) 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.

Cashflow interest rate risk is the risk that the cashflows 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 2009 had fluctuated by plus or minus 0.5%, the effect would have been to decrease/increase the surplus after tax by \$14,000 (2008: \$23,000) 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.

The maturity profile of the Group's borrowings are disclosed in note 15.

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.

	Consolidated		Parent	
	2009	2008	2009	2008
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
26 TAXATION				
Components of tax expense				
Current tax	474	350	408	291
Adjustments to current tax in prior years	(76)	(154)	(71)	(249)
Deferred tax expense	136	294	152	302
Income tax expense	534	490	489	344
Relationship between tax expense and accounting profit				
Surplus/(deficit) before tax	1,973	1,122	1,827	1,004
Tax at 30%	592	370	548	331
Non-deductible expenditure	19	22	16	22
Non-taxable income	0	103	0	102
Prior-year adjustment	(77)	(5)	(73)	(18)
Group loss offset	0	0	(2)	(93)
Tax expense	534	490	489	344

26 TAXATION CONTINUED

Deferred tax assets/(liabilities)	Property, plant and equipment	Employee entitlements	Other provisions	Tax losses	Total
Parent					
Balance at 1 July 2007	(800)	1,090	99	0	389
Charged to profit and loss	(89)	(171)	(42)	0	(302)
Charged to equity	0	0	0	0	0
Balance at 1 July 2008	(889)	919	57	0	87
Charged to profit and loss	(176)	13	10	0	(153)
Charged to equity	0	0	0	0	0
Balance at 1 July 2009	(1,065)	932	67	0	(66)
Group					
Balance at 1 July 2007	(800)	1,121	122	0	443
Charged to profit and loss	(89)	(172)	(32)	0	(293)
Charged to equity	0	0	0	0	0
Balance at 1 July 2008	(889)	949	90	0	150
Charged to profit and loss	(176)	20	20	0	(136)
Charged to equity	0	0	0	0	0
Balance at 1 July 2009	(1,065)	969	110	0	14

	Consolidated	
	2009	2008
	Actual	Actual
Imputation credit account (Subsidiary–Sirtrack Limited only)	\$000s	\$000s
Opening balance at 1 July	639	656
Taxation paid/(refund)	(20)	(17)
Closing balance at 30 June	619	639

27 EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Statement of financial performance

No significant variances from budget occurred for the year ended 30 June 2009.

Statement of financial position

No significant variances from budget occurred for the year ended 30 June 2009.

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 2009.

JA Brosnahan

JA Brosnahan
Chair
25 August 2009

AR Lawrence

AR Lawrence
Director
25 August 2009

AUDIT REPORT
To the readers of Landcare Research New Zealand Limited
and group's financial statements
for the year ended 30 June 2009

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 for the year ended 30 June 2009.

Unqualified opinion

In our opinion:

- The financial statements of the company and group on pages 18 to 40:
 - 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 2009; 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 25 August 2009, and is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

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

Audit procedures generally include:

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

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

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

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements 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 2009 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 Institute of Chartered Accountants of New Zealand.

In addition to the audit we have provided a report on the profit calculation pursuant to the staff profit share scheme. This assignment is compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the company or any of its subsidiaries.

Julian Tan

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

DIRECTORY

DIRECTORS

Jo A Brosnahan (Chair)
Graeme S Boyd
Alastair R Lawrence
M John F Luxton (From 1 July 2009)
Robin Pratt
Peter M Schuyt (From 1 Sept 2009)
Tania J Simpson (From 1 July 2009)
Victoria Taylor (From 1 Sept 2009)
William S Te Aho (Retired 30 June 2009)
Anne J Urlwin (Deputy) (Retired 30 June 2009)
J Jill White (Retired 30 Oct 2008)

SENIOR MANAGEMENT TEAM

Dr Warren Parker: Chief Executive Officer
Carol Bellette: Chief Financial Officer
Mike Lee: General Manager Business
Dr David Choquenot: General Manager Biological Systems
Dr Richard Gordon: General Manager Environment & Society

WHERE YOU CAN FIND US:

ALEXANDRA

43 Dunstan Rd
PO Box 282
Alexandra 9340

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

HAMILTON

Gate 10
Silverdale Rd
Private Bag 3127
Hamilton 3240

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

PALMERSTON NORTH

Riddet Rd, Massey
University Campus
Private Bag 11052
Palmerston North 4442

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

AUCKLAND

231 Morrin Rd, St Johns
Private Bag 92170
Auckland 1142

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

HAVELOCK NORTH (SIRTRACK)

Goddard Lane
Private Bag 1403
Havelock North 4157

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

WELLINGTON

6th Floor
Equinox House
111 The Terrace
Wellington

Ph: (04) 382 6649
Fax: (04) 913 9997

DUNEDIN

764 Cumberland St
Private Bag 1930
Dunedin 9054

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

LINCOLN

Gerald Street
PO Box 40
Lincoln 7640

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

GISBORNE

ZG FM Building, Grey St
PO Box 445
Gisborne 4040

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

NELSON

First Floor
24 Nile Street
Nelson 7042

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

CORPORATE (REGISTERED) OFFICE

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

Phone +64 3 321 9999
Fax +64 3 321 9997

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

SECTORS WE'VE WORKED IN:
GOVERNMENT/LOCAL GOVERNMENT
WATER/EXPORTS/CLIMATE CHANGE
PRIMARY/ENERGY/CONSERVATION
PRODUCTION/*community*/ **MINING**
ENVIRONMENTAL CERTIFICATIONS/MAPPING
URBAN DEVELOPMENT/FORESTRY/LAND USE
remote sensing/carbon-footprinting
DEFENCE/ELECTRONICS/UNIVERSITIES/TOURISM

COMMONLY USED ACRONYMS

ACC	Accident Compensation Corporation
AHB	Animal Health Board
BNZ	Biosecurity New Zealand
CCMAU	Crown Company Monitoring Advisory Unit
CRI	Crown Research Institute
DOC	Department of Conservation
ECAN	Environment Canterbury
ERMA	Environmental Risk Management Authority
FAR	Foundation for Arable Research
FRST	Foundation for Research, Science & Technology
GRI	Global Reporting Initiative
HELP	Hydrology for the Environment, Life and Policy
IRAP	Integrated Research for Aquifer Protection
IUCN	International Union for Conservation of Nature
MFAT	Ministry of Foreign Affairs and Trade
MAF	Ministry of Agriculture and Forestry
MED	Ministry of Economic Development
MFE	Ministry for the Environment
MoRST	Ministry for Research, Science and Technology
NZIER	New Zealand Institute of Economic Research
TPK	Te Puni Kokiri



THIS REPORT IS PRINTED BY AN FSC CERTIFIED SUPPLIER ON 9 LIVES RECYCLED PAPER MADE FROM 45% VIRGIN FIBRE, 25% PRE-CONSUMER & 30% POST-CONSUMER WASTE IN A TOTALLY CHLORINE FREE PROCESS (TCF). SOURCED FROM AN ISO 14001 & EMAS CERTIFIED MILL THAT USES WASTE WOOD & WOOD SOURCED FROM WELL MANAGED FORESTS (WMF). FSC (FOREST STEWARDSHIP COUNCIL)

09

ANNUAL REPORT

PART TWO

