Consolidated Financial Statements

and other statutory responsibilities - 2008

Landcare Research
Manaaki Whenua

This year we have printed our Annual Report in two parts. This second part *(Consolidated financial accounts)* covers information required by our Government owners. Because the move to International Financial Reporting Standards (IFRS) has doubled the length of our financial accounts, we printed a minimal quantity of this section. The full set of audited accounts is also available as a PDF on our website.

The first part of our printed report *(A climate for change)* is a summary of our performance. It is available as a PDF on our website. The summary is complemented by an extensive new sustainability section of our website.

www.landcareresearch.co.nz
Annual Report 2008 - Landcare Research New Zealand Limited (Manaaki Whenua)

A climate for change
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Contents

Introduction

This year, we have opted to print our annual report in two parts, largely because the move to International Financial Reporting Standards (IFRS) has doubled the length of our audited financial accounts. The detail of these accounts is of interest to a limited number of our stakeholders. Hence, in the interests of minimising paper use, energy and other resources associated with printing, we have printed a minimal quantity of this report covering financial performance but have made the full set of audited accounts available on our website.

While the audited financial accounts are presented here in full, the rest of our reporting in these printed documents should be considered summary information for the year; together they constitute our annual reporting responsibilities. The majority of our revenue is attached to public good research, and under the Crown Research Institutes Act 1992 we are accountable to the two Government Shareholding Ministers. While operating with due regard for stakeholders and maintaining financial viability, we:

1. Conduct science and technology, increasing knowledge and creating new solutions
2. Achieve nationally significant outcomes through collaborating with science users
3. Manage our own business as an exemplar of corporate sustainability

This year, we have continued our efforts to drive sustainability reporting forward. We have launched an extensive new section on our website that reports comprehensively on our economic, environmental, good employer and community performance during the year. We use the GRI framework to guide our reporting and the web-based reporting gives us much greater scope to make strong links between our management strategies, stakeholder engagement and the impacts of our work. In addition, we have added a section called 'Voices for sustainability' that includes and follows on from the invited perspective pieces in last year's report. In this 'Voices' section, we are also highlighting the role that Māori and other indigenous peoples should have in sustainable resource management.

We recommend that our printed Annual Report sections be read in conjunction with information on our website. The keywords in the printed documents are to help readers quickly find more relevant content.

Structure of our sustainability web pages

- **Voices for sustainability**
  - » External perspective comment
  - » Role of Māori in sustainable development
- **Our sustainability aims**
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  - » Business & Science strategy
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    - Compliance
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    - Good employer
    - Social responsibility to staff
    - Compliance
  - » Our community links

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 responsibility to society for our actions and is fundamental to sustainable development.

In April 2008, the Crown Company Monitoring Advisory Unit (CCMAU) instructed New Zealand State Owned Enterprises and other Crown Entities to adopt a CSR framework and report on it annually. Landcare Research in fact published its first CSR report (also called sustainability or triple bottom line reports) in 2000. Since 2001, we have published a fully integrated, printed annual report covering all dimensions of our performance. We assess, 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 continues to evolve as we challenge ourselves and are challenged by others.

Our approach to CSR and sustainability goes beyond the focus on our business (science for sustainable outcomes) to how we do business, engage with our stakeholders, and add value to society and the natural environment. We use the GRI framework to guide our reporting, and on our website we report in detail against the G3 guidelines.

Our Guiding Philosophy and Sustainability Policy, which are reviewed annually but were last updated in 2006, are on our public website. These encapsulate our approach to CSR. On our intranet 'staffroom' we have our Code of Ethics Policy, which is an overarching document linking numerous other ethics-related policies and codes of practice. 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 identifying performance and cost improvements. Beyond 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 own 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 registered Stakeholder Organisation with the Global Reporting Initiative (GRI)
- a partner in the Govt^3 programme
- a member of the EEO Trust
- supporters of the Mainstream programme that provides opportunities for people with disabilities, and received another award from Mainstream in August 2008
- participants in the Accident Compensation Commission's programme Workplace Safety Management Practices (we have tertiary accreditation, the highest level)
- supporters of the PSA's Partnerships for Quality approach
- ISO 14001-certified for our environmental management systems and practices
- involved in Energy Efficiency and Conservation Authority (EECA) programmes to improve organsiational sustainability

Keywords: corporate social responsibility

Summary tables of performance indicators

I. Summary table of financial performance indicators

	2006* Achieved	2007* Achieved	2008** Target	2008** Achieved	2009 Target
Revenue, $m	51.81	52.76	57.91	56.07	57.49
Net Revenue, $m	45.94	46.43	51.06	49.52	50.31
EBIT, $m	1.07	1.70	1.87	1.43	0.8
EBIT Margin (after commercialisation / investment)	2.1%	3.2%	3.2%	2.5%	1.4%
Total Assets, $m	41.46	42.28	44.06	44.58	45.41
Return on Equity (NPAT)	2.8%	3.4%	3.8%	2.5%	1.2%
Equity Ratio	58%	56%	54%	60%	59%
Gearing	18%	19%	21%	13%	13%
Interest Cover	3.3	4.6	4.3	3.4	2.2

* Prepared under previous generally accepted accounting practice.
** Prepared under NZ IFRS

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.

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

Return on equity: 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: 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 indicators

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 Target	2008 Actual	2009 Target
Commissioned reports on research issues & results	145	>145	200	150
Contracted reports to clients of the EnviroSmart & carboNZero programmes	-	NT	>229	-
Presentations about our work	300	>300	557	330
- Conference presentations			*192*	
- Science presentations to stakeholders & community groups			*279*	
- Presentations from EnviroSmart & carboNZero programmes			*67*	
- Talks to schools			*19*	
Publications on technical information & research results	250	> 250	165	255
Peer-reviewed scientific papers – published	320	>300	270	300
– accepted for publication			68	
Keynote & plenary presentations	12	>12	18	12

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:

- 12 staff hold 21 directorships or board memberships
- 44 staff (including research associates) hold 64 positions in professional societies
- 61 staff held 125 positions on advisory boards and review panels (38 of these staff were invited by key stakeholders onto 69 advisory groups)
- 42 of our senior scientists (including research associates) hold 84 positions on the editorial boards of scientific journals
- 18 staff were invited to give keynote or plenary addresses at significant national and international conferences
- 10 postdoctoral researchers were hosted from 8 countries, 5 of whom commenced during the year

IV. Business development

Commercialisation investment projects included the carboNZero programme, XN solutions, Smart Clays, EnviroMark®-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 Target**	**2008 Actual**	**2009 Target**
New or improved products, processes & services	47	>50	81 [1]	50
Patents granted				
– In NZ	1	1	0	1
– Overseas	1	1	0	1
Licensing arrangements entered into	1	2	2	3
Joint ventures or formal associations	4	1	0	2
Spin-off companies formed	0	0	0	1

[1] Includes a significant increase in new and upgraded tools and services available via our website in biosystematics, soils and GIS. Does not include contract reports, peer-review type 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. Use of nationally significant databases & collections

Landcare Research is custodian of seven of the 25 recognised Nationally Significant Databases and Collections for New Zealand. These cover New Zealand's biological resources (species and ecosystems), soil resources and cultural knowledge, and fundamentally underpin research in many areas of science. This year, we allocated $13k of Capability Funding to sustain a nationally important collection of living cultures of fungi, bacteria and plant pathogens.

Requests for datasets & specimens For the year ending 30 June	**2007 Actual**	**2008 Target**	**2008 Actual**	**2009 Target**
Total (excluding database page views)	>10,860	>6,970	>12,300	>10,000
Land Resource Information Systems (NZLRI, NSD): data delivered for fee-for-service clients, research and public presentation	13 datasets	>100	17 LRIS layers 4 NSD datasets[3]	-
International Collection of Microorganisms from plants: cultures supplied	≈1169	>500	522 [4]	-
National Vegetation Survey Databank: datasets supplied	851	>350	1605 [3,4]	-
NZ Arthropod Collection (includes NZ National Nematode Collection): specimens loaned or supplied [1]	≈5500	>5000	c. 5000 [4]	-
NZ Fungal Herbarium (PDD): specimens loaned or supplied	>3300	> 150	155 [4]	-
Associated database (shared with ICMP): Part of ICMP above: number of page views	*>362,800*		*360,000*	-
Allan Herbarium: specimens loaned or supplied	>1686	>1000	4988 [4]	-
Associated databases: number of page views	*>204,000* [2]	-	*6194 June 2008 only*	-
Ngā Tipu Whakaoranga Ethnobotany Database: number of page views	*>19,000* [2]	-	*15,418*	-
NZ Flax and living plant collections: collections supplied	28	>20	27	-

[1] The number of specimens in each varies between 1 and more than 50 per vial depending on size of organisms; hence total specimen loaned or supplied is an estimate.
[2] Data unavailable for early part of year.
[3] Each dataset enables use for multiple purposes.
[4] Data are for outward loaned and supplied only; do not include incoming loans, exchanges or additions to the collections.

Significant new publications

During the year, the Biosystematics Team produced a number of key publications associated with the biological collections:

- The *Flora of New Zealand Lichens 2nd Edition* was published simultaneously as two large volumes and as an Internet-based resource. This represents a lifetime of work by the author
- An *interactive key to the grasses of New Zealand* was published online, with over 1400 images, and hyperlinks at the species level to the digitised version of the *Grass Flora*, *NZ Plant Conservation Network* and *Ngā Tipu o Aotearoa* – New Zealand Plants (a database derived from the *New Zealand Plant Names Database* and the *Allan Herbarium Specimen Database*)
- Five authoritative revisions of New Zealand insect taxa were published as contributions to the *Fauna of New Zealand* series, including a volume on Carabid ground beetles, a key group of New Zealand's highly diverse beetle fauna and an important indicator of environmental health
- A fifth volume of the *Fungi of New Zealand* series was published, which includes description and classification of 40 new species. All of these provide extensive Māori language contributions

In addition, the National Soils Database and S-Map can now be queried via a single user-interface in the Soils Portal. Soil fact sheets are now truly dynamic with automatic updates from the latest data in the database as the sheets are requested.

VI. Stakeholder relationships

Part of our strategic intent is to build strategic 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 Target**	**2008 Actual**	**2009 Target**
Invited technical expertise – total ***Comprising:***	**>85**	**>85**	**229**	**>150**
Staff invited to participate in stakeholder meetings or workshops in New Zealand & overseas	*>50*	*>50*	*191* [2]	*NT*
Landcare Research staff on national & international advisory panels, groups & boards	*>35*	*>35*	*38* [3]	*NT*
Partnership initiatives – total ***Comprising:***	**>250**	**>90**	**365**	**>180**
MOUs	*10*	*3*	*16*	*NT*
Collaborative proposals and projects (excl. collaboration with other providers) [1]	*>120* [1]	*>60*	*141* [1]	*NT*
Partnerships with Māori groups	*13*	*NT*	*17*	*3*
Client staff on Landcare Research advisory groups	*>20*	*>20*	*86* [4]	*NT*
Staff secondments – to other agencies	*3*	*1*	*3*	*NT*
– from other agencies			*1*	
Royal Society Teacher Fellowships	*2*	*-*	*2*	
Other agency staff co-located with our staff	*76*	*-*	*85*	
Our staff co-located with other agencies	*12*	*-*	*14*	
Revenue from public- & private-sector client groups (excl FRST, MoRST, universities)	$10.7m	$10.0m	$13.7m	NT

1 The focus is on stakeholders with whom we collaborate. Hence we count the number of collaborators in each programme or project. Includes 2 Techlink projects with Māori bodies and 19 Envirolink projects with regional, district and city councils this year.

2 Includes invitations to participate in overseas groups, meetings and workshops.

3 38 of our staff were invited to 69 advisory positions.

4 Includes OBIs, LIUDD National Task Force, other research programmes and the Animal Ethics Committee.

NT = No target set

VII. Links with universities

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

Links with universities (excludes Sirtrack)	**2007 Actual**	**2008 Target**	**2008 Actual**	**2009 Target**
NZ university staff in our research programmes	31	NT	54	NT
Our staff in university programmes	12	NT	12	NT
Postgraduates being supervised by our staff	124	NT	94	NT
Staff paid to lecture in university programmes	8	NT	9	NT
Staff holding honorary university positions	51	NT	44	NT

VIII. Good employer

This information complements that presented in Part 1 of our Annual Report "*A climate for change*".
We report comprehensively on our good employer performance in our sustainability web pages.

Human resources (Excludes Sirtrack except where stated)	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Target**	**2008 Actual**	**2009 Target**
Total staff numbers in Landcare Research	401	367	370	<385	394	408
– in science teams [1]	288	275	273	278	288	295
– with postgrad quals	*193*	*190*	*192*	*NT*	*225* [4]	*NT*
– in science support [2]	46	40	43	<49	46	50
– in general support [3]	67	53	54	<58	60	63
Sirtrack staff	18	28	32	33	44	42
Women (% of science team staff)	35%	35%	-	>37%	34%	>40%
Women recruited (% of science team staff)	63%	57%	-	>50%	40%	NT
Māori recruited (% of science team staff)	7%	6%	-	>10%	3%	NT
Lost-time injuries	12.1	11	8.3	<4.0	7	NT
Days lost per time accident	6.1	19.5	8.6	<5.0	2.2	<5
Staff turnover	7.3%	13.8 % [5]	15.5% [5]	7-10%[6]	10% [5]	8–10%

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 orchard staff, farm staff, ship crew 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; 2007/08: science teams = 8.3%, science support = 6.1%, general support = 21%.

6 Research & research support <7%, general support & management <10%

– = Data not collected.

NT = No target (Note: the number of performance measures required by CCMAU was reduced for 2009.)

IX. Environmental performance

This information complements that presented in Part 1 of our Annual Report "*A climate for change*".
We report comprehensively on our environmental performance (including Sirtrack) in our sustainability web pages.

Environmental impacts (excludes Sirtrack)	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Target**	**2008 Actual**	**2009 Target**
Motor vehicle travel travel (km/FTE)	2257	2143	2010	-	1690	-
Domestic air travel (km/FTE)	4900	5400	5738	<5000	5289	<5050
International air travel (km/FTE)	10,500	13,800	10,000	<10,000	8594	<10,000
Total energy (KWh/FTE)	9247	9422	9220	-	9019 [1]	<8117
Imputed $C0_2$ (tonnes) from our activities	1669	1763	1432	<1675	2389 [2] *(1729 [3])*	<2389
$C0_2$ offsets (tonnes) purchased	1625	1625	1600	1675	2390 [4]	NT
Native birds killed through by-catch [5]	4	9	0	<30	6	<25

1 Includes electricity, reticulated gas and coal; 47% of all energy purchased was renewable electricity from Meridian Energy, which provides 60% of our electricity. The oldest of our Lincoln buildings is heated by radiators connected to Crop & Food Research's coal-fired boiler; coal consumption is apportioned to us based on percentage floor area connected to that heating system. The reduction in per-FTE energy use is due to adjustments more accurately reflecting space allocation in multitenanted buildings; Auckland changed from 69.42% to 66% energy allocation, Dunedin from 34% to 32% energy allocation, and Hamilton from 92% to 91% energy allocation.

2 The sharp increase in imputed emissions is due predominantly to use of new emission factors for air travel adopted by the carboNZero programme to align to international standards. On 1 July 2007, the emission factor increased from 1 (based on CO2 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)

3 Imputed CO2 emissions calculated using the old emissions factor; for prior-year comparisons only.

4 Includes 380 tonnes offset by our carboNZero-certified electricity provider.

5 Animal use is reported per calendar year, as required by the Ministry of Agriculture and Forests (MAF).

The Capability Fund: maintaining and developing our science

The Capability Fund assists CRIs to retain and develop capability for the benefit of New Zealand. The fund is administered by the Ministry of Science, Research and Technology (MoRST) but CCMAU (Crown Company Monitoring Advisory Unit) requires CRIs to report specifically on how funding is used.

Capability Fund proposals are submitted by Landcare Research staff and teams for consideration by a subset of the organisation's 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 2007/08 Capability Fund investment in four key areas:

1) **Existing capabilities** (target: 10–20% of fund): maintain and enhance existing capability, particularly when other funding shortfalls occur, enabling affected teams or individuals to develop new revenue streams.
2) **New, emerging and over-the-horizon opportunities** (target: 65–75% of fund): move existing teams/individuals into new areas, anticipate future issues and opportunities, and recruit new skills.
3) **Environmental technologies** (target: 5–7.5% of fund): 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). Fund PhD and Masters scholarships, staff training, Manaaki Whenua and Manaaki Tangata travel fellowships, Hayward Senior Fellowship and Hayward Postdoctoral Fellowship.

The above targets, determined by the Landcare Research Senior Management Team and approved by the Board, were deemed most effective for developing the capability of the organisation.

2007/08 Capability Fund investment

Key area	Amount ($000)	Actual (%)	Target (%)
1) Existing capabilities	1,093	21	10–20
2) New and emerging opportunities	3,506	67	65–75
3) Environmental technologies	170	3	5–7.5
4) Fellowships & training	445	9	7.5–10
Total	**5,214**		

The slightly increased investment in existing capability was due, in part, to reduced funding from the Foundation for Research, Science and Technology (FRST) and a lack of alternative funding sources to maintain critical core environmental research expertise. The lower than anticipated investment in environmental technologies was due to superior investment opportunities in other areas.

Capability Fund project examples

1) Existing capabilities

Temporary support for ICMP culture collection services

Currently Landcare Research receives insufficient backbone funding to adequately maintain and develop all its nationally significant databases and collections. The aim of this project was to ensure that ICMP (International Collection of Micro-organsims from Plants) maintained its ability to provide voucher services for fungal and bacterial cultures and thus enhance its international standing as a taxonomic type repository of plant pathogenic bacteria. An additional person was appointed and a prioritised schedule for the viability testing and re-storing of old cultures was implemented. The work to date indicates we will be able to preserve the historical foundations of the culture collection (98.5% of old cultures have been successfully revived and re-stored over liquid nitrogen) and maintain all the vouchering and comparative diagnostics functions that the collection currently provides.

Nature in cities: realising the value of biodiversity in urban design

Two key outcomes in the first year of this five-year project were the publication, through Mannaki Whenua Press, of a manual for incorporating biodiversity into urban development, and the creation of guidelines for the use of greyfields (underutilised land) as habitat for native plant species. An opportunity has been identified to provide consultancy advice to local authorities and developers interested in biodiversity-friendly subdivisions. This project also led to a five-year strategy for urban ecology research in New Zealand. Next year the project team will identify the processes and characteristics that determine biotic composition in urban areas, and will develop novel tools to enhance biodiversity.

2) New and emerging opportunities

Computable General Equilibrium (CGE) modelling of impacts of climate policies

CGE models estimate how an economy might react to changes in policy, technology or other external factors. Through this project, our CGE modelling capacity was enhanced by overseas training and the further development of collaborative relationships. We have partnered with Lincoln University and Covec to develop a CGE model focusing on tourism and world oil prices. This capability training has contributed to developing national CGE models related to climate policy that will be of value to central government policymakers and major industry groups. It has also assisted in developing a regional model focusing on the economics of water supply and use in Canterbury.

Biodiversity offsets

Heightened public awareness of the environmental impacts of organisations' activities has led to growing interest in a framework for biodiversity offsets – the commitment to positive environmental initiatives to offset unavoidable negative impacts of development. One year into a two-year programme, we are consulting with industry and DOC to develop a biodiversity offset approach for New Zealand with credible biodiversity measures and relevant offset procedures. That framework was developed and applied to a major project. Currently limited to like-for-like offsets, the framework will now be extended to include offsets that are potentially different from the impacted biodiversity, and a manuscript will be submitted to a peer-reviewed scientific journal, providing a critique of biodiversity offset approaches.

Social sustainability

A strategic and coordinated approach to social sustainability has been developed through this project, including a clear definition of Landcare Research's capability and interests. This included a draft research agenda, which was discussed with key stakeholders, including the Ministry for Social Development, Ministry for the Environment and MoRST. Rethinking Consumption, a symposium on sustainable consumption, was organised by Landcare Research in Wellington in cooperation with the British Council and Ministry for the Environment. It brought together leading researchers and senior policymakers to discuss key research priorities in this field for New Zealand.

New Zealand Ecological Attributes Database

Around the world, research organisations are striving to ensure that research data are effectively and securely managed so they are available for reuse. This is particularly important as we enter an era of digital data production by automated processes. This project focused on the way we manage information about ecological attributes or traits. We developed a proof-of-concept attribute data system that included a trait database and user interface, a metadata database and a security system. The system is being further developed and will lead to improved data collection and management processes throughout the organisation, and improved accessibility for stakeholders.

Capability in herpetology

Much of New Zealand's herpetological (frog and lizard) fauna are critically threatened, and specialist knowledge and expertise are required to save species from extinction. This project has developed new technologies for monitoring populations and assisting reproduction, including the ground-breaking technique to determine the sex of a frog through hormone levels in urine. Staff have been actively involved in species recovery programmes and commercial work, and have played an important advocacy role for lizard ecology. The project developments have attracted international interest and collaborative projects are being developed here in New Zealand and abroad.

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. Thirty plots representing important successional changes in New Zealand's landscapes are being studied. In the first year of a two-year project, new protocols for soil sampling have been created and implemented, and a new model was developed that links nitrogen, carbon and phosphorus to pathways of soil microbial function. The findings will be valuable in predicting the effects of tenure review and to provide a comprehensive understanding of New Zealand grassland-to-forest transitions. The project has enabled data on undersampled ecosystems to be added to the National Vegetation Survey Databank and the soils portal, and is important in broadening the skills of our staff.

3) Environmental technologies

Evaluation of biodegradable non-target excluder device for toxin delivery and aerosol delivery device for possums

Landcare Research is involved in an array of research into more effective, target-specific and humane control of pests, with the particular aim of minimising use of toxins. Possums remain a prime target, as tuberculosis vectors and because of the damage they cause to New Zealand ecosystems. This project researched the effectiveness of biodegradable bait dispensers, made of potato starch or bamboo, and designed to exclude animals such as weka and rats while allowing possums access to bait. A range of designs were tested for durability, edibility versus remaining waste, and pellet consumption. A second component of the work, complementing ongoing research into fertility control for possums, initiated development of an aerosol delivery device (to spray the control agent into the nasal cavity of a possum). This will be further developed and tested next year. While both trials were successful, the results are commercially sensitive.

4) Fellowships & training

Partnerships to enhance the knowledge of New Zealand Coleoptera

More species have been described in the Coleoptera (beetles) than for any other order in the animal kingdom. Knowledge of Coleoptera is important because they provide critical ecosystem services, such as the ability to break down plant and animal matter, but many species are pests that need to be managed. This project enabled partnerships to be established with key Coleoptera researchers in Louisiana and California, USA, and Canberra, Australia. Collaborative fieldwork and sharing of information took place and new international sources of funding have been established. The work will lead to a better understanding of the beetle fauna in New Zealand and the Pacific region.

www.landcareresearch.co.nz

Keywords: capability fund

Directors' report

Jo Brosnahan (Chair) Anne Urlwin (Deputy) Graeme Boyd Alastair Lawrence 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 (CRI) Act 1992 for the year ended 30 June 2008. The disclosures relate to Landcare Research New Zealand Limited and its subsidiaries.

Principal activity

Landcare Research and subsidiaries (the 'Group') provide scientific research, consultancy services and technology that contribute to sustainable management of environmental resources.

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 Manaaki Whenua. 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

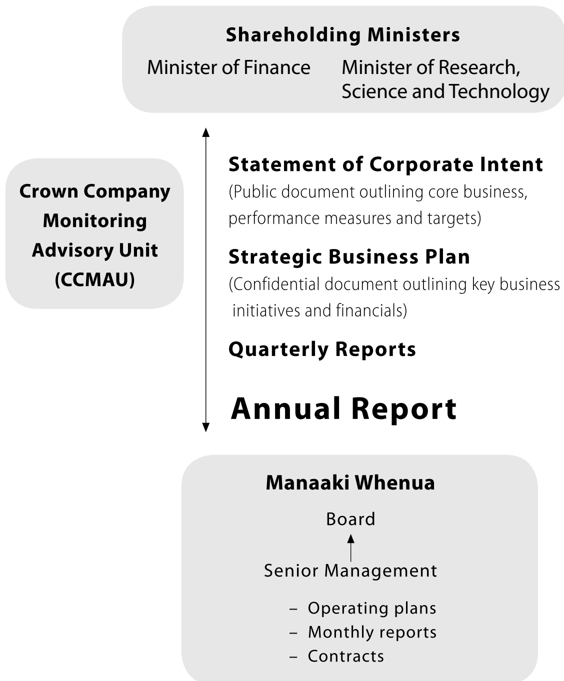
Board responsibilities include providing strategic direction, selecting, evaluating and recommending remuneration for the Chief Executive, succession planning for and appointment of the Chief Executive, formulating policy, managing risk, ensuring legislative compliance, monitoring performance (economic,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

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 CRI 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.



Operating results

Group revenue for the year increased to $56.224 million from $52.772 million in the previous year.

The Group net surplus before taxation expense increased slightly to $1.122 million from $1.119 million in 2006/07; and the Group net surplus after tax attributable to parent company shareholders was $632,000 compared with $780,000 in 2006/07.

Directors

	Appointed	Term expires	Board Meetings attended (12)	Audit Committee Meetings attended (2)	Remuneration 2007/8	Remuneration 2006/7
Graeme S Boyd	01-07-05	30-06-11	11	2	$23,000	$21,250
Alastair R Lawrence	12-06-04	30-06-10	11	1	$23,000	$25,000
Anne J Urlwin	02-07-01	30-06-09	12 (Deputy)	2 (Chair)	$28,750	$25,000
William S Te Aho	30-05-03	30-06-09	10	1	$23,000	$21,250
J Jill White	14-07-03	30-06-09	10	1	$23,000	$20,000
Jo A Brosnahan	01-07-06	30-06-09	12 (Chair)	2	$46,000	$21,250

Commitment to sustainability

The Directors fully believe that sustainability is an essential part of management practices at Landcare Research and affects not only our current operations but also opportunities to grow and prosper. The Directors review sustainability activities and initiatives each month.

Ethical standards and compliance

Every two years, the Audit and Risk Management sub-committee reviews Landcare Research's Code of Ethics policy. The policy was last reviewed in March 2008 and no changes were made.

In reviewing and discussing Board papers and monthly reports on company performance, the Board monitors whether the directors, managers and staff are maintaining high standards of ethical behaviour, and generally acting as good corporate citizens.

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

The Board evaluates its performance on an annual basis using a mix of CCMAU and Institute of Directors templates.

Precautionary approach

The Directors had no cause to adopt a precautionary approach during the year. No situation arose where there was uncertainty regarding serious potential risks to health 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 2008:

Graeme S Boyd ***MSc MInstD***

Boyd Insight Ltd, Managing Director
Export BOP, member
PAPINZ, Director

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

Asia NZ Foundation, Trustee
Chartered Institute of Logistics and Transport International, Vice President
Growth and Innovation Advisory Board, Board Member
Harkness Trust, Trustee
Hobsonville Land Company, Director
Housing NZ Corporation, Director
Jo Brosnahan Leadership, Principal
Leadership NZ, Chair
Netball North Harbour Board, Board Member
New Zealand Quality Foundation Ltd, Director
Personal Footprint Ltd, Director
Testing Laboratories Registration Council, Director

Alastair R Lawrence ***BCA***

Antipodes Capital Limited, Director
Takeovers Panel, Deputy Chair

William S Te Aho ***BA, LLB, MBA***

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

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

Invest South Limited, Director
Lakes Environmental Limited, Director
Meridian Energy Limited, Director
New Zealand Blood Service, Board Member
New Zealand Cricket Inc., Board Member
New Zealand Domain Name Registry Limited, Chair
Urlwin Associates Limited, Director

J Jill White ***MNZM, MA, BSc***

Age Concern Foundation (Manawatu) Trust, Trustee
Horizons Regional Council, Councillor
Lottery Whanganui-Manawatu 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

JR Raine
ESJ Tan
DW Joiner
P Cowan

Landcare Research International Limited

WJ Parker
CR Bellette

Landcare Research US Limited

MS Lee
CR Bellette

Directors' and officers' liability insurance

The Group has entered into a Deed of Indemnity that includes insurance to cover Directors so they do not incur any monetary loss in carrying out their duties. 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, Manaaki Whenua or its subsidiaries.

Donations

The group has made various donations totalling $11,000 during the year ($44,000 in 2006/07).

Auditors

Audit New Zealand has been appointed as the agent of the Auditor General in accordance with S21 of the Crown Research Institutes Act 1992.

Remuneration to Audit New Zealand in 2007/08 totalled $125,000 ($104,000 in 2006/07) for audit work, plus $nil for other services ($1,000 in 2006/07).

Employee remuneration

	Number of employees	
	2007/08	**2006/07**
Total cost to the Group		
$330,000 – $339,999	1(*)	1(*)
$210,000 – $219,999	1	-
$200,000 – $209,999	-	1
$190,000 – $199,999	1	-
$180,000 – $189,999	2	3
$160,000 – $169,999	2	1
$150,000 – $159,999	1	2
$140,000 – $149,999	-	1
$130,000 – $139,999	6	6
$120,000 – $129,999	6	2
$110,000 – $119,999	8	6
$100,000 – $109,999	11	13

(*) Chief Executive of Landcare Research New Zealand Limited

This table includes redundancy and termination payments to one employee in 2007/08 (2006/07: three). Compensation paid or payable to three persons in 2007/08 (2006/07: 13) who ceased to be employees during the year totalled $110,000 in 2007/08 (2006/07: $411,000).

Signed, for and on behalf of the Board

JA Brosnahan *AJ Urlwin*

JA Brosnahan
Chair

26 August 2008

AJ Urlwin
Director

26 August 2008

Statement of financial performance

for the year ended 30 June 2008

		Consolidated			Parent		
		2008	2008	2007	2008	2008	2007
		Actual	Budget	Actual	Actual	Budget	Actual
	Note	$000s	$000s	$000s	$000s	$000s	$000s
Revenue	2.	56,224	57,975	52,772	51,577	52,633	49,576
Finance costs	3.	422	492	370	422	413	365
Operating expenses	3.	54,680	56,142	51,283	50,151	51,057	47,594
Profit before tax expense		**1,122**	**1,341**	**1,119**	**1,004**	**1,163**	**1,617**
Income tax expense	27.	490	443	339	344	384	635
Profit for the period		**632**	**898**	**780**	**660**	**779**	**982**
Profit attributable to:							
Parent company		632	898	780	660	779	982
		632	**898**	**780**	**660**	**779**	**982**

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2008

	Consolidated			Parent		
	2008	2008	2007	2008	2008	2007
	Actual	Budget	Actual	Actual	Budget	Actual
	$000s	$000s	$000s	$000s	$000s	$000s
Balance at 1 July	**23,623**	**23,180**	**22,943**	**22,413**	**21,951**	**21,502**
Surplus/(deficit) for the year	632	898	780	660	779	982
Total recognised income/(expense) for the year ended 30 June	632	898	780	660	779	982
Issue of shares	2,500	0	0	2,500	0	0
Dividends paid	(117)	(117)	(71)	(117)	(117)	(71)
Amalgamation of subsidiary	0	0	(29)	(131)	0	0
Balance at 30 June	**26,638**	**23,961**	**23,623**	**25,325**	**22,613**	**22,413**

The accompanying notes form part of these financial statements.

Statement of financial position

As at 30 June 2008

		Consolidated			Parent		
		2008	2008	2007	2008	2008	2007
		Actual	Budget	Actual	Actual	Budget	Actual
	Note	$000s	$000s	$000s	$000s	$000s	$000s
ASSETS							
Current assets							
Cash and cash equivalents	4.	2,055	344	1,890	1,747	189	1,678
Trade and other receivables	5.	8,344	8,685	6,999	7,616	7,885	6,772
Inventories	6.	922	1,015	1,018	80	113	108
Non-current assets held for sale	7.	0	0	54	0	0	0
Finance lease receivable	8.	62	0	56	62	0	56
Derivative financial instruments	9.	6	0	0	6	0	0
Total current assets		**11,389**	**10,044**	**10,017**	**9,511**	**8,187**	**8,614**
Non-current assets							
Trade and other receivables	5.	0	0	0	200	1,500	200
Property, plant and equipment	10.	31,144	33,400	30,296	28,997	31,218	28,988
Patents and intellectual property	11.	102	64	102	79	39	42
Intangible assets	12.	681	0	687	646	0	651
Investments	13.	0	0	0	1,521	347	375
Deferred tax asset	27.	150	810	443	87	720	389
Finance lease receivable	8.	1,114	0	1,176	1,114	0	1,176
Total non-current assets		**33,191**	**34,274**	**32,704**	**32,644**	**33,824**	**31,821**
Total assets		**44,580**	**44,318**	**42,721**	**42,155**	**42,011**	**40,435**
LIABILITIES							
Current liabilities							
Trade and other payables	14.	5,691	5,030	5,247	5,496	4,684	4,651
Provisions		50	0	21	0	0	0
Employee benefit liabilities	15.	3,930	4,434	3,778	3,681	4,180	3,640
Bank overdraft	16.	325	259	296	0	0	0
Borrowings	16.	0	2,200	1,646	0	2,200	1,646
Finance lease	17.	10	0	9	0	0	0
Revenue in advance	18.	3,198	4,042	3,571	2,903	3,942	3,366
Tax payable		103	0	(1)	138	0	216
Total current liabilities		**13,307**	**15,965**	**14,567**	**12,218**	**15,006**	**13,519**
Non-current liabilities							
Employee benefit liabilities	15.	622	392	514	612	392	503
Borrowings	16.	4,000	4,000	4,000	4,000	4,000	4,000
Finance lease	17.	13	0	17	0	0	0
Total non-current liabilities		**4,635**	**4,392**	**4,531**	**4,612**	**4,392**	**4,503**
Total liabilities		**17,942**	**20,357**	**19,098**	**16,830**	**19,398**	**18,022**
NET ASSETS		**26,638**	**23,961**	**23,623**	**25,325**	**22,613**	**22,413**
EQUITY							
Ordinary shares	19.	10,515	8,015	8,015	10,515	8,015	8,015
Retained earnings	19.	16,123	15,946	15,608	14,810	14,598	14,398
Total equity		**26,638**	**23,961**	**23,623**	**25,325**	**22,613**	**22,413**

The accompanying notes form part of these financial statements.

JA Brosnahan

JA Brosnahan
Chair
26 August 2008

AJ Urlwin

AJ Urlwin
Director
26 August 2008

Statement of cashflows

for the year ended 30 June 2008

	Note	Consolidated 2008 Actual $000s	Consolidated 2008 Budget $000s	Consolidated 2007 Actual $000s	Parent 2008 Actual $000s	Parent 2008 Budget $000s	Parent 2007 Actual $000s
Cashflows from operating activities							
Receipts from customers		54,443	57,999	53,794	50,064	52,632	49,961
Interest received		107	12	81	196	68	73
Dividends received		0	0	0	0	0	100
Payments to suppliers and employees	a)	(49,766)	(52,401)	(47,979)	(45,689)	(47,179)	(44,026)
Interest paid		(422)	(437)	(369)	(422)	(413)	(365)
Tax refund/(paid)		(92)	(318)	(28)	(119)	(341)	(170)
Net cash generated from operating activities	21.	**4,270**	**4,855**	**5,499**	**4,030**	**4,767**	**5,573**
Cashflows from investing activities							
Proceeds from sale of intangible asset		0	35	0	0	0	0
Purchase of property, plant and equipment		(4,478)	(5,089)	(3,621)	(3,093)	(4,062)	(3,281)
Purchase of intangible asset		(390)	0	(339)	(305)	0	(307)
Advances made to subsidiaries		0	0	0	0	(1,300)	(200)
Acquisition of shares in subsidiary		0	0	(15)	(1,300)	0	(15)
Net cash used in investing activities		**(4,868)**	**(5,054)**	**(3,975)**	**(4,698)**	**(5,362)**	**(3,803)**
Cashflows from financing activities							
Proceeds from borrowings		0	2,200	429	0	2,200	429
Repayment of borrowings		(1,646)	(1,500)	0	(1,646)	(1,500)	0
Issue of shares		2,500	0	0	2,500	0	0
Dividends paid		(117)	(117)	(71)	(117)	(117)	(71)
Net cash generated from financing activities		**734**	**583**	**358**	**737**	**583**	**358**
Net increase/(decrease) in cash		**136**	**384**	**1,882**	**69**	**(12)**	**2,128**
Cash, cash equivalents and bank overdrafts at beginning of the year		1,594	(299)	(288)	1,678	201	(450)
Cash, cash equivalents and bank overdrafts at end of the year	4.	**1,730**	**85**	**1,594**	**1,747**	**189**	**1,678**

Explanatory note to the statement of cashflows

a) 2008 budget ‘payments to suppliers and employees’ includes business development investments and restructuring/relocation costs per Business Plan 2007/08

The accompanying notes form part of these financial statements.

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 Landcare Research New Zealand Limited, the parent company, on 1 July 2007 to become 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 primary objective of the Group is to provide scientific research, consultancy services and technology that contribute to sustainable management of environmental resources. 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 2008 and were authorised by the Board of Landcare Research New Zealand Limited on 26 August 2008.

Basis of preparation
The financial statements of the Group have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for profit oriented entities.

This is the first set of financial statements prepared using NZ IFRS and comparatives for the year ended 30 June 2007 have been restated to NZ IFRS accordingly. Reconciliations of equity and net surplus/(deficit) for the year ended 30 June 2007 under NZ IFRS to the balances reported in the 30 June 2007 financial statements are detailed, along with the opening equity position at 1 July 2006, in notes 29 & 30.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 July 2006 for the purposes of the transition to NZ IFRS.

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 and all values are rounded to the nearest thousand dollars ($000). The functional currency of the Group is New Zealand dollars.

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
NZ IAS 8 Operating segments
NZ IFRIC 12 Service concession arrangements
NZ IFRIC 13 Customer loyalty programmes
NZ IAS 23 Borrowing costs (revised 2007)
NZ IAS 1 Presentation of financial statements (revised 2007)
NZ IAS 32 Financial instrument presentation (revised 2008)
NZ IFRS 3 Business combinations (revised 2008)
NZ IAS 27 Consolidated and separate financial statements

Subsidiaries

The Group consolidates as subsidiaries in the Group financial statements all entities where the Group has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. 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, which 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 subsidiaries is carried at cost in Landcare Research's own '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. The effective interest method exactly discounts the estimated future cash receipts through the expected life of the financial assets net carrying amounts.

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 is charged or credited to the statement of financial performance, except when it relates 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 2007.

Finance leases
A finance lease is a lease that transfers to the lessee substantially 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 transfer substantially 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 so designated 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; and
  - 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 consists of:

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

Property, plant and equipment is 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 depreciable assets are depreciated on a straight-line (SL) basis. Sirtrack Limited depreciable assets are depreciated at Inland Revenue rates on a diminishing value (DV) basis.

Depreciation rates	Parent (SL)	Sirtrack (DV)
Buildings	1.67–10%	4–12%
Plant and equipment	5–20%	14–48%
IT equipment	25%	26–48%
Motor vehicles	25%	31%
Furniture and fittings	10%	9–27%
Office equipment	20%	18–40%
Library books and periodicals	20–50%	-
Rare books collections	1%	-

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

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 it 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 6.01–7.05%, 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, it is probable that 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 approved by the Shareholding Ministers at the beginning of the year in the annual business plan. 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 not been required to exercise critical judgements in applying the Group's accounting policies for the year ended 30 June 2008.

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.

Explanation of transition to NZ IFRS

Transition to NZ IFRS

The Group's financial statements for the year ended 30 June 2008 are the first financial statements that comply with NZ IFRS. The Group has applied NZ IFRS 1 in preparing these financial statements.

The Group's transition date is 1 July 2006. The Group prepared its opening NZ IFRS balance sheet at that date. The reporting date of these financial statements is 30 June 2008. The Group's NZ IFRS adoption date is 1 July 2007.

In preparing these consolidated financial statements in accordance with NZ IFRS 1, the Group has applied the mandatory exceptions and certain optional exemptions from full retrospective application of NZ IFRS.

Exemptions from full retrospective application elected by the Group

The Group has elected to apply the following optional exemptions from full retrospective application:

- Business combinations exemption
  The Group has applied the business combinations exemption in NZ IFRS 1. It has not restated business combinations that took place prior to the 1 July 2006 transition date.

The Group is required to make the following mandatory exception from retrospective application:

- Estimates exception
  Estimates under NZ IFRS at 1 July 2006 are consistent with estimates made for the same date under previous NZ GAAP.

Reconciliation of equity

Refer note 30 for changes in equity, resulting from the transition from previous NZ GAAP to NZ IFRS as at 1 July 2006 and 30 June 2007.

Reconciliation of surplus

Refer note 29 for changes in surplus, resulting from the transition from previous NZ GAAP to NZ IFRS for the year ended 30 June 2007.

Statement of cashflows

There have been no significant changes to the statement of cashflows as a result of NZ IFRS.

2 Revenue	Consolidated 2008 Actual $000s	Consolidated 2007 Actual $000s	Parent 2008 Actual $000s	Parent 2007 Actual $000s
Revenue from operations consisted of the following items:				
FRST/MoRST	30,513	30,498	30,513	30,496
New Zealand non-FRST/MoRST	19,850	17,323	19,438	16,789
International non-FRST/MoRST	5,705	4,743	1,381	1,961
Interest revenue				
Bank deposits	41	81	29	75
Finance leases	109	113	109	113
Subsidiaries	0	0	101	28
	150	194	239	216
Dividends–subsidiaries	0	0	0	100
Gain/(loss) on foreign currency contracts fair value	6	0	6	0
Gain/(loss) on investment	0	14	0	14
Total revenue	**56,224**	**52,772**	**51,577**	**49,576**

3 Profit before income tax	Consolidated 2008 Actual $000s	Consolidated 2007 Actual $000s	Parent 2008 Actual $000s	Parent 2007 Actual $000s
Profit before income tax has been arrived at after charging the following expenses:				
Finance costs				
Interest on loans	422	370	422	365
Employee remuneration	28,538	26,945	26,584	25,229
Superannuation contributions	924	845	924	845
Employee entitlements increase/(decrease)	262	(380)	151	(324)
Net bad and doubtful debts	5	22	5	19
Donations	11	44	2	8
Auditors' remuneration				
Audit New Zealand – audit services	125	104	94	82
Audit New Zealand – other services	0	1	0	1
Directors' fees	213	225	167	195
Depreciation and amortisation of non-current assets	3,743	3,549	3,579	3,414
Operating lease rental	799	750	799	750
Cost of sales	1,934	1,508	288	91
Movement in inventory	9	(18)	80	39

		Consolidated		Parent	
		2008	2007	2008	2007
		Actual	Actual	Actual	Actual
4	**Cash and cash equivalents**	**$000s**	**$000s**	**$000s**	**$000s**
	Cash at bank and in hand	1,133	1,890	825	1,678
	Short-term deposits maturing three months or less from date of acquisition	922	0	922	0
	Total cash and cash equivalents	**2,055**	**1,890**	**1,747**	**1,678**

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

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

	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
Cash at bank and in hand	1,133	1,890	825	1,678
Short-term deposits maturing three months or less from date of acquisition	922	0	922	0
Bank overdraft	(325)	(296)	0	0
	1,730	**1,594**	**1,747**	**1,678**

		Consolidated		Parent	
		2008	2007	2008	2007
		Actual	Actual	Actual	Actual
5	**Trade and other receivables**	**$000s**	**$000s**	**$000s**	**$000s**
	Trade debtors	6,844	5,235	6,038	4,903
	Accrued income and sundry debtors	726	885	718	871
	Receivables from subsidiaries (note 24)	0	0	119	158
	Prepayments	774	898	741	859
	Loans to related parties (note 24)	0	0	200	200
		8,344	7,018	7,816	6,991
	Less provision for impairment of receivables	0	(19)	0	(19)
	Total trade and other receivables	**8,344**	**6,999**	**7,816**	**6,972**
	Less non-current portion:				
	Loans to related parties (note 24)	0	0	200	200
	Total non-current portion	**0**	**0**	**200**	**200**
	Total current portion of trade & other receivables	**8,344**	**6,999**	**7,616**	**6,772**

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 2008, 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 or impaired. The impairment provision has been calculated based on expected losses for Landcare Research's pool of debtors. Expected losses have been determined based on review of specific debtors.

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

	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
As at 1 July	19	0	19	0
Additional provisions made during the year	5	19	5	19
Receivables written off during the period	(24)	0	(24)	0
As at 30 June	**0**	**19**	**0**	**19**

	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
Age of trade debtors				
Current	5,878	4,416	5,307	4,235
Outstanding	966	819	731	668
Total trade debtors	**6,844**	**5,235**	**6,038**	**4,903**

		Consolidated		Parent	
		2008	2007	2008	2007
		Actual	Actual	Actual	Actual
6	**Inventories**	$000s	$000s	$000s	$000s
	Raw materials (at cost)	709	777	0	0
	Work in progress (at cost)	133	135	0	0
	Finished goods (at net realisable value)	80	106	80	108
	Total inventories	**922**	**1,018**	**80**	**108**

		Consolidated		Parent	
		2008	2007	2008	2007
		Actual	Actual	Actual	Actual
7	**Non-current assets held for sale**	$000s	$000s	$000s	$000s
	Buildings	**0**	**54**	**0**	**0**
	Total non-current assets held for sale	**0**	**54**	**0**	**0**

		Consolidated		Parent	
		2008	2007	2008	2007
		Actual	Actual	Actual	Actual
8	**Analysis of finance lease receivable**	$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	1,238	1,403	1,238	1,403
	Total minimum lease payments	2,063	2,228	2,063	2,228
	Future finance charges	(887)	(996)	(887)	(996)
	Total present value of minimum lease payments	**1,176**	**1,232**	**1,176**	**1,232**
	Present value of minimum lease payments are receivable				
	Not later than one year	62	56	62	56
	Later than one year and not later than five years	310	284	310	284
	Later than five years	804	892	804	892
	Total	**1,176**	**1,232**	**1,176**	**1,232**
	Current	62	56	62	56
	Non-current	1,114	1,176	1,114	1,176
	Total	**1,176**	**1,232**	**1,176**	**1,232**

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.

		Consolidated		Parent	
		2008	2007	2008	2007
		Actual	Actual	Actual	Actual
9	**Derivative financial instruments**	$000s	$000s	$000s	$000s
	Current asset portion				
	Foreign currency forward contracts	**6**	**0**	**6**	**0**
	Total derivative financial instruments	**6**	**0**	**6**	**0**

10 Property, plant and equipment

Year ended 30 June 2008	Cost 1 July 2007 $000s	Accumulated depreciation & impairment charges 1 July 2007 $000s	Carrying amount 1 July 2007 $000s	Current year additions $000s	Current year disposals $000s	Accumulated depreciation on disposal $000s	Current year depreciation $000s	Cost 30 June 2008 $000s	Accumulated depreciation & impairment charges 30 June 2008 $000s	Carrying amount 30 June 2008 $000s
Parent property, plant and equipment										
Land	519	0	519	0	0	0	0	519	0	519
Buildings	19,398	(5,386)	14,013	443	0	0	(447)	19,841	(5,832)	14,009
Plant and equipment	28,917	(15,667)	13,251	2,313	(726)	726	(2,340)	30,504	(17,280)	13,223
Library assets	3,031	(1,825)	1,205	478	0	0	(438)	3,509	(2,263)	1,246
	51,865	**(22,878)**	**28,988**	**3,234**	**(726)**	**726**	**(3,225)**	**54,373**	**(25,375)**	**28,997**
Subsidiaries' property, plant and equipment										
Land	467	0	467	10	0	0	0	477	0	477
Buildings	656	(56)	600	630	0	0	(22)	1,286	(78)	1,208
Plant and equipment	429	(210)	219	293	0	0	(67)	722	(277)	445
Finance lease	37	(15)	22	6	0	0	(11)	43	(26)	17
	1,589	**(281)**	**1,308**	**939**	**0**	**0**	**(100)**	**2,528**	**(381)**	**2,147**
Total Group property, plant and equipment	**53,454**	**(23,159)**	**30,296**	**4,173**	**(726)**	**726**	**(3,325)**	**56,901**	**(25,756)**	**31,144**

Year ended 30 June 2007	Cost 1 July 2006 $000s	Accumulated depreciation & impairment charges 1 July 2006 $000s	Carrying amount 1 July 2006 $000s	Current year additions $000s	Current year disposals $000s	Accumulated depreciation on disposal $000s	Current year depreciation $000s	Cost 30 June 2007 $000s	Accumulated depreciation & impairment charges 30 June 2007 $000s	Carrying amount 30 June 2007 $000s
Parent property, plant and equipment										
Land	519	0	519	0	0	0	0	519	0	519
Buildings	19,292	(4,986)	14,307	106	0	0	(400)	19,398	(5,386)	14,013
Plant and equipment	26,198	(13,402)	12,796	2,720	0	0	(2,264)	28,917	(15,667)	13,251
Library assets	2,607	(1,417)	1,190	424	0	0	(408)	3,031	(1,825)	1,205
	48,616	**(19,805)**	**28,812**	**3,250**	**0**	**0**	**(3,072)**	**51,865**	**(22,878)**	**28,988**
Subsidiaries' property, plant and equipment										
Land	190	0	190	277	0	0	0	467	0	467
Buildings	255	(54)	201	455	(54)	0	(2)	656	(56)	600
Plant and equipment	321	(163)	158	108	0	0	(47)	429	(210)	219
Finance lease	19	(4)	15	18	0	0	(11)	37	(15)	22
	785	**(221)**	**564**	**858**	**(54)**	**0**	**(60)**	**1,589**	**(281)**	**1,308**
Total Group property, plant and equipment	**49,401**	**(20,026)**	**29,376**	**4,108**	**(54)**	**0**	**(3,132)**	**53,454**	**(23,159)**	**30,296**

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) have confirmed in 2008 that they consider there is currently 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.

11	Patents and intellectual property	Consolidated Actual $000s	Parent Actual $000s
	As at 1 July 2006		
	Cost	137	35
	Accumulated amortisation and impairment	(5)	0
	Net book amount	**132**	**35**
	Year ended 30 June 2007		
	Opening net book amount	132	35
	Additions	13	13
	Amortisation charge	(43)	(6)
	Closing net book amount	**102**	**42**
	As at 30 June 2007		
	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**

12	Intangible assets	Consolidated Actual $000s	Parent Actual $000s
	As at 1 July 2006		
	Cost	1,607	1,523
	Accumulated amortisation and impairment	(882)	(828)
	Net book amount	**725**	**695**
	Year ended 30 June 2007		
	Opening net book amount	725	695
	Additions	325	293
	Amortisation charge	(363)	(337)
	Closing net book amount	**687**	**651**
	As at 30 June 2007		
	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**

13 Investments in subsidiaries	Consolidated 2008 Actual $000s	Consolidated 2007 Actual $000s	Parent 2008 Actual $000s	Parent 2007 Actual $000s
Investment in Sirtrack Limited	0	0	1,450	150
Investment in Landcare Research International Limited	0	0	0	0
Investment in Landcare Research US Limited	0	0	71	71
Investment in Fertility Control Limited	0	0	0	154
Total investments in subsidiaries	**0**	**0**	**1,521**	**375**

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.

Fertility Control Limited was amalgamated with Landcare Research New Zealand Limited, the parent company, on 1 July 2007 to become Landcare Research New Zealand Limited.

14 Trade and other payables	Consolidated 2008 Actual $000s	Consolidated 2007 Actual $000s	Parent 2008 Actual $000s	Parent 2007 Actual $000s
Trade payables	3,874	3,089	3,677	2,940
Amounts due to related parties	0	0	71	101
Amounts due to directors	0	13	0	13
GST & PAYE	732	797	723	790
Short-term loan	0	500	0	0
Sundry creditors and accruals	1,085	848	1,025	807
Total trade and other payables	**5,691**	**5,247**	**5,496**	**4,651**

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

15 Employee benefit liabilities	Consolidated 2008 Actual $000s	Consolidated 2007 Actual $000s	Parent 2008 Actual $000s	Parent 2007 Actual $000s
Accrued pay	307	167	284	157
Annual leave	2,239	2,122	2,143	2,040
Long service leave	1,076	990	1,062	977
Retirement leave	123	114	123	114
Time in lieu	106	118	106	118
Sick leave	63	51	60	50
Bonus provision	638	650	515	607
Restructuring provision	0	80	0	80
Total employee benefit liabilities	**4,552**	**4,292**	**4,293**	**4,143**
Comprising:				
Current	3,930	3,778	3,681	3,640
Non-current	622	514	612	503
Total	**4,552**	**4,292**	**4,293**	**4,143**

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 2008. 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 5.85–7.46% 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.

		Consolidated		Parent	
		2008	2007	2008	2007
		Actual	Actual	Actual	Actual
16	**Borrowings**	**$000s**	**$000s**	**$000s**	**$000s**
	Current				
	Bank overdraft	325	296	0	0
	Borrowings	0	1,646	0	1,646
		325	**1,942**	**0**	**1,646**
	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 2009 and a floating interest rate of 9.48% as at 30 June 2008. The intention is borrowings will be rolled over upon maturity with an expiry date of greater than one year and are therefore treated as non-current borrowings.

Maturity analysis and effective interest rates

2008	**Overdraft**	**Borrowings**	**Overdraft**	**Borrowings**
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
2007				
Less than one year	296	1,646	0	1,646
Later than one year	0	4,000	0	4,000
Greater than five years	0	0	0	0
Interest rates (%)				
June 2007	8.10%	7.62%	0.00%	7.62%
June 2008	9.10%	8.71%	0.00%	8.71%

17	Analysis of finance lease liabilities	Consolidated 2008 Actual $000s	Consolidated 2007 Actual $000s	Parent 2008 Actual $000s	Parent 2007 Actual $000s
	Total minimum lease payments are payable				
	Not later than one year	11	9	0	0
	Later than one year and not later than five years	15	19	0	0
	Later than five years	0	0	0	0
	Total minimum lease payments	26	28	0	0
	Future finance charges	(3)	(2)		
	Present value of minimum lease payments	**23**	**26**	**0**	**0**
	Present value of minimum lease payments are payable				
	Not later than one year	10	9	0	0
	Later than one year and not later than five years	13	17	0	0
	Later than five years	0	0	0	0
	Total	**23**	**26**	**0**	**0**
	Current	10	9	0	0
	Non-current	13	17	0	0
	Total	**23**	**26**	**0**	**0**

18	Revenue in advance	Consolidated 2008 Actual $000s	Consolidated 2007 Actual $000s	Parent 2008 Actual $000s	Parent 2007 Actual $000s
	FRST public good science funding	970	1,180	970	1,180
	MoRST capability funding	257	251	257	251
	Commercial contracts	1,971	2,140	1,676	1,935
		3,198	**3,571**	**2,903**	**3,366**

The carrying value of revenue in advance approximates fair value.

19	Equity	Consolidated 2008 Actual $000s	Consolidated 2007 Actual $000s	Parent 2008 Actual $000s	Parent 2007 Actual $000s
	Retained earnings				
	As at 1 July	15,608	14,916	14,398	13,487
	Dividends paid	(117)	(71)	(117)	(71)
	Transfer of minority interest	0	(17)	(131)	0
	Surplus/(deficit) for the year	632	780	660	982
	As at 30 June	**16,123**	**15,608**	**14,810**	**14,398**
	Minority interests				
	As at 1 July	0	12	0	0
	Transfers	0	(12)	0	0
	As at 30 June	**0**	**0**	**0**	**0**
	Share Capital				
	As at 1 July	8,015	8,015	8,015	8,015
	Proceeds from shares issued	2,500	0	2,500	0
	As at 30 June	**10,515**	**8,015**	**10,515**	**8,015**

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 is $2,500,000 fully paid up and equally ranked with the other shares on issue.

Dividends of $0.0146 (June 2007 full year: $0.0089) per share were paid during the year ended 30 June 2008.

20 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.

21 Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities

	Consolidated		Parent	
	2008 Actual $000s	2007 Actual $000s	2008 Actual $000s	2007 Actual $000s
Surplus/(deficit) after tax	632	780	660	982
Add/(less) non-cash items:				
Depreciation and amortisation	3,743	3,549	3,579	3,414
Non-current employee entitlements	108	(70)	109	(70)
Deferred tax	293	192	302	245
Add/(less) items classified as investing or financing activities:				
Gain on sale of non-current assets	0	(14)	0	(14)
Movement in finance lease receivable	56	52	56	52
Add/(less) movements in working capital items:				
Inventory	97	19	28	(38)
Trade and other receivables	(1,266)	1,132	(817)	844
Trade and other payables	827	323	533	566
Employee benefit liabilities	154	(306)	43	(250)
Revenue in advance	(373)	(158)	(463)	(158)
Net cash inflow/(outflow) from operating activities	**4,270**	**5,499**	**4,030**	**5,573**

22 Capital commitments and operating leases

	Consolidated		Parent	
	2008 Actual $000s	2007 Actual $000s	2008 Actual $000s	2007 Actual $000s
Capital commitments				
Estimated capital expenditure contracted for at balance date but not paid or provided for	461	265	400	265
Operating lease commitments				
Lease commitments under non-cancellable operating leases:				
within one year	490	513	490	513
later than one year and not later than two years	318	358	318	358
later than two years and not later than five years	223	358	223	358
later than five years	2,128	2,193	2,128	2,193

23 Contingencies

The group is not aware of any significant contingent assets or liabilities as at balance date (2007:nil).

24 Related party transactions

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.

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 and arm's length basis. No transaction between companies within the Landcare Research Group took place at nil or nominal value during the year.

	Parent	
	2008	2007
	Actual	Actual
The following transactions were carried out with related parties:	$000s	$000s
Sirtrack Limited		
Interest received	101	28
Dividend received	0	100
Services provided	34	43
Product purchased	74	193
Loan outstanding	200	200
Intercompany current account receivable	119	158
Landcare Research International Limited		
Intercompany current account receivable/(payable)	0	(4)
Landcare Research US Limited		
Intercompany current account receivable/(payable)	(70)	(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	
	2008	2007	2008	2007
	Actual	Actual	Actual	Actual
Key management personnel compensation	$000s	$000s	$000s	$000s
Salaries and other short-term employee benefits	1,915	1,873	1,407	1,356
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.

Material transactions between Landcare Research New Zealand Limited and entities in which directors have declared an interest are transacted and carried out on a commercial and arm's length basis, and are summarised below, for the year ended 30 June 2008.

	Expenditure	Income
	$000s	$000s
Meridian Energy	48	22

25 Events after the balance sheet date

There were no significant events after balance date.

26 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 2008, 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 $30,000 (2007: $28,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US-dollar-denominated trade payables and receivables.

At 30 June 2008, 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 $17,000 (2007: $9,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Australian-dollar-denominated trade payables and receivables.

At 30 June 2008, 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 $9,000 (2007: $2,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-dollar-denominated trade payables and receivables.

At 30 June 2008, 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 $6,000 (2007: $3,000) 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 16.

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 2008 had fluctuated by plus or minus 0.5%, the effect would have been to decrease/increase the surplus after tax by $23,000 (2007 $20,000) 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 16.

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.

27	Taxation	Consolidated 2008 Actual $000s	Consolidated 2007 Actual $000s	Parent 2008 Actual $000s	Parent 2007 Actual $000s
	Components of tax expense				
	Current tax	350	143	291	386
	Adjustments to current tax in prior years	(154)	0	(249)	0
	Deferred tax expense	294	196	302	249
	Income tax expense	**490**	**339**	**344**	**635**
	Relationship between tax expense and accounting profit				
	Surplus/(deficit) before tax	1,122	1,119	1,004	1,617
	Tax at 33%	370	369	331	533
	Non-deductible expenditure	22	62	22	27
	Non-taxable income	103	(37)	102	(37)
	Prior-year adjustment	(5)	(55)	(18)	1
	Group loss offset	0	0	(93)	111
	Tax expense	**490**	**339**	**344**	**635**

Deferred tax assets/(liabilities)	**Property, plant and equipment**	**Employee entitlements**	**Other provisions**	**Tax losses**	**Total**
Parent					
Balance at 1 July 2006	(654)	1,094	85	112	637
Charged to profit and loss	(146)	(4)	14	(112)	(248)
Charged to equity	0	0	0	0	0
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
Group					
Balance at 1 July 2006	(654)	1,095	85	112	638
Charged to profit and loss	(146)	26	37	(112)	(195)
Charged to equity	0	0	0	0	0
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

Imputation credit account (Subsidiary–Sirtrack Limited only)	Consolidated 2008 Actual $000s	Consolidated 2007 Actual $000s
Opening balance at 1 July	656	798
Taxation paid/(refund)	(17)	(142)
Closing balance at 30 June	**639**	**656**

28 Explanation of significant variances against budget

Statement of financial performance

No significant variances from budget occurred for the year ended 30 June 2008.

Statement of financial position

No significant variances from budget occurred for the year ended 30 June 2008.

29 Reconciliation of profit for the year ended 30 June 2007

	Consolidated				Parent			
	Previous NZ GAAP 30 June 2007	Prior-period error 30 June 2007	Policy change effect on transition to NZ IFRS 30 June 2007	NZ IFRS 30 June 2007	Previous NZ GAAP 30 June 2007	Prior-period error 30 June 2007	Policy change effect on transition to NZ IFRS 30 June 2007	NZ IFRS 30 June 2007
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Revenue	52,758	14	0	52,772	49,562	14	0	49,576
Finance costs	369	0	1	370	365	0	0	365
Operating expenses	51,254	25	4	51,283	47,572	25	(3)	47,594
Profit before tax expense	**1,135**	**(11)**	**(5)**	**1,119**	**1,625**	**(11)**	**3**	**1,617**
Income tax expense	337	(4)	6	339	631	(4)	8	635
Profit for the period	**798**	**(7)**	**(11)**	**780**	**994**	**(7)**	**(5)**	**982**
Profit attributable to:								
Parent company	798	(7)	(11)	780	994	(7)	(5)	982
	798	**(7)**	**(11)**	**780**	**994**	**(7)**	**(5)**	**982**

Explanatory notes

There were no significant adjustments on transition to NZ IFRS.

The prior-period adjustment relates to reclassification of the animal house facility as a finance lease.

30 Reconciliation of equity as at 30 June 2007

		Consolidated				Parent			
		Previous NZ GAAP 30 June 2007	Prior-period errors 30 June 2007	Policy change effect on transition to NZ IFRS 30 June 2007	NZ IFRS 30 June 2007	Previous NZ GAAP 30 June 2007	Prior-period errors 30 June 2007	Policy change effect on transition to NZ IFRS 30 June 2007	NZ IFRS 30 June 2007
	Note	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
ASSETS									
Current assets									
Cash and cash equivalents		1,890	0	0	1,890	1,678	0	0	1,678
Trade and other receivables		6,999	0	0	6,999	6,772	0	0	6,772
Inventories		1,018	0	0	1,018	108	0	0	108
Non-current assets held for sale		54	0	0	54	0	0	0	0
Finance lease receivable	f.	0	56	0	56	0	56	0	56
Total current assets		**9,961**	**56**	**0**	**10,017**	**8,558**	**56**	**0**	**8,614**
Non-current assets									
Trade and other receivables		0	0	0	0	200	0	0	200
Property, plant & equipment	a, f.	31,872	(912)	(664)	30,296	30,551	(912)	(651)	28,988
Patents & intellectual property		102	0	0	102	42	0	0	42
Intangible assets	a.	0	0	687	687	0	0	651	651
Investments		0	0	0	0	375	0	0	375
Deferred tax asset	e, f.	641	(264)	66	443	587	(264)	66	389
Finance lease receivable	f.	0	1,176	0	1,176	0	1,176	0	1,176
Total non-current assets		**32,615**	**0**	**89**	**32,704**	**31,755**	**0**	**66**	**31,821**
Total assets		**42,576**	**56**	**89**	**42,721**	**40,313**	**56**	**66**	**40,435**
LIABILITIES									
Current liabilities									
Trade and other payables		5,247	0	0	5,247	4,651	0	0	4,651
Provisions		21	0	0	21	0	0	0	0
Employee benefit liabilities	b, c, d.	3,764	0	14	3,778	3,624	0	16	3,640
Bank overdraft		296	0	0	296	0	0	0	0
Borrowings		1,646	0	0	1,646	1,646	0	0	1,646
Finance lease	g.	0	0	9	9	0	0	0	0
Revenue in advance		3,571	0	0	3,571	3,366	0	0	3,366
Tax payable		(1)	0	0	(1)	216	0	0	216
Total current liabilities		**14,544**	**0**	**23**	**14,567**	**13,503**	**0**	**16**	**13,519**
Non-current liabilities									
Employee benefit liabilities	b,c,d.	302	0	212	514	301	0	202	503
Borrowings		4,000	0	0	4,000	4,000	0	0	4,000
Finance lease	g.	0	0	17	17	0	0	0	0
Total non-current liabilities		**4,302**	**0**	**229**	**4,531**	**4,301**	**0**	**202**	**4,503**
Total liabilities		**18,846**	**0**	**252**	**19,098**	**17,804**	**0**	**218**	**18,022**
Equity									
Ordinary shares		8,015	0	0	8,015	8,015	0	0	8,015
Retained earnings	h.	15,715	56	(163)	15,608	14,494	56	(152)	14,398
Total equity		**23,730**	**56**	**(163)**	**23,623**	**22,509**	**56**	**(152)**	**22,413**

Reconciliation of equity as at 1 July 2006	Note	Consolidated Previous NZ GAAP 1 July 2006 $000s	Consolidated Prior-period errors 1 July 2006 $000s	Consolidated Policy change effect on transition to NZ IFRS 1 July 2006 $000s	Consolidated NZ IFRS 1 July 2006 $000s	Parent Previous NZ GAAP 1 July 2006 $000s	Parent Prior-period errors 1 July 2006 $000s	Parent Policy change effect on transition to NZ IFRS 1 July 2006 $000s	Parent NZ IFRS 1 July 2006 $000s
ASSETS									
Current assets									
Cash and cash equivalents		373	0	0	373	189	0	0	189
Trade and other receivables		8,395	0	0	8,395	7,584	0	0	7,584
Inventories		1,038	0	0	1,038	69	0	0	69
Income tax paid in advance		31	0	0	31	31	0	0	31
Finance lease receivable	f.	0	52	0	52	0	52	0	52
Total current assets		**9,837**	**52**	**0**	**9,889**	**7,873**	**52**	**0**	**7,925**
Non-current assets									
Property, plant and equipment	a, f.	31,035	(951)	(709)	29,375	30,457	(951)	(694)	28,812
Patents and intellectual property		131	0	0	131	35	0	0	35
Intangible assets	a.	0	0	724	724	0	0	694	694
Investments		0	0	0	0	346	0	0	346
Deferred tax asset	e, f.	832	(269)	74	637	832	(269)	73	636
Finance lease receivable	f.	0	1,232	0	1,232	0	1,232	0	1,232
Total non-current assets		**31,998**	**12**	**89**	**32,099**	**31,670**	**12**	**73**	**31,755**
Total assets		**41,835**	**64**	**89**	**41,988**	**39,543**	**64**	**73**	**39,680**
LIABILITIES									
Current liabilities									
Trade and other payables		4,716	0	0	4,716	4,331	0	0	4,331
Employee benefit liabilities	b,c,d.	4,073	0	13	4,086	3,874	0	14	3,888
Bank overdraft		661	0	0	661	639	0	0	639
Borrowings		1,217	0	0	1,217	1,217	0	0	1,217
Finance lease	g.	0	0	5	5	0	0	0	0
Revenue in advance		3,765	0	0	3,765	3,524	0	0	3,524
Total current liabilities		**14,432**	**0**	**18**	**14,450**	**13,585**	**0**	**14**	**13,599**
Non-current liabilities									
Employee benefit liabilities	b,c,d.	372	0	212	584	372	0	207	579
Borrowings		4,000	0	0	4,000	4,000	0	0	4,000
Finance lease	g.	0	0	11	11	0	0	0	0
Total non-current liabilities		**4,372**	**0**	**223**	**4,595**	**4,372**	**0**	**207**	**4,579**
Total liabilities		**18,804**	**0**	**241**	**19,045**	**17,957**	**0**	**221**	**18,178**
Equity									
Ordinary shares		8,015	0	0	8,015	8,015	0	0	8,015
Retained earnings	h.	15,016	64	(152)	14,928	13,571	64	(148)	13,487
Total equity		**23,031**	**64**	**(152)**	**22,943**	**21,586**	**64**	**(148)**	**21,502**

Explanatory notes to the reconciliation of equity

a) Intangible assets – computer software
Computer software that is not integral to the operation of a specified item of property, plant and equipment has been reclassified as an intangible asset. Under previous NZ GAAP this software was classified as part of property, plant and equipment. The net book value of computer software reclassified as an intangible asset on transition to NZ IFRS is $694,000 and at 30 June 2007 is $651,000 for the parent and $724,000 on transition and $687,000 at 30 June 2007 for the Group.

b) Sick leave
Sick leave was not recognised as a liability under previous NZ GAAP. NZ IAS 19 requires the Group to recognise employees unused sick leave entitlement that can be carried forward at balance date, to the extent that the Group anticipates it will be used by staff to cover future absences. The sick leave liability recognised on transition to NZ IFRS is $49,000 and at 30 June 2007 is $50,000 for the parent and $50,000 on transition and $52,000 at 30 June 2007 for the Group.

c) Long service leave
Long service leave was recognised at time of entitlement under previous NZ GAAP. Under NZ IAS 19 long service leave is calculated based on expected future earnings, and actuarial assessment of likelihood of service discounted to present value. An actuarial assessment of long service leave resulted in an adjustment of $184,000 on transition to NZ IFRS and $180,000 at 30 June 2007 for the parent and $187,000 on transition and $190,000 at 30 June 2007 for the Group.

d) Retirement leave
Retirement leave was valued at current cost under previous NZ GAAP. Under NZ IAS 19 retirement leave is discounted to present value. This resulted in an adjustment of $13,000 on transition to NZ IFRS and $13,000 at 30 June 2007 for both the parent and consolidated group.

e) Deferred tax
Deferred tax has been adjusted for the impact of recognising deferred tax on additional sick leave, long service leave and retirement leave liabilities. Deferred tax also includes prior-period adjustments for the animal house and library books.

f) Animal house
As a prior-period adjustment, the animal house facility has been reclassified 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 10 years to 2026 at a rent of $1.00 per annum. The financial impact of this change is $1,232,000 (2006: $1,283,000) finance lease receivable, $911,000 (2006: $951,000) reduction in property, plant and equipment, $106,000 (2006: $110,000) reduction in deferred taxation and $215,000 (2006: $222,000) reduction in equity.

g) Finance lease
Leases of phone systems and photocopiers with a lease period greater than 36 months have been reclassified as finance leases previously treated as operating leases. The finance lease liability reclassifed on transition to NZ IFRS is $16,000 and at 30 June 2007 is $26,000.

h) Retained earnings
Retained earnings have been impacted due to the IFRS adjustments detailed above and the prior-period adjustments for the animal house and library books.

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 2008.

JA Brosnahan

JA Brosnahan
Chair

26 August 2008

AJ Urlwin

AJ Urlwin
Director

26 August 2008

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

AUDIT REPORT

To the Readers of Landcare Research New Zealand Limited and Group's Financial Statements for the Year Ended 30 June 2008

The Auditor-General is the auditor of Landcare Research New Zealand Limited (the company) and group. The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company and group, on his behalf, for the year ended 30 June 2008.

Unqualified opinion
In our opinion:

- The financial statements of the company and group on pages 15 to 41:
  - 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 2008; 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 26 August 2008, 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 are 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 2008 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.

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

Julian Tan

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

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of Landcare Research New Zealand Limited and Group for the year ended 30 June 2008 included on Landcare Research New Zealand's website. Landcare Research New Zealand Limited's Board of Directors are responsible for the maintenance and integrity of Landcare Research New Zealand Limited's website. We have not been engaged to report on the integrity of Landcare Research New Zealand Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 26 August 2008 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Directory

Directors

Jo A Brosnahan (Chair)
Anne J Urlwin (Deputy)
Graeme S Boyd
Alastair R Lawrence
Robin Pratt (from 1 July 2008)
William S Te Aho
J Jill White

Senior Management Team

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

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Bankers	The National Bank of New Zealand
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Solicitors	Buddle Finlay

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