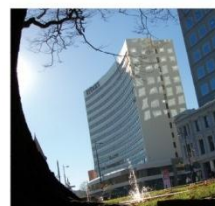


HALF-YEAR REPORT

to 31 December 2009



Landcare Research
Manaaki Whenua

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1 BOARD CHAIR REPORT

Landcare Research completed the first six months of the 2009/10 financial year with the Group well-positioned overall to meet business plan targets. However, the global recession and exchange rate, in particular, have impacted international revenues for both Sirtrack and the carboNZero programme.

We are delighted that our Foundation Antarctica proposals secured increased funding from October 2010, partly compensating for the loss of \$1.5m revenue from the 2009 Foundation results announced in July. In the current land-water bidding round, proposals through to the full proposal stage are at current contract levels. Collaboration with other CRIs, notably NIWA and AgResearch, is a strong feature of these proposals.

To further strengthen our links with business we joined Business NZ's Major Companies Group and Sustainable Business Forum in October. This involvement, along with our membership of the NZBCSD and customer bases for the carboNZero^{Cert}TM and Enviro-Mark[®]NZ programmes, provides a substantial network of leading companies with whom we can develop and deliver solutions to increase their competitiveness and environmental performance. Securing ownership of the Enviro-MarkTM programme and all associated IP in December will add momentum to this work with business.

We are actively pursuing opportunities to secure investment from the Primary Growth Partnership (PGP) and have proposals under various stages of development with primary sector parties. We worked closely with AgResearch and others to establish the science programme for the Centre of Excellence for Agriculture Greenhouse Gas Research and are leading the soil carbon programme. We are now turning our attention to the role we can play in the New Zealand-led Global Alliance, announced at Copenhagen in December.

The carboNZero programme continues to develop strongly and won two of the five categories of the inaugural Sustainability 60 Awards. The Parent was also a finalist in these awards and separately won the Sustainable Business Network Southern Regional 'Trailblazer Large and Corporate Business' category and received a Highly Commended Award in the national finals. Dr Thomas Buckley, as well as winning one of our two successful Marsden Fund grants in October, won the highly regarded Research Medal in the New Zealand Association of Scientists 2009 Awards. Dr Richard Gordon won the Cawthron Scholarship to participate in the Hillary Leadership Course.

During this reporting period we were very pleased to welcome and induct new directors John Luxton, Peter Schuyt, Tania Simpson and Vicki Taylor.

Jo Brosnahan
Chair

2 2009/10 SCI PERFORMANCE TARGETS AND HALF-YEAR PROGRESS

2.1 Financial targets

INDICATOR	2010 Full Year	
	Target	Forecast
Financial viability		
Revenue, \$m	62.3	61.0
EBIT, \$m	2.3	2.0
Assets, \$m	46.0	46.0
Return on equity	6.4%	5.8%
Equity ratio	61.8%	62.6%
Gearing	6.3%	12.0%

Full-year revenue for the group is forecast at \$61m. The forecasted \$1.3m revenue shortfall against plan is primarily due to lower volumes for Sirtrack and delays in securing carboNZero international revenue. This has resulted in forecasted earnings before interest and tax of \$2.0m with reduced restructuring costs helping offset the impact of lower revenues. We are working hard to reduce the impact of the potential revenue shortfall and ideally would like to achieve close to the target return on equity.

2.2 Non-financial Performance

Non-financial performance measures	Actual 2007/08	Actual 2008/09	Half-year result 2009/10	Forecast full-year 2009/10	Target 2009/10
Staff composition (FTEs)					
Research	288	269	261	265	298
Research support	46	45	46	46	50
Other (Management, Corporate Services, Business Units)	60	69	78	70	<70
Sirtrack	44	38	38	39	43
Total FTEs	438	421	422	420	<461
End-user relationships and influence¹					
Partnership initiatives	365	390	N/A	300	>200
Invited technical contribution	229	311	N/A	200	>150
Research application metrics¹					
Commissioned reports to users	200	177	73	180	160
Presentations on technical information and research results	538	487	103	400	380
Publications on technical information and research results	165	181	168	200	260
Peer-reviewed articles	270	360	128	320	305
Keynote and plenary presentations	18	34	3	12	12
New improved products, processes & services	81	73	N/A	60	50
Patents granted					
- In New Zealand	0	1	0	1	2
- Overseas	0	0	0	0	1
Number of licensing arrangements	2	3	0	2	3
Joint ventures or formal associations	0	0	0	0	1
Spin-out companies formed	0	0	0	0	1
Datasets and DataBank specimens supplied	>12,300	>20,700	>5,940 ²	>15,000	>12,000
Benefit to NZ *	*				*
Social and community responsibility³	75	51	68	60	90
Environment responsibility					
Imputed CO ₂ from activities (tonnes) ⁴	2,389	3,366	1488	2,541	<2,300
Total energy (KWh/FTE)	9,019	9,238	4968	8,998	<9,000
Total travel (km/FTE)	13,883	14,055	6920	12,363	<14,500
Total landfill waste (kg/FTE)	12.8	3.1	2.4	2.2	<4.13
Water use (megalitres)	8.4	10.5	4.7	9.9	<9.9
Native birds killed through by-catch	6	2	-	<16	<20
Māori relationships					
Māori scholarships/stipends	1	1	1	1	2
New R&D proposals for Māori sustainable development	5	4	9	7	7
Good employer					
Staff turnover					
- Research & research support (%) ⁵	<8	13	10	11	<8
- General support & management (%)	<10	13	15	13	<10
Proportion of women (% research and research support staff)	34	31	32	33	>40
Māori science staff (number)	8	8	8	9	9
Lost-time injuries (per million hours worked)	7	6	0	<4	<10
Lost-time injuries (days lost per lost-time injury)	2.2	1.5	0	<2	<4

¹ Key non-financial performance indicator reported annually to the Crown Ownership Monitoring Unit (COMU).

² Includes estimate where half-year data not available

³ Includes a range of activities that increase awareness of science issues within the community, including presentations to schools, community groups and non-governmental organisations, and support for community activities, e.g. science fairs.

⁴ We aim to offset all CO₂ emissions generated by our activities.

⁵ Target for turnover of key senior scientists <5%.

3 SCIENCE ACHIEVEMENTS

3.1 New Developments

The following significant new developments were led by Landcare Research:

- Antarctic Investment Round: Jackie Aislabie and team have been successful in their proposal to FRST winning \$590k/yr for the next four years for a programme titled 'Environmental Domains Classification for the Ross Sea Region'.
- A senior Scottish researcher joins Landcare Research in January 2010 under a 2-year contract to lead our New Developments in Soil Biology project. He brings substantial EU networks, research experience, and links to the Macaulay Institute in Scotland.
- David Medyckyj-Scott has joined the Informatics team as Research Leader for Scenz-Grid and Team Leader. David previously held the roles of Manager of Research & Geodata Services and Director of the Economic & Social Research Council's Census Geography Unit at EDINA National Data Centre, University of Edinburgh.
- Kiwifruit water footprinting: Landcare Research is leading a MAF-funded project to enable ZESPRI to undertake an innovative project on the water footprint of kiwifruit production. There are signs in overseas markets that, in addition to greenhouse gas footprints, consumers are becoming more conscious of water issues.

3.2 Honours/Recognition

Landcare Research staff continue to be recognised both internationally and nationally. Key examples are:

- Dr Thomas Buckley was awarded the 2009 Research Medal by the New Zealand Association of Scientists.
- Richard Gordon was awarded the Cawthron Science Leaders Award. The prestigious 18-month Hillary Leadership Programme is run by the New Zealand Leadership Institute.

3.3 International

Landcare Research maintains an extensive international network in research, science and technology as part of its strategy to keep up with the latest advances in science and access new investment and future staff. Two recent examples were:

- Council of Heads of Australasian Herbaria (CHAH): Participated in the Annual Meeting and successfully negotiated for a change in the constitution in order to offer core membership to the three leading herbaria in New Zealand thus allowing improved access to information.
- University College, Dublin, Ireland, and VITO, Belgium: Daniel Rutledge is the recipient of the Marie Curie Fellowship. The partnership agreement for the FP7 Marie Curie IRSES (International Research Staff Exchange Scheme) for the LUMAN (Land

Use Modelling and Analysis Network) project on regional futures planning methods is currently being signed by all parties.

3.4 National

Landcare Research continued its plans to strengthen collaboration with other source providers. Three key examples are:

- Greenhouse Gas Research Centre: Landcare Research is a member of the successful partnership that will form the Centre (hosted by AgResearch) and is playing a lead role in developing both the 10-year science project (soil carbon) and knowledge management infrastructure.
- Te Rūnanga o Ngāi Tahu: To develop a strategic partnership to provide science and support Ngai Tahu's technical development aspirations.
- A workshop is planned with ESR, Plant & Food and Scion to develop a New Zealand Strategy for Emerging Contaminant Issues.

3.5 Publications

Good progress was made in the first two quarters towards the full-year science output targets (see Section 2.2). Significant publications included:

- Buckley TR, Marske KA, Attanayake D 2009. Identifying glacial refugia in a geographic parthenogen using palaeoclimate modelling and phylogeography: the New Zealand stick insect *Argosarchus horridus* (White). *Molecular Ecology* 18: 4650–4663.
- Frame B, Cavanagh HE 2009. Experiences of sustainability assessment: an awkward adolescence. *Accounting Forum* 33: 195–208.
- Harmsworth GR, Gilbert K, Taylor R, Stafford S 2009. Indigenous branding for Māori business in global markets. *He Pukenga Korero, Journal of Māori Studies* 9: 36–45. Massey University, Palmerston North.
- Lyver PO'B, Jones C, Moller H 2009. Looking past the wallpaper: considerate evaluation of traditional environmental knowledge by science. *Journal of the Royal Society of New Zealand* 39: 219–223.
- Parkes JP, Nugent G 2009. Management of terrestrial vertebrate pests. In: Clout MN, Williams P eds *Invasive Species Management*. Oxford University Press. Pp. 173–184.

4 LINKS WITH MĀORI

Landcare Research is making good progress in its strategy to actively engage with Māori. Initiatives during the reporting period include:

- Engagement with Tūhoe regarding the Treaty of Waitangi claim for Te Urewera National Park.

- Making a keynote presentation to the International Symposium for Indigenous Peoples and Natural Resources organised by the Hokkaido University Center for Ainu and Indigenous Studies in Sapporo, Japan, outlining principles of Māori eco-tourism.
- Working with Te Puni Kokiri (TPK) to develop methods by which a visualisation prototype could integrate physical and other data with Māori values and aspirations relating to the long-term development of their land.

5 COMMERCIALISATION BUSINESS

5.1 Sirtrack

The Minister has been updated with the current Sirtrack business plan and proposal to identify a suitable external investor. Work on potential partnerships/investors within the wildlife sector will be during Quarter 3. Other options such as technology licensing will also be developed.

Sirtrack revenue is tracking behind budget, largely due to the negative impact of a significantly higher than budget US:NZ exchange rate. Plans are underway to address the projected shortfall in revenue through further sharpening of focus on sales and in reducing costs.

5.2 carboNZero Programme

The carboNZero programme has progressed well with its business plan to be one of the three leading international certification schemes for greenhouse gas measurement and reduction.

Technically the programme remains at the forefront internationally with its ISO 14065 accreditation. In New Zealand the programme continues to be well respected and acknowledged as world leading.

Learnings from the pilot licence agreement with Achilles have been taken into account in a range of current negotiations with international licensing partners. Significant international opportunities are present for additional expansion of the business. Additional investment to pursue opportunities in Australia and Chile has been approved by the Board to maintain the programme's competitive position in this important market space. In addition the business undertook a workshop with leading New Zealand business representatives to review how the business can accelerate growth. A limiting factor is the acceptable risk profile of the Parent due to return on equity requirements of the shareholder. This situation is currently being reviewed by the Parent Board. An Investment Memorandum to secure capital and expertise to support business growth is likely to be developed.

5.3 Enviro-Mark

Enviro-Mark revenue growth is pleasing with revenues being 29% above last year for the same 6-month period and is on track to meet the full-year profit targets. In line with this year's business plan objectives a key highlight was concluding a global purchase agreement from the UK licensor for the programme. Work is already progressing to launch an updated programme in 2010.

6 HUMAN RESOURCES

6.1 Recruitment

Nineteen (nine Science) positions were advertised in the six months to 31 December 2009. All the vacancies (other than Science) were to replace departing employees. The Science roles were primarily at postdoctoral level and for fixed-terms of 1–3 years.

The calendar year (2009) has been significant for the quality and quantity of applications we have received for most roles advertised.

6.2 Industrial Relations

A new Collective Employment Agreement (CEA) was finally ratified in November for a 3-year term (the previous CEA expired April 2009). Base salary increases for 2010 and 2011 were agreed, and following a nil increase for 2009 we were reasonably pleased with the overall outcome of the settlement.

6.3 Health & Safety

We are obviously delighted that we have not had a lost-time injury in the last six months. This is a very pleasing result and has come from the considerable efforts and ownership by those responsible for our Health & Safety, managers and all employees.

6.4 Other

Our first Leadership Development Programme directed at new and emerging leaders was completed by 14 participants in December. A second programme commenced in November.

Te Reo Māori and Tikanga Māori workshops continue at the Lincoln and Auckland sites.

7 CORPORATE SOCIAL RESPONSIBILITY

7.1 Reducing Our Environmental Footprint

Pleasing progress has been made on waste reductions and water usage, but travel kilometres and energy usage savings are both below target. We are working towards improving our performance in energy and CO₂ emissions including capital improvements (e.g. non-coal-sourced electricity, new insect quarantine building). Comprehensive updated information is available via our website

7.2 Sustainability Reporting

Annual Report: Our annual report is supported by comprehensive additional information across our sustainability web pages, with links to our science.

Sustainability 60 Awards: carbonZero won two of the five categories at these inaugural awards. Landcare Research was also a finalist and separately won the Sustainable Business

Network Southern Regional ‘Trailblazer Large and Corporate Business’ award and received a Highly Commended award in the national finals.

7.3 Community Involvement

Landcare Research continues to actively engage with local communities in biodiversity protection and restoration projects (e.g. return of Otago skinks to the Mokomoko Dryland Sanctuary at Aldinga, Central Otago), supporting specific school projects (e.g. with Tūhoe) and Bioblitz (scheduled for April 2010).

8 MEDIA HIGHLIGHTS

An important objective this year is to increase the accessibility and public awareness of our research. This involves a multi-faceted approach with e-newsletters, company publications, television and radio. Significant media highlights involving Landcare Research included:

- Our national-leading research on the biocontrol of weeds and work to investigate ‘sleeping weeds’ featured on Radio New Zealand’s Nine to Noon programme.
- There was significant interest from both agricultural-based and mainstream media outlets regarding news that our science staff will receive a \$400,000 MAF Sustainable Farming Fund contract to release dung beetles.
- Research to establish a trial bio-filter on a dairy farm in the Manawatu gained considerable media attention. The trial is the latest stage in our ongoing work to use bio-filters to reduce the impacts of agricultural greenhouse gases, including methane and carbon dioxide.

9 UNAUDITED FINANCIALS

9.1 Statement of Financial Performance

Statement of Financial Performance for the half year ended 31 December 2009

		Consolidated		
	Note	Dec 2009 Actual \$000s	Dec 2008 Actual \$000s	Jun 2009 Actual \$000s
Revenue	2.	28,793	29,703	60,454
Finance costs	3.	79	198	326
Operating expenses	3.	28,589	29,177	58,155
		<u>28,668</u>	<u>29,375</u>	<u>58,481</u>
Profit before tax expense		125	328	1,973
Income tax expense	26.	38	98	534
Profit for the period		87	230	1,439
Profit attributable to:				
Parent company		87	230	1,439
		<u>87</u>	<u>230</u>	<u>1,439</u>

The accompanying notes form part of these financial statements.

9.2 Statement of Movements in Equity

Landcare Research New Zealand Limited
Statement of Changes in Equity
for the half year ended 31 December 2009

	Consolidated		
	Dec 2009	Dec 2008	Jun 2009
	Actual	Actual	Actual
	\$000s	\$000s	\$000s
Balance at 1 July	27,948	26,638	26,638
Surplus/(deficit) for the year	87	230	1,439
Total recognised income/(expense) for the year ended 30 June	87	230	1,439
Dividends paid	(479)	0	(117)
Amalgamation of subsidiary	0	0	(12)
Balance at end of period	27,556	26,868	27,948

The accompanying notes form part of these financial statements.

9.3 Statement of Financial Position

Landcare Research New Zealand Limited
Statement of Financial Position
As at 31 December 2009

		Consolidated		
	Note	Dec 2009 Actual \$000s	Dec 2008 Actual \$000s	Jun 2009 Actual \$000s
ASSETS				
Current assets				
Cash and cash equivalents	4.	4,438	610	5,855
Trade and other receivables	5.	7,939	10,602	7,646
Inventories	6.	1,146	1,200	1,305
Income tax paid in advance		84	0	0
Non-current assets held for sale	7.	0	0	0
Finance lease receivable	8.	71	65	67
Derivative financial instruments	9.	77	6	43
Total current assets		13,755	12,483	14,916
Non-current assets				
Property, plant and equipment	10.	30,994	31,643	31,270
Patents and intellectual property	11.	220	94	105
Intangible assets	12.	1,037	764	995
Deferred tax asset	26.	14	150	14
Finance lease receivable	8.	1,009	1,080	1,046
Total non-current assets		33,274	33,731	33,430
Total assets		47,029	46,214	48,346
LIABILITIES				
Current liabilities				
Trade and other payables	13.	4,106	4,585	5,727
Provisions		48	45	46
Employee benefit liabilities	14.	3,399	3,105	4,503
Bank overdraft	15.	0	0	134
Borrowings	15.	0	2,590	0
Finance lease	16.	9	9	9
Revenue in advance	17.	7,265	4,310	4,869
Tax payable		0	59	459
Total current liabilities		14,827	14,703	15,747
Non-current liabilities				
Employee benefit liabilities	14.	634	622	634
Borrowings	15.	4,000	4,000	4,000
Finance lease	16.	12	21	17
Total non-current liabilities		4,646	4,643	4,651
Total liabilities		19,473	19,346	20,398
NET ASSETS		27,556	26,868	27,948
EQUITY				
Ordinary shares	18.	10,515	10,515	10,515
Retained earnings	18.	17,041	16,353	17,433
Total equity		27,556	26,868	27,948

The accompanying notes form part of these financial statements.

9.4 Statement of Cash Flows

Landcare Research New Zealand Limited

Statement of Cashflows

for the half year ended 31 December 2009

		Consolidated		
	Note	Dec 2009 Actual \$000s	Dec 2008 Actual \$000s	Jun 2009 Actual \$000s
Cashflows from operating activities				
Receipts from customers		30,562	28,413	62,614
Interest received		155	133	164
Payments to suppliers and employees		(29,365)	(29,800)	(53,544)
Interest paid		(77)	(197)	(338)
Tax refund/(paid)		(580)	(144)	(40)
Net cash generated from operating activities	20.	695	(1,596)	8,856
Cashflows from investing activities				
Proceeds from sale of property, plant & equip (incl. intangible assets)		14	0	0
Purchase of property, plant and equipment		(1,421)	(1,852)	(3,947)
Purchase of intangible asset		(92)	(262)	(804)
Net cash used in investing activities		(1,499)	(2,114)	(4,751)
Cashflows from financing activities				
Proceeds from borrowings		0	2,590	3
Dividends paid		(479)	0	(117)
Net cash generated from financing activities		(479)	2,590	(114)
Net increase/(decrease) in cash		(1,283)	(1,120)	3,991
Cash, cash equivalents and bank overdrafts at beginning of the year		5,721	1,730	1,730
Cash, cash equivalents and bank overdrafts at end of period		4,438	610	5,721

Explanatory note to the statement of cashflows

The accompanying notes form part of these financial statements.

9.5 Notes to Financial Statements

Notes to the financial statements

for the half year ended 31 December 2009

1 Summary of accounting policies

Reporting entity

Landcare Research New Zealand Limited is a Crown Research Institute governed by the Crown Research Institutes Act 1992 and Crown Entities Act 2004. The Landcare Research Group ('the Group') consists of Landcare Research New Zealand Limited and its subsidiaries, Sirtrack Limited (100% owned), Landcare Research International Limited (100% owned) and Landcare Research US Limited (100% owned). Fertility Control Limited was amalgamated with the Parent company on 1 July 2007 to become part of Landcare Research New Zealand Limited. Landcare Research New Zealand Limited, Landcare Research International Limited and Sirtrack Limited are incorporated in New Zealand; Landcare Research US Limited is incorporated in the USA.

The core purpose of the Group is to undertake research and development to protect and enhance New Zealand land environments and enable their sustainable use in economic development. The Office of the Auditor General has confirmed the Group's status as a profit oriented entity.

Basis of preparation

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

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

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

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

Subsidiaries

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

materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

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

Basis of consolidation

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

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

Revenue

Revenue is measured at the fair value of consideration received.

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

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

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

Borrowing costs

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

Income tax

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

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

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the

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

Current tax and deferred tax are charged or credited to the statement of financial performance, except when these relate to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Finance leases

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

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

Operating leases

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

Cash and cash equivalents

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

Trade and other receivables

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

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

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

Inventories

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

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

Financial assets

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

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss, in which case the transaction costs are recognised in the statement of financial performance.

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

The three categories of financial assets are:

- Financial assets at fair value through profit or loss

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

- **Loans and receivables**

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

- **Financial assets at fair value through equity**

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

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

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

Impairment of financial assets

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

Accounting for derivative financial instruments and hedging activities

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

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

Non-current assets held for sale

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

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

Property, plant and equipment

Property, plant and equipment consist of:

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

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

Additions

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

Disposals

Gains and losses are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of financial performance.

Subsequent costs

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

Depreciation

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

Depreciation rates	Parent (SL)	Sirtrack (DV)
Buildings	1.67–10%	4–12%
Plant and equipment	5–20%	12–60%
IT equipment	25%	26–48%
Motor vehicles	25%	31%
Furniture and fittings	10%	9–30%
Office equipment	20%	18–40%
Finance lease assets		25-36% (SL)
Library books and periodicals	20–50%	-
Rare books collections	1%	-

Intangible assets

Software acquisition and website development costs

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

Patents and intellectual property

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

Amortisation

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

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

Impairment of non-financial assets

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

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

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the statement of financial performance.

Employee benefits

Short-term benefits

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

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

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

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

Superannuation schemes

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

Long service leave, retirement leave and sick leave

Entitlements that are payable beyond 12 months, such as long service leave, retirement leave and sick leave, have been calculated on an actuarial basis. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, payment history, the likelihood that staff will reach the point of entitlement, and contractual entitlements information; and
- The present value of the estimated future cash flows. Discount rates of 3.79% to 8.64% and an inflation factor of 2.75% were used. The discount rate is based on the risk-free rates as calculated from the yields on the New Zealand Government Bonds. The inflation factor is based on the expected long-term increase in remuneration of employees.

Provisions

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

Borrowings

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

Goods and Service Tax (GST)

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position. The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Critical accounting estimates and assumptions

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

Revenue recognition

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

Critical judgements in applying the Group's accounting policies

Management has exercised the following critical judgements in applying the Group's accounting policies for the half year ended 31 December 2009:

Leases classification

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

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

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

Provision for warranty

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

Changes in accounting policies

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

Landcare Research New Zealand Limited
Notes to the Financial Statements

	Consolidated		
	Dec 2009 Actual \$000s	Dec 2008 Actual \$000s	Jun 2009 Actual \$000s
2. Revenue			
Revenue from operations consisted of the following items:			
FRST/MoRST	14,892	15,715	30,566
New Zealand non-FRST / MoRST	10,799	10,789	23,634
International non-FRST / MoRST	2,946	3,066	6,011
Interest revenue:			
Bank deposits	107	81	104
Finance leases	49	52	103
	156	133	207
Gain/(loss) on foreign currency contracts fair value	0	0	36
Total revenue	28,793	29,703	60,454
3. Profit before income tax			
Profit before income tax has been arrived at after charging the following expenses:			
Finance costs			
Interest on loans	79	198	326
Employee remuneration	16,250	16,159	30,100
Superannuation contributions	563	558	1,071
Employee entitlements increase/(decrease)	(464)	(660)	583
Net bad and doubtful debts	1	0	13
Donations	10	10	21
Auditors' remuneration			
Audit New Zealand - audit services	51	61	101
Audit New Zealand - other services	0	0	1
Directors' fees	130	116	228
Depreciation and amortisation of non-current assets	1,694	1,602	3,908
Operating lease rental	395	393	865
Cost of sales	1,134	1,002	2,211
Movement in inventory	162	(278)	(831)
4. Cash and cash equivalents			
Cash at bank and in hand	558	610	381
Short-term deposits maturing three months or less from date of acquisition	3,880	0	5,474
Total cash and cash equivalents	4,438	610	5,855
The carrying value of short-term deposits with maturity dates for three months or less approximates their fair value.			
Cash and bank overdrafts include the following for the purposes of the cash flow statement:			
Cash at bank and in hand	558	610	381
Short-term deposits maturing three months or less from date of acquisition	3,880	0	5,474
Bank overdraft	0	0	(134)
	4,438	610	5,721

	Consolidated		
	Dec 2009 Actual \$000s	Dec 2008 Actual \$000s	Jun 2009 Actual \$000s
5. Trade and other receivables			
Trade debtors	2,552	4,332	6,957
Accrued income and sundry debtors	4,375	5,341	50
Receivables from subsidiaries (note 23)	0	0	0
Prepayments	1,026	929	652
Loans to related parties (note 23)	0	0	0
	7,953	10,602	7,659
Less provision for impairment of receivables	(14)	0	(13)
Total trade and other receivables	7,939	10,602	7,646
Less non-current portion:			
Trade debtors and other receivables	0	0	0
Loans to related parties (note 23)	0	0	0
Total non-current portion	0	0	0
Total current portion of trade & other receivables	7,939	10,602	7,646

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 31 December 2009, all overdue receivables have been assessed for impairment and appropriate provisions applied. Landcare Research holds no collateral as security or other credit enhancements over receivables that are either past due or impaired. The impairment provision has been calculated based on expected losses for Landcare Research's pool of debtors. Expected losses have been determined based on review of specific debtors.

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

As at beginning of period	13	0	0
Additional provisions made during the year	1	0	13
Receivables written off during the period	0	0	0
As at end of period	14	0	13

Age of trade debtors

Current	2,044	2,915	6,150
Outstanding	508	1,417	807
Total trade debtors	2,552	4,332	6,957

6. Inventories

Raw materials (at cost)	865	961	1,081
Work in progress (at cost)	171	136	135
Finished goods (at net realisable value)	110	103	89
Total inventories	1,146	1,200	1,305

	Consolidated		
	Dec 2009 Actual \$000s	Dec 2008 Actual \$000s	Jun 2009 Actual \$000s
7. Non-current assets held for sale			
Buildings	0	0	0
Total non-current assets held for sale	0	0	0
8. Analysis of finance lease receivable			
Total minimum lease payments are receivable			
Not later than one year	165	165	165
Later than one year and not later than five years	660	660	660
Later than five years	990	1,155	1,072
Total minimum lease payments	1,815	1,980	1,897
Future finance charges	(735)	(835)	(784)
Total present value of minimum lease payments	1,080	1,145	1,113
Present value of minimum lease payments are receivable			
Not later than one year	71	65	67
Later than one year and not later than five years	355	325	339
Later than five years	654	755	707
Total	1,080	1,145	1,113
Current	71	65	67
Non-current	1,009	1,080	1,046
Total	1,080	1,145	1,113
<p>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 10 years to 2026 at a rent of \$1.00 per annum.</p>			
9. Derivative financial instruments			
Current asset portion			
Foreign currency forward contracts	77	6	43
Total derivative financial instruments	77	6	43
Current liability portion			
Foreign currency forward contracts	0	0	0

10. Property, plant and equipment
Half year ended 31 Dec 2009

	Accumulated depreciation and impairment charges				Accumulated depreciation and impairment charges			
	1 Jul 2009	1 Jul 2009	1 Jul 2009	1 Jul 2009	31 Dec 2009	31 Dec 2009	31 Dec 2009	31 Dec 2009
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Parent property, plant and equipment								
Land	519	0	519	0	0	519	0	519
Buildings	20,820	(6,239)	14,581	0	0	21,406	(6,442)	14,964
Plant and equipment	32,455	(19,694)	12,761	762	23	33,194	(21,051)	12,143
Library Assets	3,987	(2,738)	1,248	0	0	3,987	(2,738)	1,248
Finance Lease	0	0	0	0	0	0	0	0
	57,781	(28,671)	29,109	1,349	(23)	59,106	(30,231)	28,874
Subsidiaries' property, plant and equipment								
Land	480	0	480	0	0	480	0	480
Buildings	1,357	(125)	1,232	1	0	1,358	(147)	1,210
Plant and equipment	813	(384)	429	34	(2)	845	(430)	416
Finance lease	40	(20)	20	0	0	40	(26)	14
	2,690	(529)	2,161	35	(2)	2,723	(603)	2,120
Total Group property, plant and equipment	60,471	(29,200)	31,270	1,384	(25)	61,829	(30,834)	30,994

Half year ended 31 December 2008

	Accumulated depreciation and impairment charges				Accumulated depreciation and impairment charges			
	1 Jul 2008	1 Jul 2008	1 Jul 2008	1 Jul 2008	31 Dec 08	31 Dec-08	31 Dec-08	31 Dec-08
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Parent property, plant and equipment								
Land	519	0	519	0	0	519	0	519
Buildings	19,841	(5,832)	14,009	870	0	20,711	(6,042)	14,669
Plant and equipment	30,504	(17,280)	13,223	919	0	31,423	(18,398)	13,025
Library assets	3,509	(2,263)	1,246	0	0	3,509	(2,263)	1,246
Finance Lease	0	0	0	0	0	0	0	0
	54,373	(25,375)	28,997	1,789	0	56,162	(26,703)	29,459
Subsidiaries' property, plant and equipment								
Land	477	0	477	3	0	480	0	480
Buildings	1,286	(78)	1,208	70	0	1,357	(102)	1,255
Plant and equipment	722	(277)	445	31	0	753	(329)	424
Finance lease	43	(26)	17	16	(5)	54	(29)	25
	2,528	(381)	2,147	120	(5)	2,644	(460)	2,184
Total Group property, plant and equipment	56,901	(25,756)	31,144	1,909	(5)	58,806	(27,163)	31,643

Property, plant and equipment
Year ended 30 June 2009

	Cost 1 Jul 2008 \$000s	Accumulated depreciation and impairment charges 1 Jul 2008 \$000s	Carrying amount 1 Jul 2008 \$000s	Current year additions \$000s	Current year disposals \$000s	Accumulated Depreciation on disposal \$000s	Current year depreciation \$000s	Cost 30 Jun 2009 \$000s	Accumulated depreciation and impairment charges 30 Jun 2009 \$000s	Carrying amount 30 Jun 2009 \$000s
Parent property, plant and equipment										
Land	519	0	519	0	0	0	0	519	0	519
Buildings	19,841	(5,832)	14,009	979	0	0	(407)	20,820	(6,239)	14,581
Plant and equipment	30,504	(17,280)	13,223	1,974	(23)	22	(2,436)	32,455	(19,694)	12,761
Library Assets	3,509	(2,263)	1,246	478	0	0	(475)	3,987	(2,738)	1,248
Finance Lease	0	0	0	0	0	0	0	0	0	0
	54,373	(25,375)	28,997	3,431	(23)	22	(3,318)	57,781	(28,671)	29,109
Subsidiaries' property, plant and equipment										
Land	477	0	477	3	0	0	0	480	0	480
Buildings	1,286	(78)	1,208	70	0	0	(46)	1,357	(125)	1,232
Plant and equipment	722	(277)	445	91	0	0	(107)	813	(384)	429
Finance lease	43	(26)	17	16	(19)	18	(12)	40	(20)	20
	2,528	(381)	2,147	180	0	18	(165)	2,690	(529)	2,161
Total Group property, plant and equipment	56,901	(25,756)	31,144	3,611	(42)	40	(3,483)	60,471	(29,200)	31,270

Library assets, national databases and reference collections

The Crown, when establishing Crown Research Institutes in 1992, transferred various national databases and reference collections to individual Institutes at nil value. Many of these databases and collections were specifically identified by the Foundation for Research, Science and Technology as being of significant national importance, and they have covenants attached 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 2002/3 on a market value basis. This value has been accepted as deemed cost.

11. Patents and intellectual property

	Consolidated Actual \$000s
As at 1 July 2008	
Cost	189
Accumulated amortisation and impairment	(87)
Net book amount	<u>102</u>
Year ended 30 June 2009	
Opening net book amount	102
Additions	43
Disposals	(13)
Amortisation on Disposals	(27)
Closing net book amount	<u>105</u>
As at 30 June 2009	
Cost	207
Accumulated amortisation and impairment	(102)
Net book amount	<u>105</u>
Half year ended 31 December 2009	
Opening net book amount	105
Additions	115
Amortisation charge	0
Closing net book amount	<u>220</u>
As at 31 December 2009	
Cost	322
Accumulated amortisation and impairment	(102)
Net book amount	<u>220</u>
Half year ended 31 December 2008	
Opening net book amount	102
Additions	10
Disposals	0
Amortisation on Disposals	0
Amortisation charge	(18)
Closing net book amount	<u>94</u>
As at 31 December 2008	
Cost	199
Accumulated amortisation and impairment	(105)
Net book amount	<u>94</u>

12. Intangible Assets

	Consolidated Actual \$000s
As at 1 July 2008	
Cost	2,192
Accumulated amortisation and impairment	<u>(1,511)</u>
Net book amount	<u>681</u>
Year ended 30 June 2009	
Opening net book amount	681
Additions	717
Disposals	0
Amortisation disposals	0
Amortisation charge	<u>(403)</u>
Closing net book amount	<u>995</u>
As at 30 June 2009	
Cost	2,909
Accumulated amortisation and impairment	<u>(1,914)</u>
Net book amount	<u>995</u>
Half year ended 31 December 2009	
Opening net book amount	995
Additions	92
Disposals	0
Amortisation on disposals	0
Amortisation charge	<u>(50)</u>
Closing net book amount	<u>1,037</u>
As at 31 December 2009	
Cost	3,001
Accumulated amortisation and impairment	<u>(1,964)</u>
Net book amount	<u>1,037</u>
Half year ended 31 December 2008	
Opening net book amount	681
Additions	262
Amortisation charge	<u>(179)</u>
Closing net book amount	<u>764</u>
As at 31 December 2008	
Cost	2,454
Accumulated amortisation and impairment	<u>(1,690)</u>
Net book amount	<u>764</u>

	Consolidated		
	Dec 2009	Dec 2008	Jun 2009
	Actual \$000s	Actual \$000s	Actual \$000s
13. Trade and other payables			
Trade payables	1,030	1,291	3,262
GST & PAYE	1,039	1,091	1,113
Sundry creditors and accruals	2,037	2,203	1,352
Total trade and other payables	4,106	4,585	5,727

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

14. Employee benefit liabilities			
Accrued pay	(114)	(474)	438
Annual leave	2,244	2,310	2,183
Long service leave	1,104	1,109	1,065
Retirement leave	96	123	96
Time in lieu	(98)	118	139
Sick leave	61	63	61
Bonus provision	513	478	1,013
Restructuring provision	227	0	142
Total employee benefit liabilities	4,033	3,727	5,137
Comprising:			
Current	3,399	3,105	4,503
Non-current	634	622	634
Total	4,033	3,727	5,137

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis by Eriksens and Associates Limited as at 30 June 2009. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, likelihood staff will reach the point of entitlement and contractual entitlements information; and
- Present value of estimated future cash flows using the following key assumptions:
 - Discount rates of 3.79 – 8.64% based on the risk-free rates as calculated from the yields on the New Zealand Government Bonds
 - Inflation factor of 2.75% were based on the expected long-term increase in remuneration of employees.

15. Borrowings

Current

Bank overdraft	0	0	134
Borrowings	0	2,590	0
	0	2,590	134

Non-current

Borrowings	4,000	4,000	4,000
	4,000	4,000	4,000

The overdraft is unsecured.

The carrying value of borrowings approximates their fair value. Borrowings are unsecured. The \$4,000,000 non-current borrowings have a maturity date of 8 March 2012 and a floating interest rate of 3.99% as at 31 December 2009.

Maturity analysis and effective interest rates

	Overdraft	Borrowings
Dec-09		
Less than one year	0	0
Later than one year	0	4,000
Greater than five years	0	0
Dec-08		
Less than one year	0	2,590
Later than one year	0	4,000
Greater than five years	0	0
Interest rates %		
Dec-09		3.9%
Dec-08		11.4%
Jun-09		
Less than one year	134	0
Later than one year	0	4,000
Greater than five years	0	0
Interest rates %		
June 2009	9.7%	7.2%

	Dec 2009	Consolidated Dec 2008	Jun 2009
	Actual	Actual	Actual
	\$000s	\$000s	\$000s
16. Analysis of finance lease liabilities			
Total minimum lease payments are payable			
Not later than one year	11	10	11
Later than one year and not later than five years	16	23	22
Later than five years	0	0	0
Total minimum lease payments	27	33	33
Future finance charges	(6)	(3)	(7)
Present value of minimum lease payments	21	30	26
Present value of minimum lease payments are payable			
Not later than one year	9	9	9
Later than one year and not later than five years	12	21	17
Later than five years	0	0	0
Total	21	30	26
Current	9	9	9
Non-current	12	21	17
Total	21	30	26
17. Revenue in advance			
FRST public good science funding	3,252	909	2,504
MoRST capability funding	1,819	990	528
Commercial contracts	2,194	2,411	1,837
	7,265	4,310	4,869

The carrying value of revenue in advance approximates fair value.

	Consolidated		
	Dec 2009 Actual \$000s	Dec 2008 Actual \$000s	Jun 2009 Actual \$000s
18. Equity			
Retained earnings			
As at beginning of period	17,433	16,123	16,123
Dividends paid	(479)	0	(117)
Transfer of minority interest	0	0	(12)
Surplus/(deficit) for the year	87	230	1,439
As at end of period	17,041	16,353	17,433
Minority interests			
As at beginning of period	0	0	0
Transfers	0	0	0
As at end of period	0	0	0
Share Capital			
As at beginning of period	10,515	10,515	10,515
Proceeds from shares issued	0	0	0
As at end of period	10,515	10,515	10,515

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

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

Dividends of \$0.0111 (June 2008 full year: \$0.0146) per share were paid during the year ended 30 June 2009. Dividends of \$0.0455 per share were paid in the half year ended 31 December 2009. No dividends were paid for the half year ended 31 December 2008.

19. Capital management

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

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

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

	Consolidated		
	Dec 2009 Actual \$000s	Dec 2008 Actual \$000s	Jun 2009 Actual \$000s
20. Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities			
Surplus/(deficit) after tax	87	230	1,439
Add/(less) non cash items:			
Depreciation and amortisation	1,707	1,602	3,908
Non-current employee entitlements	0	0	12
Deferred tax	0	0	136
Add/(less) items classified as investing or financing activities:			
Gain on sale of non-current assets	(13)	0	0
Movement in finance lease receivable	34	31	62
Add/(less) movements in working capital items:			
Inventory	160	(278)	(384)
Trade and other receivables	(283)	(2,240)	697
Trade and other payables	(2,255)	(1,228)	779
Employee benefit liabilities	(1,103)	(825)	571
Derivative financial instruments	(35)	0	(36)
Revenue in advance	2,396	1,112	1,672
Net cash inflow/(outflow) from operating activities	695	(1,596)	8,856

	Consolidated		
	Dec 2009 Actual \$000s	Dec 2008 Actual \$000s	Jun 2009 Actual \$000s
21. Capital commitments and operating leases			
Capital commitments			
Estimated capital expenditure contracted for at balance date but not paid or provided for	134	479	192
Operating lease commitments			
Lease commitments under non-cancellable operating leases			
within one year	389	404	510
later than one year and not later than two years	392	271	268
later than two years and not later than five years	517	223	517
later than five years	2,199	2,016	2,199

22. Contingencies

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

23. 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.

The following transactions were carried out with related parties:

Sirtrack Limited			
Interest received			16
Dividend received			0
Services provided			31
Product purchased			0
Loan outstanding			200
Intercompany current account receivable			653
Landcare Research International Limited			
Intercompany current account receivable/(payable)			4
Landcare Research US Limited			
Intercompany current account receivable/(payable)			(70)

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		
	Dec 2009 Actual \$000s	Dec 2008 Actual \$000s	Jun 2009 Actual \$000s
Key management personnel compensation			
Salaries and other short term employee benefits	1,205	1,142	2,222
Post-employment benefits	0	0	0
Other long-term benefits	0	0	0
Termination benefits	0	0	0

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

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

	Expenditure	Income	Amounts (Payable to)/ Receivable
	\$000s	\$000s	\$000s
Jo Brosnahan Leadership	24	0	0
Antipodes Consult Limited	13	0	0
Boyd Insight Limited	11	0	0
Feronia Ltd	11	0	0
Structure Ventures Ltd	7	0	0
Luxton & Co Ltd	11	0	0

During the year Landcare Research provided services to or received services from the following companies, in which Directors have declared an interest. These transactions were conducted on normal commercial terms.

	Services received from	Services provided to \$000s	Amounts (Payable to)/ Receivable
Haines NZ Limited	25	0	(3)
Telarc SAI Limited	18	0	(6)
Testing Laboratories Registration Council	10	0	(4)

24. Events after the balance sheet date

There were no significant events after balance date.

25. Financial instrument risks

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

Market risk

Price risk

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

Currency risk

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

At 31 December 2009, if the US dollar had weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, post-tax profit for the year would have been \$17,000 (2008: \$21000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US-dollar-denominated trade payables and receivables.

At 31 December 2009, if the Australian dollar had weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, post-tax profit for the year would have been \$8,000 (2008: \$13000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Australian-dollar-denominated trade payables and receivables.

At 31 December 2009, if the Euro dollar had weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, post-tax profit for the year would have been \$1,000 (2008: \$3000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-dollar-denominated trade payables and receivables.

At 31 December 2009, if the UK pound had weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, post-tax profit for the year would have been \$1,000 (2008: \$2000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of UK-pound-denominated trade payables and receivables.

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

Interest rate risk

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

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

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

If interest rates on borrowings at 31 December 2009 had fluctuated by plus or minus .5%, the effect would have been to decrease/increase the surplus after tax by \$14,000 (2008: \$23000) 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 Foundation for Research, Science and Technology and Ministry of Research, Science and Technology; however, the risk is mitigated as both these entities are also Government owned.

Liquidity risk

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

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

Capital risk management

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

	Consolidated		
	Dec 2009	Dec 2008	Jun 2009
	Actual \$000s	Actual \$000s	Actual \$000s
26. Taxation			
Components of tax expense			
Current tax	38	98	474
Adjustments to current tax in prior years	0	0	(76)
Deferred tax expense	0	0	136
Income tax expense	38	98	534
Relationship between tax expense and accounting profit			
Surplus/(deficit) before tax	125	328	1,973
Tax at 30%	38	98	592
Non-deductible expenditure	0	0	19
Prior-year adjustment	0	0	(77)
Tax expense	38	98	534

	Property, plant and equipment	Employee entitlements	Other provisions	Tax Losses	Total
Deferred tax assets/(liabilities) Group					
Balance at 1 July 2008	(889)	949	90	0	150
Charged to profit and loss	(176)	20	20	0	(136)
Charged to equity	0	0	0	0	0
Balance at 1 July 2009	(1,065)	969	110	0	14
Charged to profit and loss	0	0	0	0	0
Charged to equity	0	0	0	0	0
Balance at 31 December 2009	(1,065)	969	110	0	14
Balance at 31 December 2008	(890)	950	90	0	150

	Dec 2009 Actual \$000s	Dec 2008 Actual \$000s	Jun 2009 Actual \$000s
Imputation credit account (Subsidiary - Sirtrack Limited only)			
Opening balance at beginning	619	639	639
Taxation paid/(refund)	54	0	(20)
Closing balance at end	673	639	619

DIRECTORY

Directors:

Jo A Brosnahan (Chair)
Graeme S Boyd
Alastair R Lawrence
M John F Luxton
Robin Pratt
Peter M Schuyt (From 1 Sept 2009)
Tania J Simpson
Victoria Taylor (From 1 Sept 2009)

Senior Management Team:

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

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