

Plant & Food
RESEARCH
RANGAHAU AHUMĀRA KAI



Annual Report | 2010

STATUTORY REPORTING

ANNUAL REPORT 2010

STATUTORY REPORTING

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Highlights

OUR SUCCESS THIS YEAR HAS INCLUDED A NUMBER OF IMPORTANT HIGHLIGHTS:

- **SUPPORTING THE KIWIFRUIT INDUSTRY AS IT TOOK A** major step towards its goal of trebling export earnings to NZ\$3B by 2025 through the immediate commercialisation of three new kiwifruit cultivars – two GOLD and one GREEN – bred by Plant & Food Research.
- **CEMENTING PLANT & FOOD RESEARCH'S ENDURING** relationship with the New Zealand kiwifruit industry through the signing of an updated Operating Agreement with ZESPRI® Group Limited. Twenty-two million dollars of our research investment is now kiwifruit-related and this cornerstone document outlines the process by which our organisations will work together in what is arguably the most valuable commercial alliance in New Zealand horticulture.
- **EXTENDING AND ENHANCING OUR KIWIFRUIT BREEDING** programme by becoming the research partner for the newly-established Kiwifruit Breeding Consortium. Co-investment of \$35.7M from central government and industry will significantly increase the number of new cultivars grown and tested each year and accelerate the Kiwifruit Breeding Programme's search for the next major commercial success.
- **SECURING ONGOING INDUSTRY SUPPORT FOR THE** PREVAR™ pipfruit breeding joint venture. A second cycle of shareholder investment has been confirmed and will see the New Zealand and Australian pipfruit industries each committing \$1.15 million per annum over the next five years, to a total of \$11.5M.
- **CONTINUING TO PUBLISH SIGNIFICANT NEW FINDINGS** in the field of molecular nutrition. This year our researchers showed that natural chemicals from blackcurrants may help breathing in allergy-induced asthma by reducing lung inflammation. Further research may eventually enable the development of foods containing specific fruit-derived compounds that could provide more natural alternatives to assist conventional drug treatments for asthma and other allergic reactions.
- **JOINING WITH UNIVERSITIES AND FELLOW CRIs AS A** foundation member of the newly-established Agricultural Greenhouse Gas Research Centre. Plant & Food Research's expertise in the areas of nitrous oxide and soil carbon will play a leading role in delivering several GHG mitigation research objectives of importance to our core industries.

- **ENGAGING WITH INDUSTRY AND CENTRAL GOVERNMENT** stakeholders in implementing the recommendations of the CRI Taskforce. Changes arising in the New Zealand science system as a result of the Taskforce Report represent an exciting opportunity to emphasise the role of science in securing our nation's future economic and social prosperity.

- **SIGNING A NEW MEMORANDUM OF UNDERSTANDING WITH** the University of Wageningen's Plant Research International unit, one of Europe's major plant research groups and an important collaborator for Plant & Food Research. Wageningen is a world-leading university in the fields of agriculture and food research and our ongoing relationship is expected to broaden opportunities for scientific collaborations with European Union research organisations.

- **OPENING A NEW BIOPROCESSING FACILITY AT OUR** Nelson Seafood Research site. The facility will allow science discoveries made in the laboratory to be developed into real-world commercial successes. Work at the facility will focus particularly on new products made from fish processing by-products, a potentially valuable addition to New Zealand's seafood product base because of their wide range of unique biological, chemical and physical functionalities.

- **STRENGTHENING OUR TRANS-TASMAN APPLE AND** pear research collaborations through membership of the newly-established Productivity, Irrigation, Pests and Soils programme (PIPS). Funded by Horticulture Australia Limited and administered by the Tasmanian Institute of Agricultural Research (TIAR), PIPS brings Plant & Food Research together with researchers from TIAR, the Victorian Department of Primary Industries and Queensland's Department of Employment, Economic Development & Innovation. The AU\$12m programme will run for five years, enabling research that will increase profitability of orchards while minimising the use of water and agricultural chemicals.

- **ESTABLISHING AN INTERNAL BUSINESS UNIT** "Te Raranga Ahumara" (Weaving together of plant and food knowledge) dedicated to developing opportunities where Plant & Food Research can work with Maori. Supported by an internal advisory panel "Te Aka Matua" (The Parent Vine) Te Raranga Ahumara will lead the implementation of Maori research and innovation initiatives set out in our Maori Strategy, raise the internal and external profile of our Maori research work and develop Maori business clients.

- **CONTINUING TO GROW INCOME FROM ROYALTIES BOTH IN** real terms and as a percentage of overall income. As Plant & Food Research's royalty stream is primarily derived from plant cultivars commercialised by industry, growing royalties signal a healthy market for New Zealand premium produce.

- **WORKING WITH RESEARCHERS WORLDWIDE AS PART OF** the Potato Genome Sequencing Consortium (PGSC). This year the PGSC released the first draft sequence of the potato genome – data that could revolutionise breeding programmes. Potato is the world's most important vegetable crop. Access to the potato genome sequence is expected to assist in improving yield, quality, nutritional value and disease resistance of potato varieties.

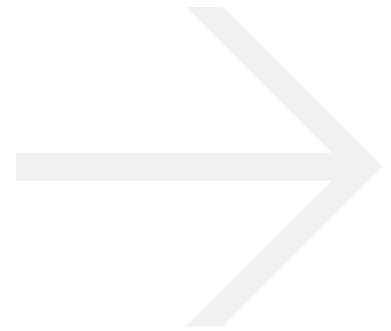
- **SEEING OUR STAFF RECOGNISED FOR THEIR CONTRIBUTION** to both science and industry: Our Chief Scientist Dr Ian Ferguson was recognised for his services to horticultural science in the New Year's Honours List, being awarded a Member of the New Zealand Order of Merit. Dr Mark Goodwin was awarded a New Zealand Science and Technology Medal for his pollination research. Dr Richard Espley was named one of the MacDiarmid Young Scientists of the Year for his work in apple genetics. Dr Espley won the Adding Value to Nature category of the awards, and was also recognised with the Commercialisation Award for research that showed the most potential for commercial application. Dr Sue Gardiner was awarded the 2009 Outstanding International Horticulturist Award for her contribution to apple research.

- **STANDING ALONGSIDE INDUSTRY IN THEIR FIGHT AGAINST** the tomato/potato psyllid. First detected in New Zealand during 2006, the psyllid has subsequently spread across the country, causing significant quality and yield issues for tomato, potato, capsicum, tamarillo and eggplant crops. These crops contribute over \$800 million annually to New Zealand horticulture earnings. Together with industry we have initiated a Sustainable Farming Fund project to identify and evaluate control options for the psyllid.

- **COMMISSIONING CONSTRUCTION OF A NEW PC2 LEVEL** containment glasshouse at our Mt Albert site. The new facility will allow our researchers to work on mature fruit trees within appropriate containment conditions. The work conducted in this facility will directly benefit industries worth hundreds of millions of dollars in export and domestic earnings each year – primarily through reducing the time required to develop premium new fruit cultivars.

Strategic Direction

FORMED ON DECEMBER 1ST 2008 THROUGH THE MERGER OF HORTRESEARCH AND CROP & FOOD RESEARCH, PLANT & FOOD RESEARCH BRINGS TOGETHER OVER 900 RESEARCH AND SUPPORT STAFF FROM AROUND NEW ZEALAND, COMBINING THE NATION'S LEADING HORTICULTURE, ARABLE AND SEAFOOD RESEARCH IN A SINGLE, FOCUSED ORGANISATION.



OUR STRATEGIC FRAMEWORK FOCUSES PLANT & FOOD RESEARCH'S UNIQUE COMBINATION OF RESEARCH AND COMMERCIAL CAPABILITIES AROUND FOUR OUTCOME-BASED PLATFORMS.

ELITE GENETICS AND NEW CULTIVARS

- Better cultivars faster

Plant & Food Research has bred a number of New Zealand's most lucrative fruit and vegetable exports and we have extensive breeding programmes underway to find the next generation of blockbuster varieties. We are now building deeper linkages between those breeding programmes and important underpinning knowledge in the field of plant molecular biology. These linkages will enable our researchers to identify and enhance traits of interest in our breeding populations and to accelerate the development of new cultivars that further strengthen New Zealand's reputation for producing high quality, differentiated fruits, vegetables and plant-based food ingredients.

BIOPROTECTED PRODUCTION SYSTEMS

- Biosecurity, biodiversity, market access

Pests and diseases, both new and established, present a significant challenge for New Zealand's primary exports. Effective pest and disease control is essential to retain product quality and to ensure continued market access. Society and New Zealand's premium global consumers expect this control to be achieved with ever-decreasing levels of environmental impact. Plant & Food Research's Bioprotection programmes utilise in-depth knowledge of the ecological interactions between plants, insects and diseases to develop low-impact monitoring, control and mitigation measures that protect our environment by reducing or eliminating the need for agrichemical interventions.

PLANT & FOOD RESEARCH HAS BEEN FORMED WITH A CLEAR, UNITED PURPOSE: TO GENERATE KNOWLEDGE AND INTELLECTUAL PROPERTY THAT PROMOTES THE INNOVATIVE, EFFICIENT AND SUSTAINABLE USE OF PRIMARY PLANT AND SEAFOOD-BASED RESOURCES TO CREATE VALUE FOR NEW ZEALAND.

SUSTAINABLE PRODUCTION SYSTEMS

– Quality, efficiency and ecoverification

New Zealand is a niche exporter of high value foods to markets which rank among the world's most discerning in their sensitivity to issues of quality and sustainability. Plant & Food Research works to underwrite the ongoing value of New Zealand's clean, green producer branding by conducting world-class science that enables industry to meet or exceed consumer demand for absolute product and production integrity. We are coupling a deep understanding of production economics with knowledge of complex systems biology, social research and environmental science to build systems, tools and technologies that drive sustainable advantage for New Zealand.

FOOD INNOVATION

– Discovering and delivering premium natural foods

Inspired by the high quality foods grown by New Zealand's primary producers, Plant & Food Research works with industry to help meet identified consumer demand for natural, premium foods and beverages. Our science teams identify the intrinsic benefits found within plant and marine-based foods. We then enhance, extract and deliver these benefits to consumers through elite plant cultivars, functional ingredients and new, novel, enhanced foods and beverages. Our ongoing food innovation research confirms the established 'health halo' that surrounds fruits, vegetables, grains and seafoods. We match that science with vision and commercial flair that helps industry to create exciting, premium foods that offer consumers natural ways to feel good.

Chairman's Commentary

Plant & Food Research has ended the 2010 financial year in a strong position. Despite tough economic conditions the Institute has continued to deliver on research contracts and operating performance and has reported a pleasing overall financial result.

In reviewing the highlights of the year it is clear that much has been achieved, particularly with our larger industry clients in the kiwifruit and pipfruit sectors. In both these industries we have successfully extended existing relationships around breeding and commercialisation of elite fruit cultivars, and in doing so have cemented partnerships that will endure for many years to come.

Our science is also enhancing breeding in vegetables, particularly in potato, where we joined a worldwide research consortium in releasing the genome sequence of this vital staple crop. We're helping to protect this industry too, working to find sustainable solutions to controlling the invasive tomato/potato psyllid which threatens these and other commercially valuable vegetable crops nationwide.

In the broader food sector we've made important investments in new research infrastructure for seafood science and published significant findings in the field of molecular nutrition.

Our global partnerships continue to expand, with deepening ties between our researchers and their counterparts in Australia reflecting a new trans-Tasman unity that is also developing at an industry level. Further afield, the quality of our research and our focused commitment on plants and food is making us a highly attractive research partner for some of the world's most influential food research organisations.

In many cases these relationships are driven by the high regard researchers worldwide have for many of our staff.

It has therefore been particularly pleasing this year to see a number of our researchers honoured by their peers, and by the nation, for their contribution to industry and to science.

ORGANISATIONAL AND STRATEGY DEVELOPMENT

The founding vision of Plant & Food Research was to establish the Institute as a centre of research and innovative energy that is clearly and publicly dedicated to driving growth in New Zealand's horticulture, marine and food industries. The past 12 months have seen considerable effort expended to make good the promise of our merger and begin delivery of an enhanced research and innovation capability.

The senior management and staff of Plant & Food Research have this year completed an impressive list of projects and other initiatives to continue the transition from two organisations to one. These have included 15 separate Information Technology & Services projects and new frameworks for Health & Safety and Environmental Compliance.

The essential fabric of the Institute is now in place and the Board has also approved a number of overarching strategies that will direct Plant & Food Research's energies in critical areas of research and commercial engagement. These include industry-aligned strategies for food innovation and seafood, as well as strategies for engagement with Maori and for enabling the ongoing capture of specific commercial and collaborative research opportunities on the world stage.

At the same time, we have completed a full review and update of our overall organisational strategy, a significant undertaking which included a series of internal, client and stakeholder workshops. The results have been incorporated into our five-year Business & Strategic Plan that was

approved by the shareholder in June. Further work in the year ahead will take this into the next stage of detailed planning at the individual group and team level.

Plant & Food Research must now also move to address three key platforms: operational and financial performance, Core Funding allocation and industry partnering.

The outlook for operational and financial performance is positive, with a strong sense that our new Institute possesses the organisational self-confidence required to effectively harness the commercial potential of quality research and robust industry relationships.

The advent of Core Funding – which for Plant & Food Research could comprise up to one third of total revenue – is both exciting and challenging. A greater degree of self-determination in our investments will open new research opportunities, but also brings with it a much stronger focus on Plant & Food Research’s ability to make appropriate investment decisions. The Board has already determined that strategy will be the primary driver for resource allocation and the CEO and Senior Management Team will now fine-tune the system internally to achieve appropriate balance across research portfolios.

Effective partnering – the way we work with our clients, end-users and other stakeholders – is critical for the success of Plant & Food Research, and is necessary to ensure our research is well targeted and the results transferred effectively to end-users. The changes arising from the CRI Taskforce recommendations give added emphasis to our ability to demonstrate the value we have created or defended for end-users. A Partner Project began this year and will be the first phase of a longer term effort to lift our game in how well we partner. In the future we believe our Institute can be as well recognised for the quality of our partnering as we are for our science.

A NOTE OF THANKS

Plant & Food Research’s inaugural Chairman, Jim McLean, stepped down from the Board on July 30. Before becoming Chairman in 2008, Jim had served for five years on the Board of HortResearch – where he was Chairman from 2006. I know Jim felt it was both an honour and a privilege to lead the formation of Plant & Food Research and he can be proud to have played a role in bringing together our nation’s leading horticulture, arable and seafood researchers in a single organisation structured and entrusted to deliver science in pursuit of sustainable sector growth.

I’d also like to recognise the work of the wider Board in what has been a very productive year. Three of my fellow directors, Paddy Boyle, Kevin Marshall and Anna Koltunow completed their terms this year. I thank them for their contribution, to both Plant & Food Research and our legacy organisations. We also welcome three new directors. Alison Stewart, Jane Hunter and Mark Stuart bring valuable commercial, scientific and governance experience to our Board and I look forward to working with them.

I must also publicly recognise the continued contribution this year of Chief Executive Peter Landon-Lane and his Senior Management Team in the ongoing enterprise of harnessing the wealth of knowledge, passion and commitment found within our Institute.



MICHAEL AHIE
CHAIRMAN

Chairman & CEO's Report

NOTES ON RESULTS COMPARISONS

The financial statements and notes for the year ended 30 June 2010 presented in this Annual Report on pages 16 to 45 represent 12 months of trading from Plant & Food Research. Prior year comparatives represent 7 months of trading from Plant & Food Research and 5 months of trading from Crop & Food Research, being the legal entity that existed before the merger and name change to Plant & Food Research. The financials presented in the Annual Report are as required by the Public Finance Act.

In order to compare the results of the merged organisation with prior year results more readily, the financials presented on the right summarise the results for Plant & Food Research as if the merger had occurred on 1 July 2008, in other words, a comparison of 12 months trading for Plant & Food Research for 2010 and 2009.

RESULTS OVERVIEW

Plant & Food Research delivered a commendable financial performance for the year despite the negative impact the global financial crisis had on the external operating environment.

Operating profit before one-off items increased by 150%, or \$3.3m over last year, and this result is indicative of Plant & Food Research's focus on meeting expectations in the first full financial year of the merged organisation.

Net profit after tax was negatively impacted by large one-off items, specifically the impairment of certain assets and a deferred tax write down as a result of tax law changes. Net profit after tax was \$0.6m worse than budget excluding the impact of these large one-off items.


This result includes actual gains on sale of assets of \$0.7m v. budget of \$2.5m. The global financial crisis severely depressed the rural property market and budgeted land sales were delayed.

Operating profit, excluding gains on sale, of \$4.8m was 4% better than budget, despite operating revenues being 4% worse than budget.

Plant & Food Research responded to the impact of the global financial crisis by carefully managing operating costs, working capital and investment spend in order to meet profit expectations and preserve cash. As a result non-current assets and investing cashflows are lower than budget.



MICHAEL AHIE
CHAIRMAN



PETER LANDON-LANE
CHIEF EXECUTIVE OFFICER

RESULTS OF GROUP OPERATIONS

	2010 Actual \$000	2010 Budget \$000	2009 Actual \$000
Operating revenue	117,529	123,102	119,570
Operating costs	112,941	117,823	117,281
(Gain) / loss on sale assets	(701)	(2,500)	(32)
Net interest	(222)	609	155
Share of retained (profit) of associate	(33)	-	(33)
Operating profit / (loss) before one-off expenses	5,544	7,170	2,199
Restructuring costs	309	905	3,770
Impairment of investments	-	-	115
Impairment of assets	3,634	-	233
Library asset write-off	-	-	1,813
Operating profit/(loss) before taxation	1,601	6,265	(3,732)
Operating loss attributable to minority interest	(110)	(216)	(207)
Taxation expense	7,394	1,319	139
Operating loss attributable to Parent after tax	(5,683)	5,162	(3,664)

GROUP BALANCE SHEET

Current assets	29,088	29,766	30,137
Non-current assets	67,559	78,581	73,299
Current liabilities	25,368	23,359	28,613
Non-current liabilities	3,817	9,013	1,590
Net Assets	67,462	75,975	73,233

GROUP CASH FLOW

Cash flows from operating	6,855	11,170	13,515
Cash flows from investing	(8,890)	(17,125)	(8,765)
Cash flows from financing	10	(12)	(6,933)
Net Cash Flow	(2,025)	(5,967)	(2,183)

Capability Fund

Plant & Food Research received \$10.2M in capability funding for the 09/10 year.

The Capability Fund is the major part of internal investment for Plant & Food Research, the other allocations being:

- Re-investment of kiwifruit royalties as determined by our operating agreement with ZESPRI® Group Limited and focusing on the pipeline for developing new cultivars
- Internal investment covering other areas of cultivar development and research.

PLANT & FOOD RESEARCH USES CAPABILITY FUNDING FOR:

- Maintaining capability that underpins New Zealand’s economic, environmental and social research needs
- Developing new capability for New Zealand research areas in the future
- Ensuring that research pipelines of value to industry and Plant & Food Research’s strategic aims are filled
- Supporting other research programmes to ensure critical mass and resources are maintained.

BREEDING & GENOMICS

New cultivar development from smart breeding of elite germplasm



Major target:

Faster cultivar production and commercialisation

Investment underpinned:

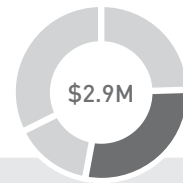
- Germplasm maintenance
- Breeding programmes
- Genomic technologies
- Bioinformatics and data analysis
- High throughput phenotyping

Examples of successful investment:

We have expanded our activities in identification of traits for breeding and the development of genetic markers which can be used for faster breeding. Whole genome and deep sequencing is changing the ways in which we will be able to develop markers and identify beneficial variability in breeding material. Speeding up phenotyping is a priority. For example in one project, identification and utilisation of molecular regulators of vegetative to floral transition in temperate fruit crops will allow us to manipulate the time of flowering, to allow the rapid evaluation of desirable traits and precision breeding of new cultivars.

BIOPROTECTION

Production systems that target zero chemical usage, bioprotected food production and biodiversity



Major target:

Bioprotection systems with minimal chemical input

Investment underpinned:

- Pest and disease resistance
- Production systems that target zero chemical usage
- Bioprotected food production
- Biodiversity

Examples of successful investment:

Major pests and diseases in our premium crops have been targeted. One target is grapevine leafroll disease. The sustainable production of premium quality grapes for New Zealand’s wine industry is presently threatened by the rapid spread of this disease, which is transmitted by mealybugs. The virus severely affects grapevine physiology, yield and berry quality and reduces the economic life of newly infected vineyards to just 12 years. A further target is pests and diseases that threaten access to our export markets. There is a need to identify and develop safe and environmentally acceptable fumigants and to build the capability to evaluate their potential. Plant & Food Research has New Zealand’s major disinfestation capability and funding has been used to maintain and develop market access capability and technologies.

FUTURE CAPABILITY DEVELOPMENT:

Capability funding has an important role in ensuring that we can develop new capability in areas that will be of growing importance in the years ahead, both in terms of New Zealand's needs and Plant & Food Research's industry-aligned strategy.

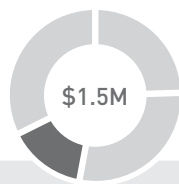
Such new capabilities include:

- Systems approaches and landscape ecology: evaluating the interaction between production and environmental imperatives in land use decision-making and protection against pests and diseases

- Whole genome and deep sequencing: developing capability in new and emerging sequencing technologies and associated bioinformatics for genome analysis of our major food crops
- New food functionalities: providing the capability to identify and characterise new functionalities of fruits and vegetables for future new food products
- Production footprints: strengthening and integrating capability in modelling and assessing environmental footprints in our major crop production systems.

SUSTAINABLE PRODUCTION

Environmentally and economically sustainable production systems for food crops



Major target:

Production systems with reduced production footprints, underpinned by systems modelling-based technology

Investment underpinned:

Sustainable production systems

Production footprints

Modelling crop plant growth and production

Harvesting and postharvest aspects of seafood

Examples of successful investment:

Measuring-modelling capability for the net CO₂ footprint from a horticultural ecosystem has been supported. This has involved developing the capability to measure the net CO₂ flux between an orchard surface and the atmosphere, and modifying and validating our SPASMO model as a tool to predict carbon footprints at the orchard scale. With seafood, we are supporting and expanding a newly emerging research capability centred on providing direct access to seafood raw materials for research purposes, as well as underpinning the development of a new science platform in wild stock enhancement and capture for New Zealand. The aim is to extend rested and selective harvesting into wild populations with attendant product quality, ethical and ecological benefits and to produce reference populations of key or emergent New Zealand seafood species.

FOOD INNOVATION

Foods with new functionalities, particularly in the human health domain



Major target:

New foods and ingredients with health-based functionalities

Investment underpinned:

Foods with new functionalities

Gut activity and well-being

Food information management systems

New biomolecules, including new and natural products

Examples of successful investment:

Functional foods depend on high levels of bioavailability for their efficacy. We are developing a suite of *in vitro* techniques to identify real *in vivo* biological activities of functional fruit extract ingredients/ phytochemicals by using bioavailability screens of the gut lining to determine which components of a fruit extract are significantly bioavailable by direct absorption through the gut wall. Preparative HPLC fractionation is also being applied to extracts and colonic metabolites to generate mixtures of compounds that are simple and well characterised enough for evaluation of biological function. A major area of functionality is response to exercise. Animal models of moderate and exhaustive exercise are being developed to allow examination of the impact of fruit or fruit compounds on physical health and wellbeing. We have also further developed core competency in food development and in creating food prototypes that are easy for the food industry to understand, access and commercialise.

Good Employer Responsibilities

IN THE PAST YEAR WE HAVE STRIVEN TO ESTABLISH A PLANT & FOOD RESEARCH CULTURE THAT IS UNDERPINNED BY THREE CORE VALUES: THE CREATIVE APPLICATION OF OUR KNOWLEDGE, ACHIEVEMENT THROUGH LEADERSHIP, AND RELATIONSHIPS BASED ON MUTUAL RESPECT AND TRUST. OUR PEOPLE-RELATED INITIATIVES ARE INTENDED TO ADVANCE THIS OBJECTIVE AND, IN DOING SO, OUR PERFORMANCE AND REPUTATION AS A GOOD EMPLOYER.

BEST PRACTICE RECRUITMENT AND SELECTION

In the past year Plant & Food Research recruited 56 people (35 female, 21 male), including 31 into scientific and technical roles (19 female, 12 male). A further 22 were appointed to roles from within the organisation. A strong emphasis is placed on the use of best practice recruitment procedures for all appointments, with line managers being supported in this by members of our HR advisory team. Our commitment to identifying and recruiting high calibre individuals is supported through regular participation in career events at universities across New Zealand and our annual Summer Studentship Programme.

DEVELOPING LEADERS

Following a post-merger review and refresh, our Leadership Programme has been launched as Plant & Food Research's primary vehicle for the development of its current and future leaders and the promotion of a unified, positive culture. Over the past year 57 people participated in the programme for the first time, including 17 at senior level and a further 40 at team leader level. Resurveys conducted for participants in intakes from previous years have continued an established trend for leadership performance to improve.

GENERAL TERMS & CONDITIONS OF EMPLOYMENT

The Plant & Food Research General Terms & Conditions of Employment form the basis of a new Collective Agreement negotiated with the PSA, representing 78% of our employees, and individual employment agreements with other staff. In addition to standard requirements for employment agreements, the terms and conditions include a range of provisions promoting equal employment opportunities, career development and employee participation in the development of the workplace.

A revised Code of Conduct & Ethics defines the standards of conduct and professionalism expected at all levels of the organisation.

CAREER AND SALARY PROGRESSION

Following Plant & Food Research's establishment, priority has been given to implementing a single career and associated remuneration structure, the provisions of which are also included within the General Terms and Conditions of Employment. In the past year we have completed the process of placing all the organisation's 650 research staff within the new structure using a standard evaluation tool, in line with a commitment to ensure both equity and transparency in terms of both salaries and progression opportunities.

The resulting salary changes have seen the average researcher salary increase by 9.8% from 2007 levels, in line with our commitment to progressively align salaries with the New Zealand market. The changes have also contributed to a further reduction in the salary differential between male and female researchers.

A SAFE AND HEALTHY WORK ENVIRONMENT

The Institute places a strong emphasis on ensuring that our people have the practical knowledge and guidance required to ensure their safety at work. To this end, laboratory safety coordinators have been appointed at our three largest sites, with a further specialist role covering our farm, orchard and glasshouse activities. Reporting to a General Manager of Science, the safety co-ordinators play a vital role in promoting best practice laboratory management across all our sites.

Financial Statements

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DIRECTORS' REPORT

THE DIRECTORS ARE PLEASED TO PRESENT THE FINANCIAL STATEMENTS OF THE NEW ZEALAND INSTITUTE FOR PLANT & FOOD RESEARCH LIMITED FOR THE YEAR ENDED 30 JUNE 2010.

RESULTS OF GROUP OPERATIONS

The New Zealand Institute for Plant & Food Research Limited was officially formed on 1 December 2008. The 2009 actual results therefore represent 7 months trading from Plant & Food Research and 5 months trading from Crop & Food Research.

	2010 Actual \$000	2010 Budget \$000	2009 Actual \$000
Revenue	117,529	123,102	92,321
Operating profit/(loss) before taxation	1,601	6,265	(3,377)
Less taxation	7,394	1,319	124
Operating profit/(loss) after taxation	(5,793)	4,946	(3,501)
Operating loss attributable to minority interest	(110)	(216)	(207)
Operating profit/(loss) attributable to Parent	(5,683)	5,162	(3,294)

PRINCIPAL ACTIVITY OF THE GROUP

The Group's principal activity is to provide scientific research that benefits New Zealand, within the horticulture, arable, seafood and processed food industries in accordance with the purpose and principles for the operation of Crown Research Institutes as set out in sections 4 and 5 of the Crown Research Institutes Act 1992.

The Company is a private company limited by shares and incorporated in accordance with the Companies Act 1993.

REVIEW OF OPERATIONS

A review of the operations accompany this report on page 8.

SHARE DEALINGS

The Directors have not, and are unable to, trade in shares of the Company as all shares of the Company are held by the Shareholding Ministers on behalf of the Crown. Accordingly the Board has received no notices of dealings in relevant interests in shares of the Company.

DIRECTORS' INSURANCE

Directors' and Officers' liability insurance was effected for the Directors and certain employees of the Company. The insurance is in respect of certain specified liabilities, not including criminal liability, incurred by a Director or employee in respect of any act or omission in his or her capacity as a Director or employee of the Company.

The Company has indemnified Directors and certain employees of the Company for costs and proceedings and for liabilities incurred by the employee in respect of any act or omission in his or her capacity as an employee of the Company. The indemnity for liabilities incurred does not extend to criminal liability or liability for breach of a fiduciary duty owed to the Company.

AUDITORS

PricewaterhouseCoopers has been appointed as the audit service provider by the Auditor-General. The Auditor-General is the statutory auditor pursuant to section 14 of the Public Audit Act 2001 and section 21 of the Crown Research Institutes Act 1992.

SIGNIFICANT CHANGES

GraceLinc Limited, a 100% owned subsidiary, was formed in 1998 to commercialise intellectual property surrounding the extraction of beta glucan from barley. The Board of Plant & Food Research, following consultation with the shareholder, placed GraceLinc into receivership. Further details of the receivership are disclosed in note 18 of the accounts.

There were no other significant changes to the business of the Company during the year.

DIRECTORS' REMUNERATION

During the year the following remuneration was paid or payable to Directors in accordance with the schedule approved by the Shareholding Ministers:

	Group \$	
J McLean	70,322	(retired 30 June 2010)
R Wong	53,539	
P Boyle	48,522	(retired 30 June 2010)
J Elrick	36,928	
J Scotland	38,285	
M Bayly	35,866	(appointed 1 July 2009)
A Stewart	19,950	(appointed 1 December 2009)
J Hunter	19,950	(appointed 1 December 2009)
K Marshall	14,250	(retired 30 November 2009)
A Koltunov	14,286	(retired 30 November 2009)

REMUNERATION OF EMPLOYEES

The number of employees and ex-employees whose total remuneration, including benefits and severance payments, on an annualised basis, was in excess of \$100,000 in \$10,000 bands, is:

Remuneration bands in \$000	Number of employees	Remuneration bands in \$000	Number of employees
100 - 109	34	210 - 219	2
110 - 119	18	230 - 239	2
120 - 129	8	240 - 249	1
130 - 139	9	250 - 259	1
140 - 149	4	280 - 289	1
150 - 159	4	290 - 299	1
160 - 169	5	320 - 329	1
180 - 189	2	340 - 349	1
190 - 199	2	470 - 479*	1
200 - 209	1		

* Includes the Chief Executive's remuneration

For and on behalf of the Board of Directors:



Michael Ahie, Chairman
27 August 2010

AUDITORS' REPORT

TO THE READERS OF THE NEW ZEALAND INSTITUTE FOR
PLANT & FOOD RESEARCH LIMITED AND GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



The Auditor-General is the auditor of The New Zealand Institute for Plant & Food Research Limited (the Company) and Group. The Auditor-General has appointed me, Paul Clark, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements of the Company and Group for the year ended 30 June 2010.

UNQUALIFIED OPINION

In our opinion:

- The financial statements of the Company and Group on pages 16 to 45:
 - comply with generally accepted accounting practice in New Zealand; and
 - comply with International Financial Reporting standards; and
 - give a true and fair view of:
 - the Company and Group's financial position as at 30 June 2010; and
 - the results of 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 27 August 2010, and is the date at which our opinion is expressed.

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

BASIS OF OPINION

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

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

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

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

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;

- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE AUDITOR

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the Company and Group as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Crown Research Institutes Act 1992, the Public Finance Act 1989 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, section 21(1) of the Crown Research Institutes Act 1992 and the Public Finance Act 1989.

INDEPENDENCE

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand. In addition to the audit we have carried out assignments in the area of provision of financial reporting advice which are compatible with these independence requirements.

Other than the audit and these assignments, we have no relationship with or interests in the Company or any of its subsidiaries.

Paul Clark
PricewaterhouseCoopers
On behalf of the Auditor-General
Auckland, New Zealand

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

	Note	GROUP			PARENT	
		2010 Actual \$000	2010 Budget \$000	2009 Actual \$000	2010 Actual \$000	2009 Actual \$000
PROFIT AND LOSS						
Revenue						
Crown-funded research contracts		63,729	58,723	42,440	63,729	42,440
Commercial science research contracts		51,696	62,591	47,526	50,069	46,449
Other income		2,104	1,788	2,355	2,104	2,533
		117,529	123,102	92,321	115,902	91,422
Less operating costs						
Personnel costs	(4)	65,719	65,573	49,495	64,688	47,898
Restructuring		309	905	3,770	309	3,770
Depreciation expense	(5)	8,004	8,300	5,540	7,897	5,293
Amortisation expense	(5)	797	100	495	728	331
(Gain)/loss on sale of assets		(701)	(2,500)	(32)	(701)	(41)
Impairment of investments	(18) (20)	-	-	115	5,751	865
Impairment of assets	(18)	3,634	-	233	375	233
Library asset write-off	(3 AA)	-	-	1,813	-	1,813
Other operating expenses	(6)	38,421	43,850	33,637	37,118	32,741
		116,183	116,228	95,066	116,165	92,903
Operating profit/(loss) before interest & taxation		1,346	6,874	(2,745)	(263)	(1,481)
Finance income	(7)	351	-	411	345	411
Finance costs	(7)	(129)	(609)	(1,076)	(129)	(1,076)
Share of retained profit/(loss) of associates	(19)	33	-	33	-	-
		1,601	6,265	(3,377)	(47)	(2,146)
Taxation (benefit) / expense	(8)	7,394	1,319	124	7,081	(343)
Operating profit/(loss) after taxation		(5,793)	4,946	(3,501)	(7,128)	(1,803)
OTHER COMPREHENSIVE INCOME						
Currency translation differences	(22)	(2)	-	(5)	-	-
Cashflow hedges, net of tax	(23)	24	-	(3)	24	(3)
Other comprehensive income, net of tax		22	-	(8)	24	(3)
Total comprehensive income		(5,771)	4,946	(3,509)	(7,104)	(1,806)
Operating Profit / (Loss) attributable to:						
- owners of the company		(5,683)	5,162	(3,294)	(7,128)	(1,803)
- minority interest		(110)	(216)	(207)	-	-
		(5,793)	4,946	(3,501)	(7,128)	(1,803)
Total Comprehensive Income attributable to:						
- owners of the company		(5,661)	5,162	(3,302)	(7,104)	(1,806)
- minority interest		(110)	(216)	(207)	-	-
		(5,771)	4,946	(3,509)	(7,104)	(1,806)

The 2009 comparatives represent 7 months of trading from Plant & Food Research and 5 months trading from Crop & Food Research.
The accompanying notes form part of these accounts.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2010

ATTRIBUTABLE TO OWNERS OF THE GROUP

Note	Share capital \$000	Retained earnings \$000	Translation \$000	Cash flow hedge \$000	Minority interest \$000	Total Equity \$000
Balance as at 01 July 2008	17,436	5,710	(36)	-	-	23,110
Changes in equity for						
Profit / (loss) for the year (22)		(3,294)				(3,294)
Other comprehensive income, net of taxes			(5)	(3)		(8)
Gain on amalgamation (30)		54,201				54,201
Dividends payable to shareholder (22)		(1,606)				(1,606)
Sale of shares in subsidiary (31)					634	634
Gain on sale of share in subsidiary (22)		403				403
Share of operating loss in subsidiary (31)					(207)	(207)
Balance as at 30 June 2009	17,436	55,414	(41)	(3)	427	73,233
Changes in equity for						
Profit / (loss) for the year (22)		(5,683)				(5,683)
Other comprehensive income, net of taxes			(2)	24		22
Gain / (loss) on repurchase of share in subsidiary (22) (31)		317			(317)	-
Share of operating loss in subsidiary (31)					(110)	(110)
Balance as at 30 June 2010	17,436	50,048	(43)	21	-	67,462

ATTRIBUTABLE TO OWNERS OF THE PARENT

Note	Share capital \$000	Retained earnings \$000	Cash flow hedge \$000	Total Equity \$000
Balance as at 01 July 2008	17,436	6,035	-	23,471
Changes in equity for				
Profit / (loss) for the year (22)		(1,803)		(1,803)
Other comprehensive income, net of taxes (23)			(3)	(3)
Gain on amalgamation (30)		54,077		54,077
Dividends payable to shareholder (22)		(1,606)		(1,606)
Balance as at 30 June 2009	17,436	56,703	(3)	74,136
Changes in equity for				
Profit / (loss) for the year (22)		(7,128)		(7,128)
Other comprehensive income, net of taxes (23)			24	24
Balance as at 30 June 2010	17,436	49,575	21	67,032

The 2009 comparatives represent 7 months of trading from Plant & Food Research and 5 months trading from Crop & Food Research. The accompanying notes form part of these accounts.

BALANCE SHEET

as at 30 June 2010

	Note	GROUP			PARENT	
		2010 Actual \$000	2010 Budget \$000	2009 Actual \$000	2010 Actual \$000	2009 Actual \$000
Current assets						
Cash and short-term deposits	(9)	7,097	279	9,126	6,612	8,803
Receivables and prepayments	(10)	21,375	27,936	18,505	20,783	18,451
Inventories	(11)	440	1,551	2,506	439	645
Assets held for sale		176	-	-	176	-
Total current assets		29,088	29,766	30,137	28,010	27,899
Current liabilities						
Accounts payable and accruals	(12)	15,655	15,350	18,677	15,524	18,680
Employee entitlements - current	(13)	9,341	7,581	8,241	9,319	8,142
Restructuring provision	(14)	30	-	1,240	30	1,240
Current portion mortgage	(15)	15	14	14	15	14
Taxation payable	(8)	327	414	441	331	439
Total current liabilities		25,368	23,359	28,613	25,219	28,515
Working capital		3,720	6,407	1,524	2,791	(616)
Non-current assets						
Property, plant and equipment	(16)	65,041	71,341	65,894	65,002	64,406
Intangible assets	(17)	1,875	2,328	2,646	1,875	1,281
Subsidiary and associate receivables		-	-	-	583	2,507
Investments - subsidiaries	(18)	-	-	-	43	3,576
Investments - associates	(19)	196	508	154	155	236
Investments - other	(20)	408	855	702	376	670
Deferred tax asset	(21)	39	3,549	3,903	-	3,559
Total non-current assets		67,559	78,581	73,299	68,034	76,235
Non-current liabilities						
Employee entitlements - non current	(13)	670	725	1,200	646	1,176
Mortgage	(15)	291	288	307	291	307
Loans	(15)	-	8,000	83	-	-
Deferred tax liability	(21)	2,856	-	-	2,856	-
Total non-current liabilities		3,817	9,013	1,590	3,793	1,483
NET ASSETS		67,462	75,975	73,233	67,032	74,136
Represented by:						
Equity						
Share capital	(22)	17,436	17,436	17,436	17,436	17,436
Retained earnings	(22)	50,048	57,821	55,414	49,575	56,703
Foreign currency translation reserve	(22)	(43)	(28)	(41)	-	-
Cash flow hedge reserve	(23)	21	-	(3)	21	(3)
Minority interest	(31)	-	746	427	-	-
TOTAL SHAREHOLDERS EQUITY		67,462	75,975	73,233	67,032	74,136

For and on behalf of the Board of Directors:



Michael Ahie, Chairman
27 August 2010



Janie Elrick, Director
27 August 2010

The 2009 comparatives represent 7 months of trading from Plant & Food Research and 5 months trading from Crop & Food Research.
The accompanying notes form part of these accounts.

CASH FLOW STATEMENT

for the year ended 30 June 2010

	Note	GROUP			PARENT	
		2010 Actual \$000	2010 Budget \$000	2009 Actual \$000	2010 Actual \$000	2009 Actual \$000
Cashflows from/applied to operating activities						
Receipts from customers		124,636	136,030	105,827	123,438	103,453
Interest and dividends from investments		351	-	480	345	479
Payments to employees & suppliers		(117,393)	(122,933)	(96,796)	(116,349)	(93,247)
Interest paid		(26)	(608)	(845)	(26)	(845)
Tax paid		(713)	(1,319)	(33)	(700)	(37)
Net cashflows from operating activities	(25)	6,855	11,170	8,633	6,708	9,803
Cashflows from/applied to investing activities						
Sale of property, plant and equipment		927	-	52	903	41
Sale of intangible assets		175	-	-	-	-
Sale of investment	(19)	650	-	400	650	400
Purchase of property, plant and equipment	(16)	(8,779)	(15,125)	(6,457)	(8,779)	(6,407)
Purchase of intangible assets	(17)	(1,848)	(2,000)	(784)	(1,848)	(784)
Purchase of investments		(15)	-	(288)	(15)	(288)
Net cashflows from investing activities		(8,890)	(17,125)	(7,077)	(9,089)	(7,038)
Cashflows from/applied to financing activities						
Capital received		-	-	1,037	-	-
Term borrowings		-	2,000	-	-	-
Repayment from GraceLinc		-	-	-	550	-
Repayment from minority interest		25	-	-	25	-
Dividends paid		-	(2,000)	(1,606)	-	(1,606)
Repayment of term loan		(15)	(12)	(6,214)	(15)	(6,014)
Advance to GraceLinc		-	-	-	(370)	(500)
Net cashflows from financing activities		10	(12)	(6,783)	190	(8,120)
Net cashflow		(2,025)	(5,967)	(5,227)	(2,191)	(5,355)
Effect of foreign currency translation adjustment		(4)	-	(5)	-	-
Opening cash position		9,126	6,246	1,506	8,803	1,359
Cash addition from amalgamation	(30)	-	-	12,852	-	12,799
Closing cash position		7,097	279	9,126	6,612	8,803

The 2009 comparatives represent 7 months of trading from Plant & Food Research and 5 months trading from Crop & Food Research. The accompanying notes form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

1. REPORTING ENTITIES

The New Zealand Institute for Plant & Food Research Limited (the "Company" or "Plant & Food Research") and its subsidiaries (the "Group") is a Crown Research Institute governed by the Crown Research Institute Act 1992 and is a limited liability company incorporated and domiciled in New Zealand. The whole of the share capital is held by Ministers of the Crown on behalf of the New Zealand Government. The Company's registered office is 120 Mt Albert Road, Mt Albert, Auckland 1025.

The Group is primarily involved in research services on a fee-for-service basis.

The parent Company and the Group are designated as profit-oriented entities for financial reporting purposes.

These financial statements have been approved for issue by the Board of Directors on 27 August 2010.

The Group changed its name to The New Zealand Institute for Plant & Food Research Limited following an amalgamation on 1 December 2008, refer note 30.

2. BASIS OF PREPARATION

The financial statements are presented in New Zealand dollars (NZD), which is the Company's functional and presentation currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars (\$000).

These financial statements are for the twelve months ended 30 June 2010. The 2009 actual results represent 7 months trading from Plant & Food Research and 5 months trading from Crop & Food Research. Refer note 30 for details of the amalgamation.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(A) Statement of Compliance

These financial statements have been prepared in accordance with the requirements of the Crown Research Institutes Act 1992, the Public Finance Act 1989, the Companies Act 1993 and the Financial Reporting Act 1993.

The financial statements have also been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other Financial Reporting Standards, as appropriate for profit-oriented entities. They also comply with International Financial Reporting Standards (IFRS).

(B) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's knowledge of current events and actions that may be undertaken in the future, actual results may ultimately differ from estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised and in any future periods affected. Use of estimates and assumptions is disclosed further in note 3(X).

(C) New and Amended Standards and Interpretations Adopted by the Company

The following new standards and amendments to standards are mandatory for the first time for accounting periods beginning on or after 1 January 2009:

NZ IAS 1 (revised) Presentation of Financial Statements

All changes in equity arising from transactions with shareholders in their capacity as owners are to be presented separately from non-owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present one statement: a statement of comprehensive income. These financial statements have been prepared under the revised disclosure requirements.

NZ IFRS 7 Financial Instruments - Disclosures (amendment)

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosures of fair value measurements by level of fair value measurement hierarchy. As the amended policy only results in additional disclosures, there is no impact on reported earnings.

(D) Standards and Interpretation Issued and not yet Adopted

The following new standards and amendments to standards are mandatory for future periods, but are not yet currently relevant for the Group:

NZ IFRS 3 Business Combinations

From the accounting period beginning on or after 1 July 2009 there will be significant changes to the method used to account for business combinations, in particular in relation to the treatment of transaction costs and contingent consideration.

NZ IFRS 9 Financial Instruments : Classification and Measurement

From the accounting period beginning on or after 1 January 2013 NZ IFRS 9 will replace the multiple classification and measurement models in NZ IAS 39 *Financial Instruments: Recognition and Measurement* with a single model that has two classification categories: amortised cost and fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements of the Group include the parent entity, Plant & Food Research, and its controlled entities. Controlled entities include entities over which the Group has the power to govern financial 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 upon the level of potential ownership benefits that arise from the activities of the subsidiary. The financial statements of subsidiaries are included in the consolidated financial statements from the date which the Group obtains control and until such time as the Group ceases to control the entity. Any changes in the Parent ownership interest that do not result in the loss of control are accounted for as equity transactions.

The Group measures the cost of a business combination as the aggregate of 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 Comprehensive Income.

The purchase method of accounting is used to prepare the consolidated financial statements of the Group. In preparing the consolidated financial statements, the effects of all transactions, balances and unrealised gains and losses on transactions between entities in the Group have been eliminated. The Group's investment in its subsidiaries are initially carried at cost in the Parent's financial statements subject to any write down arising from an annual impairment review.

The financial statements of controlled entities have been prepared for the same reporting period as the parent entity, using consistent accounting policies.

(ii) Associates

Associates are those entities over which the Group has significant influence, but not control, of the financial and operating policies. Investments in associate companies have been accounted for using the equity method of accounting and are initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the surplus or deficit of the associate after the date of acquisition. The Group's share of the surplus or deficit of the associate is recognised in the Group's Statement of Comprehensive Income. Distributions received from an associate reduce the carrying amount of the investment.

If the Group's share of deficits of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further deficits. After the Group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the Group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of the deficits not recognised.

The Group's share in the associate's surplus or deficits resulting from unrealised gains on transactions between the Group and its associates is eliminated. The Group's investments in associates are carried at cost in the Parent's financial statements.

(iii) Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Group recognises its interest in jointly controlled entities using the equity method. The investment in a jointly controlled entity is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the surplus or deficit of the jointly controlled entity after the date of acquisition. The Group's share of the profit or loss of the jointly controlled entity is recognised in the Group's Statement of Comprehensive Income. The Group's investment in a jointly controlled entity is carried at cost in the Parent's financial statements.

(B) Revenue

Revenue is recognised at the fair value of consideration received or receivable to the extent that it is probable, that economic benefits will flow to the Group. Revenue is shown net of GST, returns and discounts and after eliminating sales within the Group. The following specific recognition criteria must be met before revenue is recognised:

(i) Crown-funded research contracts

Revenue from the Crown is recognised in the Statement of Comprehensive Income when the requirements under the funding agreement have been met.

(ii) Commercial science research contracts

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

Sale of goods - manufactured

The Group manufactures product for the food industry. Sales of goods are recognised when a Group entity has delivered product to a manufacturer. At this point there is no unfulfilled obligation that could affect a manufacturer's acceptance of the product. Delivery does not occur until the product has been shipped to the specified location.

Sale of goods-other than manufactured goods

Sales of goods are recognised when a product is sold to the customer. Sales are usually on account. The recorded revenue is the gross amount of the sale, net of returns.

Sale of services

Research services are provided on a fixed-price contract, with contract terms generally ranging from less than a year to five years.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided. If circumstances arise that may change the extent of the progress toward completion, the estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

(iii) Other income

Rental income

Lease receipts under an operating lease are recognised as revenue on a straight-line basis over the lease term.

(iv) Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established. Interest revenue is recognised on a time-proportion basis using the effective interest method.

(C) Foreign Currency Translation

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions, except when forward currency contracts have been taken out to cover short-term forward currency commitments. Where short-term forward currency contracts have been taken out, the transaction is translated at the rate contained in the contract. Foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing at the period end. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at balance date of foreign denominated monetary assets and liabilities are recognised in the Statement of Comprehensive Income, except when deferred in equity as qualifying cash flow hedges.

The results and balance sheets of all foreign operations that have a functional currency different from New Zealand dollars are translated into the presentation currency as follows:

The assets and liabilities of foreign controlled entities are translated by applying the rate ruling at balance date and revenue and expense items are translated at the average rate calculated for the period. The exchange differences arising on the re translation are taken directly to equity in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are taken to shareholder's equity.

(D) Borrowing Costs

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

(E) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with maturities of three months or less after balance date, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Balance Sheet.

(F) Trade and Other Receivables

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

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off when identified. A provision for doubtful 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 the estimated future cash flows, discounted at the effective interest rate, if applicable. The amount of the provision is recognised in the Statement of Comprehensive Income.

When a trade receivable is uncollectible, it is written off against the provision if it has been provided for or immediately recognised in the Statement of Comprehensive Income if not. Any recoveries of trade receivables written off are credited against bad debts in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

(G) Inventories

Inventories 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 current replacement cost.

Inventories held for use in the production of goods and services on a commercial basis are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method and for both work in progress and finished goods includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Agricultural produce is valued at fair value less estimated selling costs.

The write down from cost to current replacement cost or net realisable value is recognised in the Statement of Comprehensive Income.

The profit contained in the intra-company sales of inventory has been eliminated on consolidation.

(H) Property, Plant and Equipment

The Group has four classes of property, plant and equipment:

- Land
- Buildings
- Plant and equipment
- Motor vehicles

Land is recorded at cost. All other property, plant and equipment is shown at cost or valuation, less accumulated depreciation and any accumulated impairment losses, except for assets transferred from the Crown. Property, plant and equipment transferred from the Crown has been included in the accounts at values established by independent valuers. All subsequent expenditure has been initially recorded at cost.

Cost includes expenditures that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits or service potential associated with the asset will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income when the expense is incurred. 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. The Group constructs some items of plant for use in research. These have been brought into the accounts at the cost of direct labour and materials plus an appropriate proportion of direct overheads.

Land transferred to the Group cannot be freely traded. Section 30 of the Crown Research Institutes Act 1992 requires that prior to sale sections 40-42 of the Public Works Act 1981 be complied with. These sections require that land offered for sale must be offered to the original owner of that land or their successors. An arbitration clause is included to establish fair values for such offers.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the Statement of Comprehensive Income.

(I) Depreciation

Depreciation on assets, except land, is calculated using the straight-line method, at rates calculated to allocate the asset's cost, less estimated residual value, over its estimated useful life. Leasehold improvements are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of improvements.

The useful lives of major asset classes of property, plant and equipment have been estimated as follows:

- Land 10 - 40 years
- Buildings 10 - 100 years
- Plant and equipment 3 - 10 years
- Motor vehicles 3 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year-end.

The assets' carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(J) Intangible Assets

(i) Goodwill

Goodwill is initially measured at its cost, being the excess of acquisition cost over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill on acquisition of subsidiaries is included in intangible assets by applying the purchase method. Goodwill on acquisition of associates is included in investments in associates by applying the equity method.

Goodwill arising in business combinations is not amortised. Instead, goodwill is tested for impairment annually. After initial recognition, the Group measures goodwill at cost less any accumulated impairment losses. An impairment loss recognised for goodwill will not be reversed in any subsequent period.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

(ii) Software

The cost of software, databases and related items, either acquired or internally generated, is recognised as an expense when incurred, except for:

The cost of software, databases and related items, either acquired or internally generated, which are unique and controlled by the Group, and that will probably generate measurable economic benefits exceeding costs beyond one year is capitalised as intangible assets.

The cost of software, databases and related items, either acquired or internally generated, for business management systems is capitalised as intangible assets.

Costs associated with maintaining computer software are recognised as an expense when incurred.

The carrying value of software 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 Comprehensive Income.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Software 3 - 5 years

(iii) Trademarks and licenses

The cost of acquired trademarks and licenses are capitalised as intangible assets where they will probably generate measurable economic benefits exceeding costs beyond one year. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation.

Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which is between 10 and 15 years.

(iv) Research and development

Research and development is the business of the Company. Most work is performed under contract for others, and in most cases intellectual property rights are retained. All research and development costs are expensed in the period they are incurred.

When a project reaches the stage where it will probably generate future measurable economic benefits exceeding development cost, development cost is recognised as an intangible asset. The asset is amortised from the commencement of commercial production of the product to which it relates, on a straight-line basis, over the period of expected benefit.

Development cost 12 years

(K) Investments and Other Financial Assets

Financial assets include investments in companies other than subsidiaries and associates. Financial assets are measured at fair value. The Group classifies its investments by the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. 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 each 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 Comprehensive Income.

Purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

(i) 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 Comprehensive Income.

Financial assets in this category include derivatives, see note 3 (T).

(ii) Financial assets at fair value through equity (available for sale)

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. This category encompasses:

- Investments that Plant & Food Research intends to hold long-term but which may be realised before maturity; and
- Shareholdings that Plant & Food Research holds for strategic purposes.

Plant & Food Research's investments in its subsidiary and associate companies are not included in this category as they are held at cost (as allowed by NZ IAS 27 Consolidated and Separate Financial Statements and NZ IAS 28 Investments in Associates) whereas this category is to be measured at fair value.

After initial recognition these investments are measured at their fair value plus transaction costs. Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the Statement of Comprehensive Income. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the Statement of Comprehensive Income even though the asset has not been derecognised. On de-recognition the cumulative gain or loss previously recognised in equity is recognised in the Statement of Comprehensive Income.

(iii) 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 Comprehensive Income. Loans and receivables are classified as "trade and other receivables" and "cash and short term deposits" in the Balance Sheet.

(L) 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 Comprehensive Income.

(M) Impairment of Non - Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is an indication that an asset may be impaired. Where an indicator of impairment exists, or where annual impairment testing for an asset is required, the Group makes a formal estimate of the recoverable amount. 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 flows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The value in use for cash-generating assets is the present value of expected future cash flows. An impairment loss is recognised in the Statement of Comprehensive Income. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date, this is recognised in the Statement of Comprehensive Income.

(N) Trade Payables

Trade payables are initially measured at fair value and subsequently measured at amortized cost using the effective interest method.

(O) Provisions

Provisions are recognised when the Company has a present obligation (either legal or constructive), as a result of a past event, it is probable that an outflow of economic benefits 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 management's best estimate of the expenditure required to settle the present obligation at the balance sheet date, the discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

(P) Employee Benefits

(i) Wages and salaries, annual leave, sick leave and other benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to balance date including related oncosts.

The benefits include wages and salaries, annual leave, sick leave, incentives and other benefits. The provision for employee benefits is measured at the remuneration rates expected to be paid when the liability is settled.

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.

(ii) Long service leave and retirement leave

Service leave and retirement leave entitlements are calculated based on the employee's entitlement and their current pay rate. The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Long term benefits expected to be settled within 12 months are classified as employee entitlements under current liabilities.

(iii) Pension and post retirement benefits

The Group operates a defined contribution superannuation plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions made to defined contribution superannuation plans are recognised as an expense in the Statement of Comprehensive Income when they are due.

(iv) Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

(Q) Leases

The Company leases certain plant and equipment, land and buildings.

Finance leases, where the lessee is transferred substantially all the risks and benefits 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 Balance Sheet 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 uncertainty 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 lease payments, where the lessors effectively retains substantially all the risks and benefits incidental to ownership of the leased item, are recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the lease term.

(R) Income Tax

(i) Current tax

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantially enacted by balance date. Current tax and deferred tax are charged or credited to the Statement of Comprehensive Income, except when they relate to items charged or credited directly to equity, in which case the tax is dealt with in equity. 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.

(ii) Deferred tax

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences calculated using the liability method and unused tax losses. Deferred tax is not accounted for if it arises from initial recognition of goodwill or from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is recognised if it arises from 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 measured using the tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

(S) Goods & Services Tax (GST)

The Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated net of GST, with the exception of receivables and payables which include GST invoiced. 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 is included as part of receivables or payables in the Balance Sheet.

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 Cash Flow Statement.

Commitments and contingencies are disclosed exclusive of GST.

(T) Derivative Financial Instruments

The Group enters into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and currency risk arising from the Group's operations. All derivative financial instruments are recognised in the Balance Sheet at their fair value. Changes in the fair value of derivative financial instruments are recognised either in the Statement of Comprehensive Income in equity depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or cash flow hedge.

In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Interest rate swaps are accounted for at fair value through the Statement of Comprehensive Income. At each balance date interest rate swap derivative financial instruments are re-measured at their fair value with any changes in the fair value recognised immediately through the Statement of Comprehensive Income.

Changes in the fair values of forward currency contracts that are designated and qualify as cash flow hedges, to the extent that they are effective hedges, are recorded in equity. The gains and losses that are recognised in equity are transferred to the Statement of Comprehensive Income in the same period in which the hedged item affects earnings. On sale, expiry, or de-designation of a forward currency contract, the cumulative gains or losses are maintained in equity until such time as the forecast transaction impacts earnings. If the forecast transaction is no longer expected to occur the cumulative gain or loss is transferred to the Statement of Comprehensive Income. The Group documents at inception of the transaction the relationship between hedging instruments and hedging items, as well as its risk management objective and strategy for undertaking various hedge transactions. The process includes linking all forward currency contract derivative financial instruments to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the forward currency derivative financial instruments used are highly effective.

(U) Borrowings

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

(V) Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(W) Budget Figures

The budget figures are derived from the Statement of Corporate Intent as approved by the Board, and the Shareholder, at the beginning of the financial year. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by the Group for the preparation of these financial statements. The budget figures are unaudited.

(X) 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 assumptions are continually evaluated and are based on historical experience and other factors, including expectation of 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:

(i) Property, plant and equipment useful lives and residual value

At each balance date the Group reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Group to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Group, and expected disposal proceeds from the future sale of the asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

(i) Property, plant and equipment useful lives and residual value (continued)

An incorrect estimate of the useful life or the residual value will impact the depreciation expense recognised in the Statement of Comprehensive Income, and carrying amount of the asset in the Balance Sheet. The Group minimises the risk of this estimation uncertainty by physical inspection of assets, an asset replacement program, review of second hand market prices for similar assets and an analysis of prior asset sales. The Group has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amount of property, plant and equipment is disclosed in note 16.

(ii) Investment Impairment

The Parent annually performs an impairment review of its significant subsidiaries and associates. None of the subsidiaries or associates are actively traded in any market. The carrying amount of investments is disclosed in notes 18 to 20.

(iii) Retirement and long service leave

The present value of the retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

In determining the appropriate discount rate the Company considered the interest rates on NZ government bonds which have terms to maturity that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns. A weighted average discount rate of 4.7% and a salary inflation factor of 4.3% were used.

If the discount rate were to differ by 1% from the Company's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$25,000 higher / lower.

If the salary inflation factor were to differ by 1% from the Company's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$7,000 higher / lower.

The carrying amount of employee entitlements are disclosed in the Balance Sheet.

(Y) Critical Judgements in Applying the Company's Accounting Policies

Management has exercised the following critical judgement in applying the Company's accounting policies for the period ended 30 June 2010:

(i) Lease 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 Group. 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 Balance Sheet as property, plant and equipment, whereas for an operating lease no such asset is recognised. The Group has exercised its judgement on the appropriate classification of building and equipment leases and has determined all leases are operating leases.

(Z) Dividend Distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

(AA) Alignment of Accounting Policies

Following the amalgamation in December 2008 (refer note 30), the Board of Directors reviewed the legacy policies of HortResearch and Crop & Food Research.

It was identified that previously HortResearch's online library costs, where access to back issues was enabled, were capitalised and depreciated. The Board of Directors determined that the former policy of Crop & Food Research should be adopted for the newly merged Company, whereby library costs related to access of online journals and databases are expensed as incurred.

This alignment of accounting policy resulted in \$1,813,000 being expensed in the year ended 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

	Note	GROUP		PARENT	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
4. OPERATING PROFIT / (LOSS) BEFORE TAXATION					
After charging					
Auditors' remuneration					
Audit fees for financial statement audit		116	185	116	171
Bad debts written off	(10)	176	6	176	6
Change in provision for doubtful debts	(10)	57	81	57	81
Directors fees		352	310	352	310
Employer contributions to defined contribution plans		864	896	849	885
Unrealised foreign exchange (gains) / losses		14	64	14	64
5. DEPRECIATION AND AMORTISATION					
Depreciation					
Buildings		1,704	1,040	1,704	1,040
Plant and equipment		5,930	4,333	5,831	4,094
Motor vehicles		370	167	362	159
Total depreciation on property, plant and equipment	(16)	8,004	5,540	7,897	5,293
Amortisation					
Software, databases and the like		579	219	579	220
Patents, trademarks and licences		149	111	149	111
Development expenditure		69	165	-	-
Total amortisation of intangible assets	(17)	797	495	728	331
6. OTHER OPERATING EXPENSES					
Other operating expenses					
Materials and equipment		7,846	6,996	7,296	6,075
Research contracts		4,497	6,539	4,497	6,395
Rental and operating lease costs		7,196	1,174	7,085	1,078
Travel		4,605	4,044	4,460	3,898
Other general operating costs		14,277	14,884	13,780	15,295
Total general operating expenses		38,421	33,637	37,118	32,741
7. NET FINANCE COSTS					
Interest income on bank deposits		321	405	315	405
Dividends received		30	6	30	6
Finance income		351	411	345	411
Interest expense on bank borrowings		(129)	(601)	(129)	(601)
Interest swap break costs		-	(475)	-	(475)
Finance expense		(129)	(1,076)	(129)	(1,076)
Total net finance costs		222	(665)	216	(665)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

	Note	GROUP		PARENT	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
8. TAXATION					
Profit/(loss) before taxation		1,601	(3,377)	(47)	(2,146)
Prima facie taxation @ 30%		480	(1,013)	(14)	(644)
Plus/(less) taxation effect:					
Non-deductible expenditure		1,143	202	1,619	364
Prior period adjustment		-	408	-	400
Imputation credits on dividends received		(8)	(4)	(8)	(4)
Prior year overprovision		-	(8)	-	(8)
Difference in effective tax rate of equity accounted investments		-	(2)	-	-
Deferred tax change on buildings		6,276	-	6,276	-
Utilisation of tax losses		(497)	-	(792)	(451)
Tax losses not carried forward		-	541	-	-
		7,394	124	7,081	(343)
The taxation charge is represented by:					
Current taxation		674	48	666	34
Deferred tax benefit	(21)	6,720	76	6,415	(377)
		7,394	124	7,081	(343)

The Company is not required to maintain an Imputation Credit Account pursuant to section OB1(2)(d) of the Income Tax Act 2007.

In the 2010 Budget Statement the Government announced, and subsequently enacted, legislation to effectively remove the tax depreciation deduction on buildings with expected lives of 50 years or more. As our balance date was after the announcement the increase in our deferred tax liability is required to be reflected this year.

9. CASH AND SHORT-TERM DEPOSITS

Cash on hand and at bank	1,570	1,631	1,085	1,308
Short-term deposits	5,527	7,495	5,527	7,495
	7,097	9,126	6,612	8,803

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value. The weighted average effective interest rate for term deposits is 3.1%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

	Note	GROUP		PARENT	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
10. RECEIVABLES AND PREPAYMENTS					
Trade receivables		15,801	12,860	15,212	12,831
Related party debtors	(26)	1	145	1	145
Provision for impairment		(157)	(100)	(157)	(100)
		15,645	12,905	15,056	12,876
Accrued income		4,367	4,247	4,367	4,247
Prepayments and other receivables		1,363	1,353	1,360	1,328
		21,375	18,505	20,783	18,451

The carrying value of receivables approximates their fair value. The carrying amount of receivables that would otherwise be past due, but not impaired, whose terms have been renegotiated is \$1,964,000 (June 2009 \$559,000). As at 30 June 2010 and 30 June 2009, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	GROUP					
	30 June 2010			30 June 2009		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	13,750	(70)	13,680	12,261	(60)	12,201
Past due 1 - 30 days	1,247	-	1,247	262	-	262
Past due 31 - 60 days	215	(20)	195	60	-	60
Past due 61 - 90 days	196	(15)	181	102	(5)	97
Past due > 91 days	393	(52)	341	175	(35)	140
Total	15,801	(157)	15,644	12,860	(100)	12,760

	PARENT					
	30 June 2010			30 June 2009		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	13,161	(70)	13,091	12,229	(60)	12,169
Past due 1 - 30 days	1,247	-	1,247	262	-	262
Past due 31 - 60 days	215	(20)	195	60	-	60
Past due 61 - 90 days	196	(15)	181	102	(5)	97
Past due > 91 days	393	(52)	341	178	(35)	143
Total	15,212	(157)	15,055	12,831	(100)	12,731

The provision for impairment has been calculated based on expected losses for the Group's pool of debtors. Expected losses have been determined based on an analysis of the Group's losses in previous periods, and review of specific debtors.

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

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Balance at 1 July	(100)	-	(100)	-
Additional provisions made during the year	(233)	(100)	(233)	(100)
Receivables written-off during the year	176	-	176	-
Balance at end of year	(157)	(100)	(157)	(100)

11. INVENTORIES

	GROUP		PARENT	
Manufactured stock *	-	1,860	-	-
Agricultural stock	180	317	179	316
Other	260	329	260	329
	440	2,506	439	645
Inventories stated at net realisable value	-	1,699	-	-

* The cost to produce manufactured stock during 2009 exceeded net realisable value, thus inventory was not valued at cost but at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
12. ACCOUNTS PAYABLE AND ACCRUALS				
Trade payables	10,243	10,335	10,135	10,290
Other payables	1,899	2,203	1,876	2,251
Revenue in advance	3,513	6,139	3,513	6,139
	15,655	18,677	15,524	18,680

Accounts payable and accruals are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of accounts payable and accruals approximates their fair value.

13. EMPLOYEE ENTITLEMENTS

Annual leave	4,493	4,356	4,471	4,292
Service leave	898	955	874	930
Retirement leave	2,331	1,913	2,331	1,913
Other leave and accruals	2,289	2,217	2,289	2,183
Total employee entitlements	10,011	9,441	9,965	9,318
Comprising:				
Current	9,341	8,241	9,319	8,142
Non-current	670	1,200	646	1,176
	10,011	9,441	9,965	9,318

14. RESTRUCTURING PROVISION

Opening balance 1 July	1,240	-	1,240	-
Additional provisions made	-	3,770	-	3,770
Amounts utilised	(1,210)	(2,530)	(1,210)	(2,530)
Closing balance at 30 June	30	1,240	30	1,240

The Group's Board approved a detailed and formal restructuring plan related to the amalgamation which commenced 1 December 2008. The restructuring plan and associated payments were substantially completed by December 2009. The provision had been made for the obligations of expected restructuring costs for employee termination benefits and other restructuring costs. The remaining balance will be fully utilised by Q2 2011. Severance payments of \$1,220,000 were paid to 21 employees during the year (2009 \$1,372,000, 26 employees).

15. NON-CURRENT LIABILITIES

Advance from Danisco	-	83	-	-
Less current portion of term debt	-	-	-	-
Total loans	-	83	-	-
Mortgage liability *	306	321	306	321
Less current portion of mortgage liability	15	14	15	14
Total mortgage	291	307	291	307

* Secured by way of a mortgage over property at Kerikeri. Interest rate currently 3.99% (2009 3.99%). The term is for a period of no greater than 33 years commencing on 1 January 2000. The current portion of the mortgage is included within current liabilities. The carrying amount of the mortgage liability approximates its fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

16. PROPERTY, PLANT AND EQUIPMENT

	GROUP					PARENT				
	Land \$000	Buildings \$000	Plant and Equipment \$000	Motor Vehicles \$000	Total \$000	Land \$000	Buildings \$000	Plant and Equipment \$000	Motor Vehicles \$000	Total \$000
Cost										
Opening balance 1 July 08	2,012	11,709	34,023	1,577	49,321	2,012	11,709	31,625	1,524	46,870
Additions from amalgamation	6,316	31,954	43,408	2,719	84,397	6,316	31,954	43,397	2,719	84,386
Additions	-	1,460	5,599	312	7,371	-	1,460	5,596	263	7,319
Disposals	-	-	(602)	(182)	(784)	-	-	(602)	(132)	(734)
Impairment	-	(254)	(36)	-	(290)	-	(254)	(37)	-	(291)
Transfers	-	44	(44)	-	-	-	44	(44)	-	-
Foreign exchange movement	-	-	(1)	(1)	(2)	-	-	-	-	-
Closing balance 30 June 09	8,328	44,913	82,347	4,425	140,013	8,328	44,913	79,935	4,374	137,550
Accumulated depreciation										
Opening balance 1 July 08	-	2,902	19,263	1,066	23,231	-	2,902	18,542	1,033	22,477
Additions from amalgamation	-	14,580	29,725	1,922	46,227	-	14,580	29,717	1,922	46,219
Additions	-	1,040	4,333	167	5,540	-	1,040	4,094	159	5,293
Disposals	-	(103)	(620)	(155)	(878)	-	(103)	(620)	(122)	(845)
Transfers	-	4	(4)	-	-	-	4	(4)	-	-
Foreign exchange movement	-	-	-	(1)	(1)	-	-	-	-	-
Closing balance 30 June 09	-	18,423	52,697	2,999	74,119	-	18,423	51,729	2,992	73,144
Net book value	8,328	26,490	29,650	1,426	65,894	8,328	26,490	28,206	1,382	64,406

	GROUP					PARENT				
	Land \$000	Buildings \$000	Plant and Equipment \$000	Motor Vehicles \$000	Total \$000	Land \$000	Buildings \$000	Plant and Equipment \$000	Motor Vehicles \$000	Total \$000
Cost										
Opening balance 1 July 09	8,328	44,913	82,347	4,425	140,013	8,328	44,913	79,935	4,374	137,550
Additions	-	3,425	4,741	904	9,070	-	3,425	4,741	904	9,070
Disposals	(509)	-	(240)	(241)	(990)	(509)	-	(120)	(241)	(870)
Impairment	-	-	(2,202)	-	(2,202)	-	-	-	-	-
Transfers	(166)	2,449	(2,283)	-	-	(166)	2,449	(2,283)	-	-
Reclassification to asset held sale	-	-	(25)	-	(25)	-	-	(25)	-	(25)
Foreign exchange movement	-	-	(2)	(2)	(4)	-	-	-	-	-
Closing balance 30 June 10	7,653	50,787	82,336	5,086	145,862	7,653	50,787	82,248	5,037	145,725
Accumulated depreciation										
Opening balance 1 July 09	-	18,423	52,697	2,999	74,119	-	18,423	51,729	2,992	73,144
Additions	-	1,704	5,930	370	8,004	-	1,704	5,831	362	7,897
Disposals	-	-	(116)	(202)	(318)	-	-	(116)	(202)	(318)
Impairment	-	-	(981)	-	(981)	-	-	-	-	-
Transfers	-	1,035	(1,035)	-	-	-	1,035	(1,035)	-	-
Foreign exchange movement	-	-	(3)	-	(3)	-	-	-	-	-
Closing balance 30 June 10	-	21,162	56,492	3,167	80,821	-	21,162	56,409	3,152	80,723
Net book value	7,653	29,625	25,844	1,919	65,041	7,653	29,625	25,839	1,885	65,002

Some land holdings are restricted assets to the extent that they are potentially subject to Maori land claims.

There are no restrictions over the title of the remaining Group's property, plant and equipment, nor is any property, plant or equipment pledged as security for liabilities except as disclosed in note 15.

The total amount of property, plant and equipment in the course of construction is \$2,725,000. TSE Valuations completed an independent valuation exercise to ascertain the fair value of our largest site, Mt Albert. The fair value of Mt Albert land and buildings as at 18 October 2007 was \$36,500,000. The net book value of Mt Albert land and buildings at 30 June 2010 was \$7,825,000.

The Company holds numerous germplasm collections of horticultural material for research purposes. Due to the nature of the collections their value can not be measured reliably for financial purposes, however they have a fundamental importance to the Company's research.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

17. INTANGIBLE ASSETS

	GROUP					PARENT				
	Software, Databases \$000	Patents, Trademarks \$000	Development Expenditure \$000	Goodwill \$000	Total \$000	Software, Databases \$000	Patents, Trademarks \$000	Development Expenditure \$000	Goodwill \$000	Total \$000
Cost										
Opening balance 1 July 08	648	554	2,026	19	3,247	648	554	-	-	1,202
Additions from amalgamation	2,209	-	-	-	2,209	2,209	-	-	-	2,209
Additions	784	-	-	-	784	784	-	-	-	784
Disposals	(457)	-	-	-	(457)	(457)	-	-	-	(457)
Impairment	-	(87)	-	-	(87)	-	(87)	-	-	(87)
Closing balance 30 June 09	3,184	467	2,026	19	5,696	3,184	467	-	-	3,651
Accumulated amortisation										
Opening balance 1 July 08	229	114	496	19	858	229	114	-	-	343
Additions from amalgamation	2,003	-	-	-	2,003	2,003	-	-	-	2,003
Additions	219	111	165	-	495	220	111	-	-	331
Disposals	(306)	-	-	-	(306)	(307)	-	-	-	(307)
Closing balance 30 June 09	2,145	225	661	19	3,050	2,145	225	-	-	2,370
Net book value	1,039	242	1,365	-	2,646	1,039	242	-	-	1,281

	GROUP					PARENT				
	Software, Databases \$000	Patents, Trademarks \$000	Development Expenditure \$000	Goodwill \$000	Total \$000	Software, Databases \$000	Patents, Trademarks \$000	Development Expenditure \$000	Goodwill \$000	Total \$000
Cost										
Opening balance 1 July 09	3,184	467	2,026	19	5,696	3,184	467	-	-	3,651
Additions	1,848	-	-	-	1,848	1,848	-	-	-	1,848
Disposals	-	-	(180)	-	(180)	-	-	-	-	-
Impairment	(514)	-	(1,846)	-	(2,360)	(514)	-	-	-	(514)
Reclassification to asset held sale	(177)	-	-	-	(177)	(177)	-	-	-	(177)
Closing balance 30 June 10	4,341	467	-	19	4,827	4,341	467	-	-	4,808
Accumulated amortisation										
Opening balance 1 July 09	2,145	225	661	19	3,050	2,145	225	-	-	2,370
Additions	579	149	69	-	797	579	149	-	-	728
Disposals	-	-	-	-	-	-	-	-	-	-
Impairment	(139)	-	(730)	-	(869)	(139)	-	-	-	(139)
Reclassification to asset held sale	(26)	-	-	-	(26)	(26)	-	-	-	(26)
Closing balance 30 June 10	2,559	374	-	19	2,952	2,559	374	-	-	2,933
Net book value	1,782	93	-	-	1,875	1,782	93	-	-	1,875

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

18. INVESTMENTS - SUBSIDIARIES

	Principal Activity	Balance Date	Interest Held %
GraceLinc Limited (in receivership)	Commercialising IP	30 June	100
HortResearch (Australia) Pty Limited	Marketing and consultancy services in Australia	30 June	100
Plant & Food Research (USA) Corporation	Marketing and consultancy services in the USA	30 June	100
Crop & Food Research Australia Pty Limited	Marketing and consultancy services in Australia	30 June	100
Truffle Investment New Zealand Limited	Non trading	30 June	100
New Zealand Institute for Crop & Food Research International Limited	Non trading	30 June	100
New Zealand Institute for Crop & Food Research Rosehip Limited	Non trading	30 June	100

Crop & Food Research Australia Pty Limited and HortResearch (Australia) Pty Limited are incorporated in Australia. Plant & Food Research (USA) Corporation is incorporated in the USA. All other subsidiaries are incorporated in New Zealand. The accounts of Crop & Food Research Australia Pty Limited, HortResearch (Australia) Pty Limited and Plant & Food Research (USA) Corporation have not been audited.

GraceLinc Limited (in receivership)

GraceLinc Limited, a 100% owned subsidiary, was formed in 1998 to commercialise intellectual property surrounding the extraction of beta glucan from barley. The Board of Plant & Food Research, following consultation with the shareholder, placed GraceLinc into receivership. On 10 December 2009 Ernst & Young were appointed receivers for GraceLinc.

As a result of GraceLinc being put into receivership the Parent company investment and loans to GraceLinc have been impaired by \$5.7 million.

In the Group result the assets in GraceLinc have been impaired by \$3.3 million to reflect their likely realisable values under receivership. The realisable values are based on management's best estimate and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results.

The impairment by asset class was as follows:

Inventory	\$880,000
Property, plant and equipment	\$1,220,000
Intangible assets	\$1,116,000
Other	\$43,000
	<u>\$3,259,000</u>

19. INVESTMENTS - ASSOCIATES

The Group's share of profit/(loss) in its associated companies for the year was \$33,000 (2009 \$33,000).

30 June 2010	Principal Activity	Interest Held	Total Assets	Total Liabilities	Revenue	Profit/(Loss)
Jukebox NZ Limited	Developing & commercialising IP	50.0%	78	2	-	(1)
Forage Innovations Limited	Developing & commercialising IP	49.0%	452	429	433	3
Biopolymer Network Limited	Developing & commercialising IP	33.3%	959	548	3,263	99
Rhindo Limited	Developing & commercialising IP	25.0%	9	-	-	-
HRZ Wheats Pty Limited*	Developing & commercialising seed	10.1%	879	9	97	(1,295)

30 June 2009

Jukebox NZ Limited	Developing & commercialising IP	50.0%	78	1	-	(1)
Biopolymer Network Limited	Developing & commercialising IP	33.3%	848	545	3,303	81
Rhindo Limited	Developing & commercialising IP	25.0%	9	-	-	-
HRZ Wheats Pty Limited*	Developing & commercialising seed	12.5%	802	15	22	(1,657)

* HRZ Wheats Pty Limited: Currently the Group has two of seven directors on the board and is one of three shareholders. The Parent is contracted to undertake research work for the company in its development of intellectual property. Thus management considers it has significant influence over the company to fulfil the requirements of associate company control.

The Parent expenses capital contributions to HRZ Wheats Pty Limited during the associates research and development phase.

The carrying value represents the Group's share of net assets in the associate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
19. INVESTMENTS - ASSOCIATES (CONTINUED)				
Jukebox NZ Limited	39	39	40	40
Forage Innovations Limited	10	-	10	-
Biopolymer Network Limited	138	106	15	15
Rhindo Limited	2	2	2	3
HRZ Wheats Pty Limited	7	7	88	178
Total associate investments	196	154	155	236

20. INVESTMENTS - OTHER

a) Joint Ventures

Truffiere (50%)	25	25	-	-
Rosehip Orchards New Zealand Limited JV (10%)	220	216	220	216
Less share of Rosehip Orchards New Zealand Limited JV expenses	(79)	(79)	(86)	(86)
	166	162	134	130

b) Other

New Zealand Synchrotron Group Limited	191	191	191	191
Gourmet Blueberries Limited	-	300	-	300
Tairāwhiti Pharmaceuticals Limited	-	-	-	-
Fruitpackers (HB) Co-op Limited	22	22	22	22
Ravensdown Fertiliser Co-op Limited	10	8	10	8
Others at cost	19	19	19	19
	242	540	242	540
Total other investments	408	702	376	670

Except for Ravensdown Fertiliser Co-op Limited, none of the other investments are traded in an active market, therefore investments are stated at cost rather than fair value.

The investment in Gourmet Blueberries Limited was sold during the year for \$650,000.

21. DEFERRED TAX ASSET / (LIABILITY)

	Property, plant equipment \$000	Investments- associates \$000	Derivative financial instruments \$000	Employee entitlements \$000	Other provisions \$000	Tax losses \$000	Total \$000
GROUP							
Balance at 1 July 2008	(952)	(19)	(23)	813	561	819	1,199
Additions from amalgamation	1,524	-	-	1,212	44	-	2,780
Charged to statement of comprehensive income	(126)	(8)	23	270	216	(451)	(76)
Charged to equity	-	-	-	-	-	-	-
Balance at 30 June 2009	446	(27)	-	2,295	821	368	3,903
Charged to statement of comprehensive income	(5,949)	(10)	6	166	(641)	(292)	(6,720)
Charged to equity	-	-	-	-	-	-	-
Balance at 30 June 2010	(5,503)	(37)	6	2,461	180	76	(2,817)

Management considers that the future profitability of the Parent and subsidiaries will be such that the tax losses carried forward will be utilised within 5 years.

PARENT

Balance at 1 July 2008	(952)	-	(23)	813	561	-	399
Additions from amalgamation	1,524	-	-	1,212	47	-	2,783
Charged to statement of comprehensive income	(126)	-	23	270	210	-	377
Charged to equity	-	-	-	-	-	-	-
Balance at 30 June 2009	446	-	-	2,295	818	-	3,559
Charged to statement of comprehensive income	(5,949)	-	6	166	(638)	-	(6,415)
Charged to equity	-	-	-	-	-	-	-
Balance at 30 June 2010	(5,503)	-	6	2,461	180	-	(2,856)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
22. SHARE CAPITAL & RESERVES				
<i>Share capital</i>				
Opening balance	17,436	17,436	17,436	17,436
Issue of ordinary shares	-	-	-	-
Closing balance at 30 June	17,436	17,436	17,436	17,436
<i>Retained earnings</i>				
Opening balance	55,414	5,710	56,703	6,035
Operating profit/(loss) after taxation	(5,683)	(3,294)	(7,128)	(1,803)
Addition through amalgamation	-	54,201	-	54,077
Gain on repurchase / sale of shares in subsidiary	317	403	-	-
Dividends payable to shareholder	-	(1,606)	-	(1,606)
Closing balance at 30 June	50,048	55,414	49,575	56,703
<i>Foreign currency translation</i>				
Opening balance	(41)	(36)	-	-
Addition through amalgamation	-	6	-	-
Foreign currency translation difference for foreign operations	(2)	(11)	-	-
Closing balance at 30 June	(43)	(41)	-	-
<i>Ordinary shares (000's)</i>				
On issue opening balance	17,436	17,436	17,436	17,436
Issued for cash	-	-	-	-
On issue at closing balance 30 June	17,436	17,436	17,436	17,436

All issued shares are fully paid and have no par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

All shares rank equally with regard to the Company's residual assets.

Dividends paid to shareholders represented \$0 per share in 2010 (2009: \$0.092).

23. CASH FLOW HEDGE RESERVE				
Opening balance at 1 July	(3)	-	(3)	-
Addition through amalgamation	-	52	-	52
Transferred to cost of sales	3	(52)	3	(52)
Revaluations	21	(3)	21	(3)
Closing balance at 30 June	21	(3)	21	(3)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
24. COMMITMENTS				
The following amounts have been committed to by the Group or Parent, but are not recognised in the financial statements:				
<i>a) Capital commitments</i>				
Property, plant and equipment	2,958	2,436	2,958	2,436
Intangible assets	-	-	-	-
	2,958	2,436	2,958	2,436
<i>b) Operating commitments (excluding leases)</i>	463	266	463	266
<i>c) Operating lease commitments</i>				
Lease commitments under non-cancellable operating leases are as follows:				
Not later than one year	1,010	889	1,010	889
Later than one year and not later than five years	2,032	1,369	2,032	1,369
Later than five years	1,316	2,485	1,316	2,485
	4,358	4,743	4,358	4,743
<i>d) Operating lease income</i>				
Lease income under non-cancellable operating leases are as follows:				
Not later than one year	606	617	606	617
Later than one year and not later than five years	712	1,087	712	1,087
Later than five years	200	241	200	241
	1,518	1,945	1,518	1,945

The Group leases premises and plant and equipment. Operating leases held over properties give the Group the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no renewal options or options to purchase in respect of plant and equipment held under operating leases.

The Group rents premises. Operating leasees have the rights to renew the lease subject to a redetermination of the lease rental.

25. RECONCILIATION OF OPERATING PROFIT/(LOSS) AFTER TAX WITH CASH FLOW FROM OPERATING ACTIVITIES

Operating profit/(loss) after tax	(5,683)	(3,294)	(7,128)	(1,803)
Net profit/(loss) attributable to minority interest	(110)	(207)	-	-
Associated entities (profit)/loss	(33)	(33)	-	-
	(5,826)	(3,534)	(7,128)	(1,803)
<i>Add/(less) non-cash items:</i>				
Depreciation and amortisation	8,801	6,035	8,625	5,624
Movement in foreign exchange	(2)	(2)	-	-
Non-cash movements in investments	32	266	-	1,015
Other non-cash items	(25)	354	(25)	358
Library asset policy change	-	1,813	-	1,813
Impairment of assets	3,634	233	6,126	233
Decrease/(increase) in future tax benefit	6,720	(2,704)	6,415	(3,160)
Decrease/(increase) in derivative financial instruments	-	78	-	78
(Decrease)/increase in employee entitlement	570	6,323	647	6,257
	19,730	12,396	21,788	12,218
<i>Add/(less) items classified as investing activities:</i>				
(Gain)/loss on sale of property, plant and equipment	(701)	(32)	(701)	(41)
<i>Movements in working capital:</i>				
Decrease/(increase) in receivables and prepayments	(2,672)	(11,560)	(2,288)	(12,763)
Decrease/(increase) in inventory	1,156	(538)	206	(316)
Increase/(decrease) in trade payables and accruals	(3,508)	9,434	(3,850)	10,105
Increase/(decrease) in restructuring provision	(1,210)	1,240	(1,210)	1,240
Increase/(decrease) in taxation payable	(114)	(30)	(108)	(19)
Net trading assets acquired through amalgamation	-	1,257	-	1,182
	(6,348)	(197)	(7,250)	(571)
Net cash flow from operating activities	6,855	8,633	6,708	9,803

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

26. RELATED PARTY TRANSACTIONS

The Company is a wholly owned entity of the Crown. The government significantly influences the role of the Company in addition to being a major source of revenue. The Company enters into transactions with government departments, state-owned enterprises and other Crown entities. Those transactions that occur within a normal customer / supplier relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Company would have adopted if dealing with that entity at arm's length in the same circumstances have not been disclosed as related party transactions.

The Company is the ultimate parent of the Group and controls the following subsidiaries and associates: HortResearch (Australia) Pty Limited, Plant & Food Research (USA) Corporation, GraceLinc Limited (in receivership), Truffle Investment New Zealand Limited, Crop & Food Research Australia Pty Limited, New Zealand Institute for Crop & Food Research International Limited, Jukebox NZ Limited, Biopolymer Network Limited, Rhindo Limited, Forage Innovations Limited and HRZ Wheats Pty Limited.

All members of the Group are considered to be related parties.

	GROUP		PARENT	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<i>a) Related party transactions with subsidiaries:</i>				
HortResearch (Australia) Pty Limited				
Recharge of expenses to the Company	-	-	292	189
Accounts receivable balance	-	-	59	71
Plant & Food Research (USA) Corporation				
Recharge of expenses to the Company	-	-	550	187
Accounts receivable balance	-	-	65	72
GraceLinc Limited (in receivership)				
Technical support and contract development	-	-	55	177
Accounts payable balance	-	-	204	90
Truffle Investment New Zealand Limited				
Accounts receivable balance	-	-	-	77
Crop & Food Research Australia Pty Limited				
Marketing services	-	-	305	337
Accounts payable balance	-	-	58	-
<i>b) Related party transactions with associates:</i>				
Biopolymer Network Limited				
Scientific services	619	513	619	513
Accounts receivable balance	49	49	49	49
Seafood Innovation Limited				
Scientific services (provided to)	941	1,049	941	1,049
Accounts receivable balance	122	128	122	128
Scientific services (received from)	207	256	207	256
Accounts payable balance	-	81	-	81
HRZ Wheats Pty Limited				
Scientific services (provided to)	298	278	298	278
Scientific services (received from)	176	-	176	-

c) Related party transaction other than described above:

All related party transactions have been entered into on an arms length basis.

The company and the Group contracted with parties associated with certain directors during the year. These are as detailed below. These transactions were all at normal commercial rates.

Parties associated with Directors	Nature of the transaction				
RJ Hill Laboratories Limited	Services	210	117	210	117
Seeka Kiwifruit Industries Limited	Services	-	8	-	8
<i>d) Key management personnel compensation:</i>					
Salaries and other short term employee benefits					
Post-employment benefits		2,116	2,125	2,116	2,125
Other long-term benefits		-	-	-	-
Termination benefits			475		475
Total		2,116	2,600	2,116	2,600

Key management personnel include the Board of Directors, the Chief Executive and the other members of the senior executive team.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

27. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Group has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature.

Market risk

Fair value interest rate risk

The Group has a policy of ensuring that the Group's exposure to changes in interest rates on borrowings is minimised. Interest rate swaps are entered into to achieve an appropriate level of exposure to meet the Group's policy. Any movement in the interest rate would impact the profit via the interest cost of the overdraft and the movement in the fair value of the interest rate swap derivative.

There were no interest rate swaps as at 30 June 2010.

At 30 June 2010 the Group's exposure to the fair value interest rate risk was limited to its bank deposits which are held at fixed rates of interest.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments at variable interest rates expose the Group to cash flow interest rate risk. The Group's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements. The Group currently has no variable interest rate investments.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group purchases goods and services overseas which require it to enter into transactions denominated in foreign currencies. The Group also holds small balances of AUD, EUR and USD at call in order to settle transactions denominated in foreign currencies. As a result of these activities, exposure to currency risk arises.

It is the Group's policy to manage foreign currency risks arising from contractual commitments and liabilities by entering into foreign exchange forward contracts to hedge the foreign currency risk exposure. All of the forward exchange contracts have maturities of less than one year at the balance sheet date.

Sensitivity analysis

As at 30 June 2010, if the 90 day bank bill rate had been 25 basis points higher or lower, with all other variables held constant, the loss for the year would have been \$16,000 (June 2009: \$13,000) higher or lower. This movement is attributable to increased or decreased interest received on short-term deposits.

As at 30 June 2010, if the currency had weakened or strengthened by 10% against the US dollar, with all other variables held constant, the loss for the year would have been \$23,000 higher or lower. This movement is mainly attributable to foreign exchange gains and losses on translation of US dollar-denominated trade receivables and payables.

As at 30 June 2010, if the currency had weakened or strengthened by 10% against the AU dollar, with all other variables held constant, the loss for the year would have been \$115,000 higher or lower. This movement is mainly attributable to foreign exchange gains and losses on translation of AU dollar-denominated trade receivables and payables.

As at 30 June 2010, if the currency had weakened or strengthened by 10%, with all other variables held constant, the cash flow hedge movement through equity would have been \$42,000 higher or lower.

Other market risk

The Group is not exposed substantial to other market price risk rising from financial instruments.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Group, causing the Group to incur a loss.

Due to the timing of its cash inflows and outflows, the Group invests surplus cash with registered banks. The Group's investment policy limits the amount of credit exposure to any one institution.

The Group's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and short-term deposits (note 9), net debtors (note 10) and derivative financial assets. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Management has a credit policy in place under which each new customer is individually analysed for credit worthiness and assigned a credit limit before the standard payment and delivery terms and conditions are offered. Where available the Group reviews external ratings and references are obtained. Credit limits are reviewed on a regular basis.

Net receivables includes one customer who represents 19% of the total trade receivables at balance date. The Group is not exposed to any other concentrations of credit risk as surplus cash is only invested with registered banks with specified Standard and Poor's credit ratings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

27. FINANCIAL INSTRUMENTS (CONTINUED)

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, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available. It is the Group's policy to provide credit and liquidity enhancement only to wholly owned subsidiaries.

The table below analyses the Group's derivative financial instruments and other financial liabilities that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount	Contractual cash flow	GROUP 2010		
			Up to 12 months	1-2 years	3 years
Trade and other payables	12,142	12,142	12,142	-	-
	12,142	12,142	12,142	-	-
Forward exchange contracts					
Inflow	128	2,292	2,292	-	-
Outflow	107	2,600	2,600	-	-

GROUP 2009					
Trade and other payables	12,538	12,538	12,538	-	-
	12,538	12,538	12,538	-	-
Forward exchange contracts					
Outflow	3	34	34	-	-

PARENT 2010					
Trade and other payables	12,011	12,011	12,011	-	-
	12,011	12,011	12,011	-	-
Forward exchange contracts					
Inflow	128	2,292	2,292	-	-
Outflow	107	2,600	2,600	-	-

PARENT 2009					
Trade and other payables	12,541	12,541	12,541	-	-
	12,541	12,541	12,541	-	-
Forward exchange contracts					
Outflow	3	34	34	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

27. FINANCIAL INSTRUMENTS (CONTINUED)

Effective 1 July 2009, the Group adopted the amendment to NZ IFRS7 for financial instruments that are measured in the Balance Sheet at fair value, which requires disclosure of fair value measurements by level based on the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

GROUP AND PARENT

	Level 1 \$000's	Level 2 \$000's	Level 3 \$000's	Total \$000's
30 June 2010				
<i>Assets</i>				
Derivative financial instruments- fair value hedges	-	128	-	128
Total assets	-	128	-	128
<i>Liabilities</i>				
Derivative financial instruments- fair value hedges	-	107	-	107
Total liabilities	-	107	-	107
30 June 2009				
<i>Assets</i>				
Derivative financial instruments- fair value hedges	-	-	-	-
Total assets	-	-	-	-
<i>Liabilities</i>				
Derivative financial instruments- fair value hedges	-	3	-	3
Total liabilities	-	3	-	3

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at balance date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for other financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

28. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	Note	GROUP		PARENT	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
<i>Loans and receivables</i>					
Cash and short-term deposits	(9)	7,097	9,126	6,612	8,803
Trade and other receivables	(10)	20,012	17,152	19,423	17,123
Total loans and receivables		27,109	26,278	26,035	25,926
<i>Available for sale</i>					
Investments - other	(20)	408	702	376	670
Total financial assets		27,517	26,980	26,411	26,596
<i>Financial liabilities measured at amortised cost</i>					
Accounts payable and accruals	(12)	12,142	12,538	12,011	12,541
Current loans and borrowings		-	-	-	-
Mortgage liability	(15)	306	321	306	321
Total financial liabilities		12,448	12,859	12,317	12,862

29. CAPITAL MANAGEMENT

The Company's capital is its equity, which comprises share capital and accumulated funds. Equity is represented by net assets.

The Company is subject to the financial management and accountability provisions of the Crown Research Institutes Act 1992, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

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

The Group's and Parent's objectives when managing capital are to safeguard the Group's and Parent'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. The Group and Parent recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

30. AMALGAMATION

On the 1st December 2008, under Part XIII of the Companies Act 1993, the New Zealand Institute for Crop & Food Research Limited (Crop & Food Research) and The Horticulture and Food Research Institute of New Zealand Limited (HortResearch) amalgamated to form The New Zealand Institute for Plant & Food Research Limited (Plant & Food Research). The HortResearch legal entity was amalgamated into the Crop & Food Research legal entity and Crop & Food Research renamed as The New Zealand Institute for Plant & Food Research Limited.

The 2009 actual results therefore represent 7 months trading from Plant & Food Research and 5 months trading from Crop & Food Research.

The amalgamation of Crop & Food Research and HortResearch has been accounted for as a business combination involving entities under common control, as Crop & Food Research and HortResearch were Crown Research Institutes, with the same shareholding ministers.

The assets and liabilities of HortResearch, being the non-continuing company, have been recognised at the carrying amounts as recognised previously in the audited closing 30 November 2008 balance sheet of HortResearch.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

30. AMALGAMATION (CONTINUED)

Amalgamation of Crop & Food Research and HortResearch balance sheets as at 1 December 2008 was as follows:

	Note	GROUP			PARENT		
		HortResearch \$000	Crop & Food \$000	Plant & Food \$000	HortResearch \$000	Crop & Food \$000	Plant & Food \$000
Current assets							
Cash and short-term deposits		12,852	390	13,242	12,799	181	12,980
Receivables and prepayments		10,182	8,711	18,893	10,177	9,722	19,899
Inventories		170	2,186	2,356	170	298	468
Taxation receivable		32	-	32	16	-	16
Total current assets		23,236	11,287	34,523	23,162	10,201	33,363
Current liabilities							
Accounts payable and accruals		6,905	8,256	15,161	6,982	7,852	14,834
Employee entitlements - current		4,497	2,993	7,490	4,477	2,487	6,964
Restructuring provision		89	-	89	89	-	89
Current portion mortgage		14	-	14	14	-	14
Taxation payable		-	-	-	-	436	436
Short term loan		-	1,460	1,460	-	1,460	1,460
Total current liabilities		11,505	12,709	24,214	11,562	12,235	23,797
Working capital		11,731	(1,422)	10,309	11,600	(2,034)	9,566
Non-current assets							
Property, plant and equipment		38,170	25,882	64,052	38,168	24,249	62,417
Library collections		1,677	-	1,677	1,677	-	1,677
Intangible assets		206	2,228	2,434	206	766	972
Investments		432	887	1,319	432	6,246	6,678
Deferred tax asset		2,780	773	3,553	2,783	399	3,182
Derivative financial instruments		-	78	78	-	78	78
Total non-current assets		43,265	29,848	73,113	43,266	31,738	75,004
Non-current liabilities							
Employee entitlements - non current		416	288	704	416	288	704
Mortgage		321	-	321	321	-	321
Loans		-	6,000	6,000	-	6,000	6,000
Total non-current liabilities		737	6,288	7,025	737	6,288	7,025
NET ASSETS		54,259	22,138	76,397	54,129	23,416	77,545
Represented by:							
Equity							
Share capital		-	17,436	17,436	-	17,436	17,436
Retained earnings		54,201	4,738	58,939	54,077	5,980	60,057
Foreign currency translation reserve		6	(36)	(30)	-	-	-
Cash flow hedge reserve		52	-	52	52	-	52
TOTAL SHAREHOLDERS EQUITY		54,259	22,138	76,397	54,129	23,416	77,545

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2010

	GROUP	
	2010	2009
31. MINORITY INTEREST	\$000	\$000
Share of net assets acquired	634	634
Share of operating loss	(317)	(207)
Loss on sale of shares	(317)	-
	-	427

During the 2010 year 16.6% of the shares in GraceLinc Limited were repurchased from a third party.

32. CONTINGENCIES

Contingent Liabilities

There were no contingent liabilities known to exist at balance date (June 2009 \$0).

Contingent Assets

There were no contingent assets known to exist at balance date (June 2009 \$0).

33. OTHER SIGNIFICANT ITEMS

On 2 July 2008 HortResearch was served as a co-defendant in a lawsuit filed in the Central District Court of California. HortResearch was successful in the motion for summary judgement hearing in May 2009, with the ruling in HortResearch's favour and the case dismissed. The plaintiffs appealed the decision and an appeal hearing was held early in August 2009. The appeal hearing upheld the original findings however the plaintiffs have again appealed this decision.

On 9 June 2009, our subsidiary Truffle Investments NZ Limited, was notified by a customer of a claim alleging negligence. Our insurers and in-house legal staff are undertaking a preliminary discovery process before formally responding to the claim.

PERFORMANCE INDICATORS

for the year ended 30 June 2010

	2010		2009	
	Actual	*SCI Target	Actual	*SCI Target
FINANCIAL TARGETS				
Revenue (\$M) excluding interest and capital gains	117.5	123.1	92.3	51.5
Net profit after tax (\$M)	(5.7)	5.2	-	-
Return on shareholders' funds (%)	(5.5)	7.0	(3.9)	5.1
Gearing percentage	0.4	9.0	0.5	22.8
Interest cover (times)	10.4	12.0	1.7	3.0
RESEARCH APPLICATION METRICS				
<i>Scientific discovery</i>				
Peer reviewed articles	277	330	306	135
Keynote and plenary presentations	30	27	28	7
Requests for information from databases and collection	12	13	136	12
<i>Partnerships</i>				
Commissioned reports to users	406	690	568	220
Presentations on technical information	301	320	208	120
<i>Value</i>				
New and improved products, processes and services	66	20	105	7
Patents granted				
New Zealand	13	14	13	3
Overseas	12	26	10	3
Licensing agreements entered into	12	25	8	14
Joint ventures or formal associations	-	14	5	4
Spin off companies formed	-	1	1	1
<i>Our people</i>				
Staff composition (FTE's)				
Research staff	591	575	594	243
Research support staff	83	80	83	31
Other staff	146	142	163	73
Total	820	797	840	347

* SCI = Statement of Corporate Intent.

** 2009 SCI targets are for Crop & Food Research only, prior to amalgamation.

2009 actuals are 12 month results for both Crop & Food Research and HortResearch.

STATEMENT OF RESPONSIBILITY

for the year ended 30 June 2010

In the financial year ended 30 June 2010, the Board and management of The New Zealand Institute for Plant & Food Research Limited were responsible for:

- the preparation of the financial statements and the judgements used therein.
- establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial performance reporting.

In the opinion of the Board and management of The New Zealand Institute for Plant & Food Research Limited, these financial statements fairly reflect the financial position and operations of The New Zealand Institute for Plant & Food Research Limited for the year ended 30 June 2010.



Michael Ahie, Chairman
27 August 2010



Janie Elrick, Director
27 August 2010

Directory

DIRECTORS

Michael Ahie
CHAIRMAN

Rodney Wong
DEPUTY CHAIRMAN

Mark Bayly

Janie Elrick

Jane Hunter

Jim Scotland

Alison Stewart

Mark Stuart

CHIEF EXECUTIVE OFFICER

Peter Landon-Lane

SENIOR MANAGEMENT TEAM

Dr Bruce Campbell
CHIEF OPERATING OFFICER

Dr Ian Ferguson, MNZM FRSNZ
CHIEF SCIENTIST

David Hughes
GROUP GENERAL MANAGER COMMERCIAL

Michael James
CHIEF FINANCIAL OFFICER

Craig Jensen
GENERAL MANAGER HUMAN RESOURCES

REGISTERED OFFICE

120 Mt Albert Road
Sandringham
Auckland 1025
New Zealand

AUDITORS

PricewaterhouseCoopers on behalf of the
Controller and Auditor General

BANKERS

National Bank of New Zealand Ltd

NEW ZEALAND

AUCKLAND

120 Mt Albert Road
Sandringham
Auckland 1025
Private Bag 92169
Auckland 1142
Tel 09 925 7000
Fax 09 925 7001

CLYDE

990 Earnscleugh Road
RD 1, Alexandra 9391
Tel 03 904 7300
Fax 03 904 7301

DUNEDIN

Dept of Chemistry
University of Otago
Box 56
Dunedin 9054
Tel 03 479 8354
Fax 03 479 7906

HAWKE'S BAY

Cnr Crosses and
St George's Roads
Havelock North 4130
Private Bag 1401
Havelock North 4157
Tel 06 975 8880
Fax 06 975 8881

KERIKERI

Keri Downs Road
RD1, Kerikeri 0294
PO Box 23
Kerikeri 0245
Tel 09 901 7360
Fax 09 901 7361

LINCOLN

Gerald St
Lincoln 7608
Private Bag 4704
Christchurch 8140
Tel 03 325 6400
Fax 03 325 2074

MARLBOROUGH

85 Budge Street
Blenheim 7201
PO Box 845
Blenheim 7240
Tel 03 984 4310
Fax 03 984 4311

MOTUEKA

55 Old Mill Road
RD 3, Motueka 7198
Tel 03 907 3595
Fax 03 907 3596

NELSON

300 Wakefield Quay
Port Nelson
Nelson 7010
Box 5114
Port Nelson
Nelson 7043
Tel 03 989 7600
Fax 03 546 7049

PALMERSTON NORTH

Batchelar Road
Palmerston North 4474
Private Bag 11600
Palmerston North 4442
Tel 06 356 8300
Fax 06 351 7050

PUKEKOHE

Cronin Rd
RD 1, Pukekohe 2676
Tel 09 904 8204
Fax 09 237 1619

RUAKURA

East Street
Hamilton 3214
Private Bag 3123
Hamilton 3240
Tel 07 959 4430
Fax 07 959 4431

TE PUKE

412 No 1 Road
RD 2, Te Puke 3182
Tel 07 928 9800
Fax 07 928 9801

INTERNATIONAL

AUSTRALIA

Birrabee Park
204 Wymah Road
Bowna via Albury
NSW 2642, Australia
Tel +61 2 6020 3221
Fax +61 2 6041 3939

PO Box 116

Avoca Beach
NSW 2251, Australia
Tel +61 2 4382 6379
Fax +61 2 4382 6703

USA

430 F Street, Suite F
Davis CA 95616, USA
Tel +1 530 574 1612
Fax +1 530 758 1612

www.plantandfood.co.nz