



Directors' report

The Directors of Landcare Research New Zealand Limited are pleased to report that the company fulfilled its obligations under the Crown Research Institutes Act 1992 for the year ended 30 June 2001. The disclosures relate to Landcare Research New Zealand Limited and its subsidiaries.

Principal Activity

The principal activity of the group is to conduct scientific research focusing on the sustainable management of land-based natural resources.

Operating Results

Revenue for the year increased significantly to \$42.75 million from \$39.8 million in the previous year.

The Operating Surplus increased to \$3.551m from \$3.474m in 1999/2000; and the Net Surplus after tax was \$2.245m compared to \$2.524m in 1999/2000.

Dividend

A special dividend of \$3.5 million was paid during the year.

Directors

The following served as directors during the year, and received remuneration as listed:

	2000/01	1999/2000	
	\$s	\$s	
I Donald	31,000	31,000	
RGM Fenwick	15,500	15,500	
CM Mulcock	15,500	15,500	
JA Orr	15,500	15,500	<i>retired 30 June 2001</i>
SK Prime	15,500	15,500	
JR Raine	15,500	14,208	

The following directors have declared pursuant to S140(2) of the Companies Act 1993 that they are to be regarded as having an interest in any contract that may be made with the entities listed below by virtue of their directorship or membership of those entities:

I Donald	Lincoln University, Council Member Freightways Express Limited, Director	Frucor Beverages Limited, Director Solid Energy NZ Limited, Director
----------	---	---

RGM Fenwick	Living Earth Limited, Director NZ Business Council for Sustainable Development, Council Member World Wide Fund for Nature, Trustee Antarctic Heritage Trust, Chairman	Mai Media Limited, Chairman Hanmer Institute Ltd, Director Queen Mary Hospital Ltd, Director Order of St John, Chapter Member Motutapu Restoration Trust, Chairman
CM Mulcock	Rural Futures Trust, Trustee (to December 2000)	Rural Futures Group Limited, Director
JA Orr	PricewaterhouseCoopers, Partner	
SK Prime	Prime Holdings Ltd, Director	Taitokerau Forests Ltd, Director
JR Raine	Motupiko Dairy Farm Ltd, Director Wai-West Horticulture Limited, Director Hinetai Hops Limited, Director Nelson Group 8 Horticulture Ltd, Director	Yummy South Ltd, Director (resigned June 2001) Nelson Berryfruits Ltd, Director Jarar Holdings Ltd, Director

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

Directors' and Officers' Liability Insurance has been arranged by the company.

Donations

The group has made various donations totalling \$7,800 during the year (\$4,600 in 1999/2000)

Auditors

Audit New Zealand has been appointed the agent of the Controller and Auditor General in accordance with S21 of the Crown Research Institutes Act 1992. Remuneration paid to Audit New Zealand in 2000/01 totalled \$49,200 (\$49,200 in 1999/2000) for audit work only.

Employee Remuneration	Number of Employees		
	2000/01	1999/2000	
Total cost to the Company	\$230,000 – \$239,999	1*	* CEO of Landcare Research New Zealand Limited
	\$200,000 – \$209,999	-	
	\$150,000 – \$159,999	1	
	\$140,000 – \$149,999	3	
	\$130,000 – \$139,999	-	
	\$120,000 – \$129,999	-	
	\$110,000 – \$119,999	3	
	\$100,000 – \$109,999	6	

Signed, for and on behalf of the Board



Director

22 August 2001



Director

22 August 2001

*Rob Fenwick, Ian Donald, John Orr,
Julian Raine, Kevin Prime, Claire Mulcock.
Photo: Robert Lamberts*



Statement of financial performance

LANDCARE RESEARCH NEW ZEALAND LIMITED

for the Year ended 30 June:	Note	CONSOLIDATED			PARENT		
		2001 \$000s	2001 Budget \$000s	2000 \$000s	2001 \$000s	2001 Budget \$000s	2000 \$000s
Revenue							
Crown Contracts		24,879	25,200	24,975	24,879	25,200	24,975
Commercial Revenue: NZ		12,226	11,004	10,173	11,673	10,640	9,721
Commercial Revenue: International		5,649	4,140	4,619	4,034	2,650	3,345
Total Revenue		42,754	40,344	39,767	40,586	38,490	38,041
Operating							
Audit Fees		48	49	49	43	45	43
Bad Debts Written Off / (Recovered)		4		4	4		4
Depreciation		2,307	2,393	2,000	2,286	2,371	1,984
Donations		8		5	8		4
Directors' Fees		108	125	119	108	125	119
Provisions for Doubtful Debts (written back)		(2)		0	(2)		0
Provision for Fixed Asset Write-down		45			45		
Rentals and Lease Costs		881	936	913	874	929	913
Staff Costs		20,299	19,808	18,710	19,995	19,593	18,489
Other Operating Costs		15,505	14,615	14,493	14,295	13,481	13,470
Total Operating Costs and Overheads		39,203	37,926	36,293	37,656	36,544	35,026
Operating Surplus		3,551	2,418	3,474	2,930	1,946	3,015
Interest Earned		668	419	401	661	394	400
Interest (Paid)		(12)			(7)		
Dividend Received					200	200	80
Capital Gains / (Write-down)		0		7	0		7
Investment Project Expenditures		(829)	(3,000)	(96)	(829)	(3,000)	(96)
Net Surplus / (Loss) before Taxation		3,378	(163)	3,786	2,955	(460)	3,406
Taxation (Refundable)	1	1,133	(54)	1,262	914	(218)	1,106
Net Surplus after Taxation	2	2,245	(109)	2,524	2,041	(242)	2,300

Statement of movements in equity

for the Year ended 30 June:	Note	CONSOLIDATED			PARENT		
		2001 \$000s	2001 Budget \$000s	2000 \$000s	2001 \$000s	2001 Budget \$000s	2000 \$000s
Equity at beginning of year		22,931	22,436	20,407	22,482	22,032	20,182
Net Surplus after Taxation		2,245	(109)	2,524	2,041	(242)	2,300
Total Recognised Revenue and Expenses		2,245	(109)	2,524	2,041	(242)	2,300
Special Dividend Paid		(3,500)			(3,500)		
Distributions to Shareholders		(3,500)	0	0	(3,500)	0	0
Equity at end of year		21,676	22,327	22,931	21,022	21,790	22,482

The accompanying Accounting Policies and Notes form part of these Financial Statements

Statement of financial position

LANDCARE RESEARCH NEW ZEALAND LIMITED

As at 30 June:	Note	CONSOLIDATED			PARENT		
		2001 \$000s	2001 Budget \$000s	2000 \$000s	2001 \$000s	2001 Budget \$000s	2000 \$000s
Assets							
Bank Balances and Deposits		7,449	6,061	7,988	7,258	5,203	7,648
Debtors and Prepayments	3	4,145	2,971	3,058	3,695	2,471	2,865
Stocks and Work in Progress		535	350	422	86	150	128
Total Current Assets		12,129	9,382	11,468	11,039	7,824	10,641
Deferred Tax Benefit	1	727	823	672	727	987	672
Investments in Associates and Subsidiaries					250	250	250
Fixed Assets	4	19,057	19,067	19,243	18,902	18,869	19,062
Total Non-Current Assets		19,784	19,890	19,915	19,879	20,106	19,984
Total Assets		31,913	29,272	31,383	30,918	27,930	30,625
Liabilities							
Creditors and Accruals	5	3,739	2,540	2,847	3,682	1,875	2,821
Provision - Staff liabilities		3,573	3,096	3,092	3,391	2,981	2,955
Revenue in Advance	6	2,126	925	2,008	2,062	900	1,892
Tax Payable		226		116	188		86
Total Current Liabilities		9,664	6,561	8,063	9,323	5,756	7,754
Term Payment Facilities		177			177		
Term Provision - Staff liabilities		396	384	389	396	384	389
Total Non-Current Liabilities		573	384	389	573	384	389
Total Liabilities		10,237	6,945	8,452	9,896	6,140	8,143
Net Assets		21,676	22,327	22,931	21,022	21,790	22,482
Shareholders' Funds							
Share Capital		8,015	8,015	8,015	8,015	8,015	8,015
8,015,000 Ordinary Shares							
Retained Earnings		13,661	14,312	14,916	13,007	13,775	14,467
Total Shareholders' Funds		21,676	22,327	22,931	21,022	21,790	22,482

The accompanying Accounting Policies and Notes form part of these Financial Statements

Signed, for and on behalf of the Board:



Director
Date: 22 August 2001



Director
Date: 22 August 2001

Statement of cash flows

LANDCARE RESEARCH NEW ZEALAND LIMITED

for the Year ended 30 June:	CONSOLIDATED			PARENT		
	2001	2001 Budget	2000	2001	2001 Budget	2000
Note	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Cashflows from/used in Operating Activities						
Received from Customers	41,838	40,059	40,075	39,981	38,089	38,454
Interest Received	608	419	371	601	394	369
Dividend Received				200	200	80
Disbursed to Suppliers and Employees	(36,486)	(38,184)	(34,929)	(34,905)	(37,425)	(33,662)
Interest Paid	(15)			(11)		
Tax Paid	(1,059)	0	(1,118)	(861)	0	(975)
Net Cash Flows from Operating Activities	4,886	2,294	4,399	5,005	1,258	4,266
Cashflows from/used in Investing Activities						
Purchase of Fixed Assets	(1,925)	(2,250)	(1,676)	(1,895)	(2,200)	(1,614)
Investment in Associate	0		6	0		6
Sale of Fixed Assets			10			10
Net Cash Flows used in Investing Activities	(1,925)	(2,250)	(1,660)	(1,895)	(2,200)	(1,598)
Cashflows from/used in Financing Activities						
Dividend Paid	(3,500)			(3,500)		
Net Cash Flows from Financing Activities	(3,500)	0	0	(3,500)	0	0
Net Increase/(Decrease) in Cash	(539)	44	2,739	(390)	(942)	2,668
Opening Bank Balances and Deposits	7,988	6,017	5,249	7,648	6,145	4,980
Closing Bank Balances and Deposits	7,449	6,061	7,988	7,258	5,203	7,648

The accompanying Accounting Policies and Notes form part of these Financial Statements

Statement of accounting policies

Business Entity

The financial statements of Landcare Research New Zealand Limited have been prepared in accordance with the Financial Reporting Act 1993, the Companies Act 1993, the Crown Research Institutes Act 1992, and the Public Finance Act 1989.

The consolidated financial statements are those of Landcare Research New Zealand Limited, including its fully-owned subsidiaries, Sirtrack Limited and Landcare Research International Limited, which also have a balance date of 30 June.

Measurement Base

The measurement and reporting of profit and financial position is based on historical cost.

Accounting Policies

The following specific accounting policies which materially affect the measurement of profit and financial position have been consistently applied.

1) *Principle of Consolidation*

The consolidated financial statements include those of the parent company and its subsidiaries, accounted for using the purchase method. All intercompany transactions, balances and unrealised profits and losses on transactions between group members have been eliminated.

2) *Current Assets*

i) *Accounts Receivable*

Accounts receivable are valued at expected net realisable value.

ii) *Stock*

Stocks are valued at the lower of cost on a weighted average price of stock on hand, and net realisable value.

iii) *Work in Progress*

Work in Progress is valued at the lower of cost and net realisable value

3) *Fixed Assets*

Completed buildings, plant, motor vehicles, furniture and tools are recorded at cost, less accumulated depreciation. Land and buildings under construction, are recorded at cost.

4) *Depreciation*

After taking into account likely residual values, all depreciable assets are depreciated on a straight line basis over their estimated economic lives.

Depreciation Rates	Buildings	2-10%
	Plant and Equipment	5-20%
	EDP Equipment	25%
	Motor Vehicles	25%
	Furniture and Fittings	10%
	Office Equipment	20%

5) Revenue

Revenue shown in the Statement of Financial Performance comprises amounts earned by the Company for goods and services supplied to customers in the ordinary course of business during the year.

Income received for goods and services which have not yet been supplied to customers has been recognised as Revenue in Advance.

6) Taxation

Taxation is provided in the financial statements on the basis of the estimated taxation payable on the taxable income after available deductions and concessions.

Deferred taxation resulting from timing differences is recognised using the liability method on a comprehensive basis. A deferred tax benefit arising from timing differences is only recognised if there is a virtual certainty of realisation.

Goods and Services Tax

The statement of financial performance and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST with the exception of receivables and payables which are stated with GST included.

7) Foreign Currency Translation

Transactions denominated in a foreign currency are recorded using the exchange rate at the settlement date. Realised and unrealised gains or losses on foreign currency transactions are dealt with in the Statement of Financial Performance. Foreign currency balances are converted at the mid point TT rate applying at balance date.

8) Intellectual Property

No value is ascribed in the Statement of Financial Position to intellectual property assets. Revenue received from the use of intellectual property assets is recognised when earned, and the costs incurred in the maintenance of intellectual property assets are expensed when incurred.

9) Financial Instruments

Revenue and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. Financial instruments carried on the Statement of Financial Position include cash and bank balances, investments, receivables, trade creditors, and borrowings. These instruments are carried at their estimated fair value.

10) Leases

The company leases certain plant & equipment, motor vehicles, and land & buildings.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the lease term.

11) Employee Entitlements

Liabilities for annual leave, time in lieu, long service leave and retirement leave are accrued and recognised in the statement of financial position.

The provisions are accrued in annual instalments adequate to meet such liabilities as they fall due.

Changes in Accounting Policies

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

Notes to, and forming part of, the financial statements

For the year ended 30 June 2001

1. Taxation	CONSOLIDATED		PARENT	
	2001 \$000s	2000 \$000s	2001 \$000s	2000 \$000s
Reported Net Surplus before Taxation	3,378	3,786	2,955	3,406
Prima facie taxation @ 33%	1,115	1,250	975	1,124
Plus/(less) tax effect of:				
Permanent differences – non-assessable items	(5)	(2)	(71)	(27)
– non-deductible items	20	13	8	8
– Prior year adjustment	3	1	2	1
Taxation expense in Statement of Financial Performance	1,133	1,262	914	1,106
Taxation expense is represented by:				
Current tax	1,192	1,211	974	1,055
Deferred tax benefit	(62)	50	(62)	50
Prior year adjustment	3	1	2	1
	1,133	1,262	914	1,106
Deferred Taxation Benefit:				
Opening Balance	672	769	672	769
Under/(over)provision	(7)	(47)	(7)	(47)
Plus current year's movement	62	(50)	62	(50)
	727	672	727	672

2. Reconciliation of Net Surplus after Taxation with Net Cash Flows from Operating Activities	CONSOLIDATED		PARENT	
	2001 \$000s	2000 \$000s	2001 \$000s	2000 \$000s
Net Surplus after Tax	2,245	2,524	2,041	2,300
add back Depreciation	2,307	2,000	2,286	1,984
Provision for Fixed Asset writedown	45	-	45	-
(Increase)/Decrease in Deferred Taxation	(56)	97	(56)	97
Movement in Working Capital Items				
Interest Receivable	(60)	(31)	(60)	(31)
Debtors and Prepayments	(1,196)	(396)	(771)	(342)
Taxation	124	53	103	39
Stock and Work in Progress	(120)	(57)	42	(8)
Creditors and Accruals	791	(841)	763	(805)
Provision for Staff liabilities	488	353	442	284
Revenue in Advance	286	704	170	755
Capital Gain shown as Investing activity	0	(7)	0	(7)
R&D Asset writedown	32	-	-	-
Net Cash Flows from Operating Activities	4,886	4,399	5,005	4,266

3. Debtors and Prepayments	CONSOLIDATED		PARENT	
	2001 \$000s	2000 \$000s	2001 \$000s	2000 \$000s
Trade Debtors	3,453	2,422	2,917	2,194
less Provision for Doubtful Debts	(3)	(5)	(3)	(5)
	<u>3,450</u>	<u>2,417</u>	<u>2,914</u>	<u>2,189</u>
Accrued Income and Sundry Debtors	306	253	306	197
Intercompany debtors	-	-	93	98
Prepayments	389	388	382	381
	<u>4,145</u>	<u>3,058</u>	<u>3,695</u>	<u>2,865</u>

4. Fixed Assets	LAND	BUILDINGS	OTHER	TOTAL
	\$000s	\$000s	\$000s	\$000s
Consolidated				
2001				
Cost	688	12,792	20,670	34,150
Accumulated Depreciation	-	(1,719)	(13,374)	(15,093)
Net Book Value	<u>688</u>	<u>11,073</u>	<u>7,296</u>	<u>19,057</u>
2000				
Cost	688	12,715	18,556	31,959
Accumulated Depreciation	-	(1,403)	(11,313)	(12,716)
Net Book Value	<u>688</u>	<u>11,312</u>	<u>7,243</u>	<u>19,243</u>
Parent				
2001				
Cost	688	12,679	20,480	33,847
Accumulated Depreciation	-	(1,697)	(13,248)	(14,945)
Net Book Value	<u>688</u>	<u>10,982</u>	<u>7,232</u>	<u>18,902</u>
2000				
Cost	688	12,601	18,390	31,679
Accumulated Depreciation	-	(1,383)	(11,234)	(12,617)
Net Book Value	<u>688</u>	<u>11,218</u>	<u>7,156</u>	<u>19,062</u>

The Directors are of the opinion that Net Book Value of Land and Buildings represents the fair value of those assets. Land and Buildings may not be sold without receiving permission from the Crown.

5. Creditors and Accruals	CONSOLIDATED		PARENT	
	2001 \$000s	2000 \$000s	2001 \$000s	2000 \$000s
Trade creditors	2,147	1,840	2,118	1,768
GST & PAYE	502	254	501	265
Intercompany creditors	-	-	-	63
Sundry creditors and accruals	1,090	753	1,063	725
	<u>3,739</u>	<u>2,847</u>	<u>3,682</u>	<u>2,821</u>

6. Revenue in Advance	CONSOLIDATED		PARENT	
	2001 \$000s	2000 \$000s	2001 \$000s	2000 \$000s
FRST Public Good Science Funding	802	256	802	256
MoRST Non Specific Output Funding	315	375	315	375
Commercial Contracts	1,009	1,377	945	1,261
	<u>2,126</u>	<u>2,008</u>	<u>2,062</u>	<u>1,892</u>

7. Financial Instruments

Credit Risk

Financial instruments which potentially subject Landcare Research to credit risk principally consist of bank balances, short term deposits, and accounts receivable.

The maximum exposure to credit risk at balance date is the fair value of the financial instrument as stated in the Statement of Financial Position.

Significant concentrations of credit risk apply principally in respect of cash. Landcare Research reduces this risk by investing with high credit rating institutions.

Fair Values

The fair value of financial instruments is equivalent to the carrying amount as stated in the Statement of Financial Position.

Currency Risk

Landcare Research has minimal currency risk given that financial instruments are transacted principally in New Zealand dollars.

8. Commitments	CONSOLIDATED		PARENT	
	2001 \$000s	2000 \$000s	2001 \$000s	2000 \$000s
Capital Commitments				
Estimated capital expenditure contracted for at balance date but not paid or provided for	239	174	239	154
Operating Lease Commitments				
Lease commitments under non-cancellable operating leases within 1 year	738	701	735	701
later than 1 year and not later than 2 years	370	485	370	485
later than 2 years and not later than 5 years	377	557	377	557
later than five years	1,732	1,764	1,732	1,764

Other Commitments

Landcare Research has a commitment to make a cash contribution to Marsupial CRC of AUD75,000 annually for one more year.

9. Contingent Liabilities

The company is awaiting one client's response over the definition of certain financial charges in a consultancy contract. We are confident that the matter, which has a potential exposure of \$130,000 after-tax, will be resolved in our favor. (2000 : Nil)

10. Related Party Transactions

The ultimate shareholder of the company is the Crown. The company undertakes many transactions with other CRIs, Government Departments and Crown Agencies. These transactions are carried out on a commercial and arms length basis.

Inter-company transactions between Landcare Research NZ Limited and its subsidiaries are transacted on a commercial and arms length basis.

Landcare Research Limited provides management and administration support to Sirtrack Limited the value of which amounted to \$28,000 during the current financial year (\$38,000 in 1999/2000) and purchased Sirtrack products to the value of \$56,000 during the year (\$50,000 in the previous year).

Landcare Research NZ Limited revenue includes \$383,000 (\$394,000 in 1999/2000) billed to Landcare Research International Limited.

No related party debts were written off or forgiven, and no transaction took place at nil or nominal value.

11. Segment Information

Landcare Research New Zealand Limited operates predominately in one industry sector - the provision of scientific services focusing on the sustainable management of land based natural resources. Its business is conducted predominately in New Zealand and is therefore in one geographical area for reporting purposes.

Statement of responsibility

In terms of Section 42 of the Public Finance Act 1989, we hereby certify that:

1. We have been responsible for the preparation of these financial statements and the judgements used therein.
2. We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
3. We are of the opinion that the financial statements of Landcare Research New Zealand Limited fairly reflect the financial position and operations for the year ended 30 June 2001



I Donald
Director



AJ Pearce
Chief Executive



Audit New Zealand

REPORT OF THE AUDIT OFFICE

**TO THE READERS OF THE FINANCIAL STATEMENTS OF
LANDCARE RESEARCH NEW ZEALAND LIMITED AND GROUP
FOR THE YEAR ENDED 30 JUNE 2001**

We have audited the financial statements on pages 64–72. The financial statements provide information about the past financial performance and financial position of Landcare Research New Zealand Limited and group as at 30 June 2001. This information is stated in accordance with the accounting policies set out on pages 67–68.

Responsibilities of the Board of Directors

The Crown Research Institutes Act 1992, the Public Finance Act 1989 and the Financial Reporting Act 1993 require the Board of Directors (the Board) to prepare financial statements which comply with generally accepted accounting practice and give a true and fair view of the financial position of Landcare Research New Zealand Limited and group as at 30 June 2001 and the results of its operations and cash flows for the year ended 30 June 2001.

Auditor's Responsibilities

Section 21(1) of the Crown Research Institutes Act 1992 requires the Audit Office to audit the financial statements presented by the Board. It is the responsibility of the Audit Office to express an independent opinion on the financial statements and report its opinion to you.

The Controller and Auditor-General has appointed K J Boddy, of Audit New Zealand, to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Landcare Research New Zealand Limited and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards, including the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no other relationship with or interests in Landcare Research New Zealand Limited or any of its subsidiaries.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by Landcare Research New Zealand Limited and group as far as appears from our examination of those records; and
- the financial statements of Landcare Research New Zealand Limited and group on pages 64–72:
 - comply with generally accepted accounting practice; and
 - give a true and fair view of:
 - the financial position as at 30 June 2001; and
 - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 22 August 2001 and our unqualified opinion is expressed as at that date.



K J Boddy
Audit New Zealand
On behalf of the Controller and Auditor-General
Christchurch, New Zealand

