

LAND RESEARCH REPORT

2012 PART II



Landcare Research
Manaaki Whenua



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Landcare Research New Zealand Limited
(Manaaki Whenua)
Annual Report 2012

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Non-financial section
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Directors' Report and Financial Statements
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ANNUAL REPORT 2012
Our Annual Report is in two parts—together they fulfil our annual reporting responsibilities under the CRIs Act 1992. Detailed information about our research, operational activities and governance is available on our website:

www.landcareresearch.co.nz

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INTRODUCTION

Our Annual Report is in two parts—together they fulfil our Annual Reporting responsibilities under the CRIs Act 1992. PDFs of both Part I and Part II are available on our website.

Part I of the Annual Report gives a summary of our science, business and operational performance during the year, and includes summary sustainability and financial information.

Part II, this document, presents the Directors' Report and our financial statements, and a summary of Core funding achievements as required by MBIE.

FINANCIAL PERFORMANCE

Summary of group financial performance

For year ended 30 June:	2010 ¹	2011	2012	2012	2013
	Achieved	Achieved	Target	Achieved	Target
Revenue, \$m	61.66	63.44	65.91 ²	58.42 ³	58.96
EBIT, \$m	2.19	2.93	2.10	2.16 ⁴	1.57
EBIT before investment, \$m	3.03	3.91	3.60	3.34	3.34
Investment, \$m	0.84	0.98	1.50	1.19	1.77
Total assets, \$m	50.31	50.91	52.87 ⁵	45.34	47.23
Return on equity ⁶	6.4%	8.4%	5.3%	4.9%	4.2%
Dividend \$m	0.5	0.7	1.1	1.1	-
Equity ratio	58%	52%	52% ⁷	56%	58%
Gearing	12%	13%	13%	0%	0%
Interest cover	30.9	31.3	26.8	47.5	28.3

¹ 2010 Return on equity and the equity ratio excludes the impact of 0% building depreciation announced in the Government's May 2010 Budget.

² 2012 Revenue target includes Sirtrack.

³ 2012 Revenue achieved excludes Sirtrack which was disclosed as a discontinued operation due to the sale of the business in November 2011.

⁴ 2012 EBIT achieved excludes Sirtrack as this was disclosed as a discontinued operation as a result of the sale of the business in November 2011.

⁵ 2012 Total assets target has been adjusted by adding back deferred tax liability (original SCI target 49.2).

⁶ 2012 Return on equity target is lower because we planned significant reinvestment in the organisation. 2010 and 2011 return on equity excludes extraordinary restructuring costs.

⁷ 2012 Equity ratio target has been adjusted to calculate on averages rather than closing values (original SCI target 55%)

■ Revenue:

Includes science research, subsidiaries, contract work for government and commercial clients, royalties, licence fees etc., plus income from the sale of product and the lease of assets. It excludes income from gain on sale of subsidiaries and interest on investments and from finance leases, \$0.9m for 2012.

■ EBIT:

Earnings before interest and tax, and after committed business development expenditure and commercialisation expenditure.

■ Return on equity:

NPAT ÷ average shareholders' funds, expressed as a percentage. NPAT is net profit after tax. Shareholders' funds include share capital and retained earnings.

■ Equity ratio:

Average shareholders' funds ÷ average total assets.

■ Gearing:

Financial debt includes all interest-bearing liabilities. Gearing = interest bearing debt ÷ interest bearing debt plus shareholders' funds, expressed as a percentage. (The Minister of Finance and the Minister of Science and Innovation each hold 50% of the shares on behalf of the public.)

■ Interest cover:

Interest is the cost of debt and financial leases. Interest cover = EBITDAF ÷ interest. (EBITDAF is EBIT before depreciation, amortisation and fair value adjustments.)

DIRECTORS' REPORT



Top row: Jo Brosnahan (Outgoing Chair), Peter Schuyt (Chair), Tania Simpson (Deputy Chair)
Bottom row: Grant Guilford, Gavan Herlihy, John Luxton, Emily Parker, Victoria Taylor

The Directors of Landcare Research New Zealand Limited (Manaaki Whenua) are pleased to report that the Company fulfilled its obligations under the Crown Research Institutes Act 1992 for the year ended 30 June 2012. The disclosures relate to Landcare Research New Zealand Limited and its subsidiaries (the 'Group').

■ Core purpose

Landcare Research's purpose is to drive innovation in New Zealand's management of terrestrial biodiversity and land resources in order to both protect and enhance the terrestrial environment and grow New Zealand's prosperity.

■ Governance framework

The Minister of Finance and Minister of Science and Innovation each hold 50% of the Company's shares on behalf of the public. The shareholding Ministers appoint the Chair, Deputy Chair, and the six other directors to the Board of Landcare Research. All directors are non-executive. Board decisions are made collectively – individual directors have no separate governing role. The Board evaluates its performance on a regular basis. The Board is also charged by the shareholding Ministers to take strategic advice from both leading scientists and key stakeholder partners. The Board has appointed a formal Science Advisory Panel for a 3-year term and has met with a stakeholder (user) panel. The Board appoints directors of subsidiary companies.

■ Board responsibilities

Board responsibilities include providing strategic direction, selecting, evaluating and recommending remuneration for the Chief Executive, succession planning for and

appointment of a new Chief Executive, formulating policy, managing risk, ensuring legislative compliance, monitoring performance (economic, environmental and social), and communicating with the shareholding Ministers and other stakeholders.

The Crown Research Institute (CRI) reforms transferred significant accountability for investing in science and innovation to CRI boards. Landcare Research receives approximately \$24 million per year of revenue from Government in a Core Funding Agreement with the Ministry of Business, Innovation and Employment (MBIE). The Board is responsible to shareholding Ministers for the impacts and value achieved from investing this funding in our research and technology transfer to deliver on four National Outcomes for New Zealand, (see the Statement of Core Purpose in Part 1 of the Annual Report 2012).

■ Commitment to sustainability

The Board believes that sustainability is an essential part of management practices at Landcare Research and affects not only the Company's current operations but also opportunities to grow and prosper. Where possible the Board supports investment in green technologies (e.g. energy and water-use efficiency) for new and refurbished buildings. The Board reviews sustainability activities and initiatives each month.

The Board is mindful of its own footprint in carrying out its duties and appropriate steps are taken around meeting arrangements to reflect this.

■ Commitment to ethical standards and compliance

Our Code of Ethics Policy is an overarching document

that links numerous other ethics-related policies and codes of practice, and applies to all staff, senior executive managers and Directors. Policies include a Protected Disclosures (whistle-blower) Policy and guidelines. Every 2 years, the Audit and Risk Management subcommittee reviews Landcare Research's Code of Ethics Policy.

Many staff are committed to professional codes of ethics by virtue of membership in scientific and other professional societies. The Landcare Research Code of Ethics Policy complements these. If a correct course of action is not clear the issue must be raised with managers or, if necessary, the Board, which reviews the code biennially. The Board regularly monitors whether the directors, managers, and staff maintain high standards of ethical behaviour and generally act as good corporate citizens.

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

As well as setting out an expectation that staff, executives and directors must act honestly and in good faith, refraining from any activities that might bring discredit to the organisation or harm to colleagues, the policy covers points relating to lawful conduct, conflicts of interest, diligence, confidentiality, intellectual property, scientific honesty, fairness in relationships, privacy, and environmental sustainability and animal welfare. There is a zero tolerance of corruption and financial fraud.

All policies, codes of practice and guidelines are available to all staff via our intranet 'staffroom'.

Health & Safety

Landcare Research is committed to the highest health & safety standards and practices. The Board reviews initiatives, practices and performance each month.

Vision Mātauranga

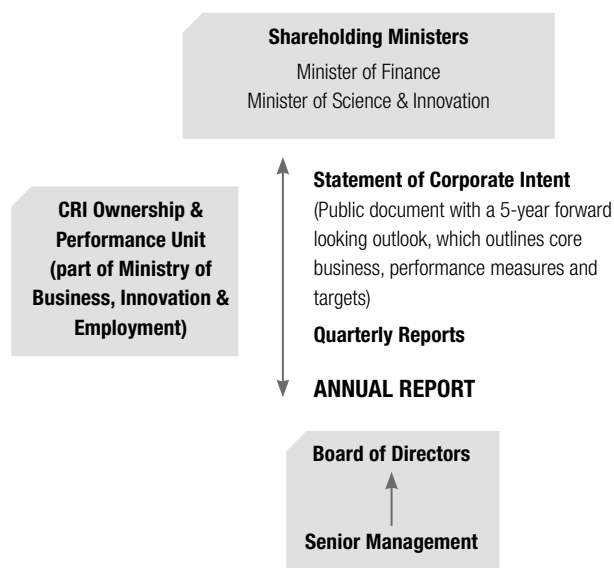
The Government created the Policy Framework Vision Mātauranga in 2005 to ensure that all Vote Science and Innovation investments and activity were benefiting Māori as well as New Zealand in general. The CRI reforms required CRIs to incorporate Vision Mātauranga into their statements of corporate intent and annual reports to show how science is enabling the innovation potential of Māori knowledge, resources and people.

Landcare Research has a well-established 20-year history of collaborative research projects involving significant

components of mātauranga Māori. These have included Māori values for land use planning, ecosystem health and sustainable development; integrated catchment management, including freshwater, wetland and estuary monitoring and restoration; indigenous biodiversity; and ethnobotanical resources. Māori increasingly want science that supports their goals and aspirations, and that builds capacity for managing their resources and sustaining cultural practices such as customary harvesting of taonga species (e.g. northern mutton birds) and native timber.

The Board supports moving to a more strategic position with specific iwi to support them in the particular stage they have reached in the Treaty of Waitangi claim settlement process.

Planning and reporting



In May and June each year, the Board negotiates a statement of corporate intent (SCI) for the next financial year with the shareholding Ministers. The SCI sets out the Company's core business, performance measures, and targets (financial and non-financial) for the next five years in accordance with the Operating Principles of the Crown Research Institutes Act 1992. The SCI is tabled in Parliament, and is a public document. All CRIs must produce an SCI, then report performance against the stated measures and targets.

All CRIs must produce an annual report by 30 September. The reports are tabled in Parliament, and each CRI's performance is reviewed by the Parliamentary Education and Science Select Committee.

Performance for 2011/12

■ Operating results

Group revenue for the year increased to \$59.298 million from \$59.059 million in the previous year.

The Group net surplus before taxation expense decreased to \$2.021 million from \$3.435 million in 2010/11. The consolidated net surplus after tax attributable to Parent Company shareholders was \$1.333 million compared with \$2.250 million surplus in 2010/11. The Group return on equity was 4.9%, compared to the target of 5.3%.

Directors

	Appointed	Term expires	Board meetings attended (13)	Audit Committee meetings attended (2)	People & Performance Committee (4)	Remuneration 2011/12	Remuneration 2010/11
Jo A Brosnahan	01-07-06	30-06-12	13 (Chair)	1	4	\$48,411	\$46,000
W Grant Guilford	01-07-10	28-03-12	10*		3	\$16,179	\$23,238
Gavan J Herlihy	01-07-11	30-06-14	12			\$22,776	\$0
M John F Luxton	01-07-09	30-06-14	11	2		\$22,776	\$23,238
Emily J Parker	01-07-11	30-06-14	12			\$22,776	\$0
Peter M Schuyt	01-09-09	30-06-15	12	2	4	\$28,526	\$28,988
Tania J Simpson	01-07-09	30-06-14	11	1		\$22,776	\$23,238
Victoria A Taylor	01-09-09	30-06-15	11		3	\$22,776	\$23,238

* Professor Grant Guilford resigned 28 March 2012

■ Precautionary approach

The Board had no cause to adopt a precautionary approach during the year. No situation arose where there was uncertainty regarding serious potential risks to health of staff or public, or harm to the environment.

■ Declared interests

Pursuant to S140(2) of the Companies Act 1993, Directors have declared they should be regarded as having an interest in any contract that may have been made with the entities listed below by virtue of their directorship or membership of those entities during the year ended 30 June 2012:

Jo A Brosnahan *QSO, MA(Hons), FCILT, FNZIM, MInstD*
Abilities Foundation, Trustee
Harkness Trust, Trustee
Jo Brosnahan Leadership, Principal
Leadership NZ, Executive Chair
Personal Footprint Ltd, Director and Shareholder
The University of Auckland, Centre for Brain Research,
Advisory Board Member
Whangarei Local Fibre Company Ltd, trading as Northpower
Fibre, Chair

Professor W Grant Guilford *PhD, BPhil, BVSc*
(resigned 28 March 2012)
Maurice Wilkins Centre, Director
New Zealand Genomics Ltd, Director
NZ Institute for Mathematics and its Applications, Director
The University of Auckland, Dean of Science

Gavan J Herlihy *MAgrSc(Hons), GradDipBusStuds*
Greenbank Pastoral Ltd, Chair
Hamiltons Dairy Ltd, Chair
Herlihy Consulting, Principal
Otago Rural Support Trust, Deputy Chair

Hon. M John F Luxton *QSO, MMgt, PGDipBusAdmin,
PGDipAgriSc, BAgriScience*
Ahuwhenua Trust Management Group, Member
Constitutional Advisory Panel, Member
DairyNZ Ltd, Chairman
Impac Services Ltd, Director
Impac Solutions Ltd, Director
JD & RD Wallace Ltd, Director
Kaimai Cheese Company Ltd, Director
Luxton & Co. Ltd, Director and Shareholder
Marire Holdings Ltd, Director and Shareholder
Massey University Foundation, Trustee
Morrinsville Wallace Art Gallery, Trustee
NZTE Global Agribusiness Project Advisory Group, Member
Royal New Zealand Ballet, Director
The Tatua Co-operative Dairy Company Ltd, Director
Waikato River Authority, Co-Chair
Wallace Corporation Ltd, Director

Dr Emily J Parker *PhD, BSc(Hons)*
Maurice Wilkins Centre, Associate Investigator
Ministry of Science and Innovation – Catalyst Group,
Group Member
University of Canterbury, Associate Professor

Peter M Schuyt *BCom, MInstD*
Apata Ltd, Director
Business Investments No. 9 Ltd, Shareholder
carboNZero Holdings Ltd, Chair
Dairy Investment Fund Ltd, Director and Shareholder
Golden Bay Fruit 2008 Ltd, Director
Port Nelson Ltd, Director
The Tatua Co-operative Dairy Company Ltd, Director
University of Waikato, Councillor
World Wildlife Fund, Trustee

Tania J Simpson *MMM (Masters of Mātauranga Māori), BA
(Māori), AMInstD*
AgResearch Ltd, Director
Kowhai Consulting Ltd, Director and Shareholder
Maniapoto FM, Trustee
Mighty River Power Ltd, Director
Oceania Group Ltd, Director
Tui Trust, Trustee
Waikato Endowed Colleges Trust, Trustee
Waitangi Tribunal, Member

Victoria A Taylor *BCom, MInstD*
carboNZero Holdings Ltd, Director
Hall Family Trust, Beneficiary
Vehicle Testing Group Ltd, Director

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

■ Directors of subsidiaries

carboNZero Holdings Limited

Peter M Schuyt *BCom, MInstD*
Robert G M Fenwick *CNZM, DNatRes* (honoris causa,
Lincoln University)
Richard F S Gordon *PhD*
Victoria A Taylor *BCom, MInstD*

Landcare Research US Limited

Carol R Bellette *MBA(Dist.), BCom, CA, MInstD*
Elizabeth G Harrison *PhD, MSc, BA*

■ Directors' and officers' liability insurance

The Group has entered into a deed of indemnity that includes insurance to cover directors and certain employees to the fullest extent permissible by law. Certain actions are excluded – for example, penalties and fines imposed in respect to breaches of the law and liabilities arising from any activity not conducted for the benefit of, or on behalf of, Landcare Research or its subsidiaries.

■ Donations

The Group has made various donations totalling \$12,000 during the year (\$9,000 in 2010/11).

■ Auditors

Audit New Zealand has been appointed as the agent of the Auditor General in accordance with S32 of the Public Audit Act 2001.

Remuneration to Audit New Zealand in 2011/12 totalled \$108,000 (\$108,000 in 2010/11) for audit work, plus \$1,000 for other services (\$1,000 in 2010/11).

■ Employee remuneration

Total cost to the Group	Number of employees	
	2011/12(*)	2010/11
\$380,000 – \$389,999	1(**)	-
\$290,000 – \$299,999	-	1(**)
\$250,000 – \$259,999	-	1
\$220,000 – \$229,999	-	1
\$210,000 – \$219,999	-	2
\$200,000 – \$209,999	1	-
\$190,000 – \$199,999	1	1
\$180,000 – \$189,999	-	1
\$170,000 – \$179,999	2	1
\$160,000 – \$169,999	3	-
\$150,000 – \$159,999	4	2
\$140,000 – \$149,999	1	4
\$130,000 – \$139,999	6	8
\$120,000 – \$129,999	7	10
\$110,000 – \$119,999	14	11
\$100,000 – \$109,999	14	16

(*) The composition of the Senior Leadership Team changed during 2011/12 and Sirtrack Limited was sold on 30 November 2011.

(**) CEO of Landcare Research New Zealand Limited (2010/11 part year only as CEO resigned 22 February 2011).

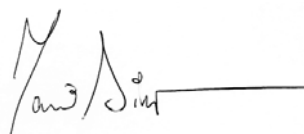
This table includes redundancy and termination payments to one employee in 2011/12 (2010/11: one).

Compensation paid or payable to five persons in 2011/12 (2010/11: 7) who ceased to be employees during the year totalled \$62,000 in 2011/12 (2010/11: \$151,000).

Signed, for and on behalf of the Board



PM Schuyt
Chair
23 August 2012



TJ Simpson
Deputy Chair
23 August 2012

AUDITED FINANCIAL STATEMENTS

Statement of comprehensive income

for the year ended 30 June 2012

	Note	Consolidated			Parent		
		2012	2012	2011	2012	2012	2011
		Actual	Budget	Actual	Actual	Budget	Actual
		\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Revenue	2.	59,298	61,447	59,059	58,260	57,511	59,338
Finance costs	3.	134	233	149	155	233	220
Operating expenses	3.	57,143	59,349	55,475	55,394	55,142	55,683
Surplus before tax		2,021	1,865	3,435	2,711	2,136	3,435
Income tax expense	27.	460	449	970	768	526	970
Surplus/(deficit) from continuing operations after tax		1,561	1,416	2,465	1,943	1,610	2,465
Surplus/(deficit) from discontinued operation after tax	28.	(228)	21	(215)	0	0	0
Net surplus / (deficit)		1,333	1,437	2,250	1,943	1,610	2,465
Other comprehensive income		(30)	0	0	(30)	0	0
Total comprehensive income		1,303	1,437	2,250	1,913	1,610	2,465

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2012

	Consolidated			Parent		
	2012	2012	2011	2012	2012	2011
	Actual	Budget	Actual	Actual	Budget	Actual
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Balance at 1 July	26,976	26,905	25,443	26,489	26,501	24,741
Financial assets at fair value through equity						
Fair value movement in Kiwi Innovation Limited investment	(30)	0	0	(30)	0	0
Net income/(expense) recognised directly in equity	(30)	0	0	(30)	0	0
Surplus/(deficit) for the year	1,333	1,437	2,250	1,943	1,610	2,465
Total comprehensive income for the year ended 30 June	1,303	1,437	2,250	1,913	1,610	2,465
Dividends paid	(1,088)	(1,088)	(717)	(1,088)	(1,088)	(717)
Balance at 30 June	27,191	27,254	26,976	27,314	27,023	26,489
Total comprehensive income attributable to:						
Parent company	1,303	1,437	2,250	1,913	1,610	2,465
	1,303	1,437	2,250	1,913	1,610	2,465

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2012

	Note	Consolidated			Parent		
		2012	2012	2011	2012	2012	2011
		Actual	Budget	Actual	Actual	Budget	Actual
		\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
ASSETS							
Current assets							
Cash and cash equivalents	4.	1,976	2,254	6,444	1,818	2,259	6,444
Trade and other receivables	5.	8,155	9,934	8,056	8,431	8,989	7,958
Inventories	6.	121	909	135	96	85	128
Assets classified as held for sale	7.	0	0	3,667	0	0	2,668
Finance lease receivable	8.	88	88	81	88	88	81
Total current assets		10,340	13,185	18,383	10,433	11,421	17,279
Non-current assets							
Property, plant and equipment	10.	32,789	37,166	30,470	32,769	35,297	30,470
Patents and intellectual property	11.	467	572	516	375	382	380
Intangible assets	12.	937	1,146	649	937	1,114	621
Investments	13.	0	0	0	71	2,321	71
Finance lease receivable	8.	804	804	892	804	804	892
Total non-current assets		34,997	39,688	32,527	34,956	39,918	32,434
Total assets		45,337	52,873	50,910	45,389	51,339	49,713
LIABILITIES							
Current liabilities							
Trade and other payables	14.	6,639	6,550	5,497	6,502	6,086	5,291
Provisions		0	52	0	0	0	0
Employee benefit liabilities	15.	4,587	4,853	4,412	4,476	4,649	4,139
Liabilities classified as held for sale	7.	0	0	806	0	0	632
Finance lease	17.	42	0	41	42	0	41
Revenue in advance	18.	2,263	5,449	4,293	2,131	4,966	4,215
Tax payable		527	308	590	822	380	590
Derivative financial instruments	9.	28	0	56	28	0	56
Total current liabilities		14,086	17,212	15,695	14,001	16,081	14,964
Non-current liabilities							
Employee benefit liabilities	15.	764	660	604	749	652	600
Borrowings	16.	0	4,000	4,000	0	4,000	4,000
Finance lease	17.	0	46	42	0	46	42
Deferred tax liability	27.	3,296	3,701	3,593	3,325	3,537	3,618
Total non-current liabilities		4,060	8,407	8,239	4,074	8,235	8,260
Total liabilities		18,146	25,619	23,934	18,075	24,316	23,224
NET ASSETS		27,191	27,254	26,976	27,314	27,023	26,489
EQUITY							
Ordinary shares	19.	10,515	10,515	10,515	10,515	10,515	10,515
Retained earnings	19.	16,676	16,739	16,461	16,799	16,508	15,974
Total equity		27,191	27,254	26,976	27,314	27,023	26,489

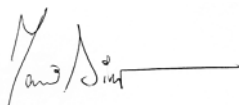
The accompanying notes form part of these financial statements.



PM Schuyt

Chair

23 August 2012



TJ Simpson

Deputy Chair

23 August 2012

Statement of cash flows

for the year ended 30 June 2012

Note	Consolidated			Parent		
	2012	2012	2011	2012	2012	2011
	Actual	Budget	Actual	Actual	Budget	Actual
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Cash flows from operating activities						
	58,072	66,242	63,901	54,860	57,388	59,062
	289	129	313	307	186	310
	0	0	0	181	0	0
	(54,098)	(59,619)	(57,010)	(48,951)	(50,757)	(52,126)
	(168)	(234)	(222)	(167)	(233)	(220)
	(823)	(667)	(809)	(830)	(641)	(812)
Net cash generated from operating activities	3,272	5,851	6,173	5,400	5,943	6,214
Cash flows from investing activities						
	0	0	(219)	0	0	0
	1,336	0	13	1,361	0	13
	2,133	0	0	2,133	0	0
	(6,128)	(8,050)	(3,666)	(7,454)	(7,780)	(3,658)
	37	(553)	(468)	(35)	(528)	(467)
	0	0	0	(700)	(799)	0
	(30)	0	0	(243)	0	0
	0	0	0	0	500	0
Net cash used in investing activities	(2,652)	(8,603)	(4,340)	(4,938)	(8,607)	(4,112)
Cash flows from financing activities						
	0	0	0	0	0	0
	(4,000)	0	0	(4,000)	0	0
	(1,088)	(1,088)	(717)	(1,088)	(1,088)	(717)
Net cash used in financing activities	(5,088)	(1,088)	(717)	(5,088)	(1,088)	(717)
Net increase/(decrease) in cash	(4,468)	(3,840)	1,116	(4,626)	(3,752)	1,385
Cash, cash equivalents and bank overdrafts at beginning of the year	6,444	6,094	5,328	6,444	6,011	5,059
Cash, cash equivalents and bank overdrafts at end of the year	1,976	2,254	6,444	1,818	2,259	6,444

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Summary of Accounting Policies

■ Reporting entity

Landcare Research New Zealand Limited is a Crown Research Institute governed by the Crown Research Institutes Act 1992 and Crown Entities Act 2004. For part of the 2011/12 financial year the Landcare Research Group ('the Group') consisted of Landcare Research New Zealand Limited and its subsidiaries, Sirtrack Limited (100% owned), Landcare Research US Limited (100% owned) and carboNZero Holdings Limited (100% owned). Landcare Research New Zealand Limited, Sirtrack Limited and carboNZero Holdings Limited are incorporated in New Zealand; Landcare Research US Limited is incorporated in the USA.

carboNZero Holdings Limited commenced trading on 1 July 2011 having previously operated as a business unit within Landcare Research New Zealand Limited. Previously Landcare Research New Zealand Limited owned Sirtrack Limited (100% owned). Sirtrack Limited was sold on 30 November 2011 to Lotek Wireless Inc. and ceased to be part of the Group from that date.

The core purpose of the Group is to drive innovation in New Zealand's management of terrestrial biodiversity and land resources in order to both protect and enhance

the terrestrial environment and grow New Zealand's prosperity.

These audited financial statements of the Group are for the year ended 30 June 2012 and were authorised by the Board of Landcare Research New Zealand Limited on 23 August 2012.

■ Basis of preparation

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

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

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

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the surplus or deficit.

Standards, amendments and interpretations issued but not yet effective

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IAS 1 Presentation of financial statements	1 July 2012	30 June 2013
NZ IFRS 9 Financial instruments	1 January 2013	30 June 2014
NZ IFRS 10 Consolidated financial statements	1 January 2013	30 June 2014
NZ IFRS 12 Disclosure of interest in other entities	1 January 2013	30 June 2014
NZ IAS 19 Employee benefits	1 January 2013	30 June 2014
NZ IAS 27 Consolidated and separate financial statements	1 January 2013	30 June 2014

The above standards and interpretations are not expected to have a material impact on the financial results. Except for the impending changes noted above there are no other standards or interpretations applicable to the Group that have been issued but are not yet effective.

■ Subsidiaries

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

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

■ Basis of consolidation

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

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

■ Revenue

Revenue is measured at the fair value of consideration received.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a

percentage of the total services to be provided. Income received for goods and services which have not yet been supplied to customers has been recognised as Revenue in Advance. Sales of goods are recognised when a product is sold to the customer.

Core Funding from the Ministry of Building, Innovation and Employment (MBIE), previously the Ministry of Science and Innovation (MSI) is treated as a government grant and generally recognised in the year of receipt. The only exception is where MBIE gives prior written consent to carry over to the next financial year any part of the Core Funding that will be allocated to specified long term or large scale research activities that require the accumulation of funds over two or more financial years to fully fund those activities.

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

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

■ Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset in accordance with NZ IAS 23 Borrowing Costs (revised). All other borrowing costs are expensed in the period they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

■ Income tax

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

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

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

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

Current tax and deferred tax are recognised against the surplus or deficit, except to the extent that they relate to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

■ Finance leases

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

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

■ Operating leases

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

■ Cash and cash equivalents

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

■ Trade and other receivables

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

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

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

■ Inventories

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

The write-down from cost to net realisable value is recognised in the surplus or deficit.

■ Financial assets

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

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit.

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

The three categories of financial assets are:

- *Financial assets at fair value through surplus or deficit*

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

- *Loans and receivables*

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

- *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income are those that are designated as fair value through other comprehensive income or are not classified

in any of the other categories above. This category encompasses:

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

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

■ **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 surplus or deficit.

■ **Accounting for derivative financial instruments and hedging activities**

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

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

■ **Non-current assets held for sale**

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the

lower of their carrying amount and fair value less costs to sell. Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

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

■ Property, plant and equipment

Property, plant and equipment consist of:

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

Property, plant and equipment are shown at cost, less accumulated depreciation and impairment losses. Assets are not reported with a financial value in cases where they are not realistically able to be reproduced or replaced, and when they do not generate cash flows and where no market exists to provide a valuation.

Additions

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

Disposals

Gains and losses are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic

benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on the Group's property, plant and equipment, other than land, at rates that will write off the cost of the assets to their estimated residual values over their useful lives. All Parent and carboNZero depreciable assets are depreciated on a straight-line (SL) basis. Up to the sale date of 30 November 2011 Sirtrack Limited's depreciable assets have been depreciated at Inland Revenue rates on a diminishing value (DV) basis. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Depreciation rates	Parent and carboNZero (SL)	Sirtrack (DV)
Buildings	1.67–10%	3–12%
Plant and equipment	4–33%	12–80%
IT equipment	25%	26–48%
Motor vehicles	25%	31%
Furniture and fittings	6.67–10%	9–30%
Office equipment	20%	12–40%
Finance lease assets	20%	25–36% (SL)
Library books and periodicals	20–50%	-
Rare books collections	1%	-

■ Intangible assets

Software acquisition and website development costs

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

Patents and intellectual property

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

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use

and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	4 years	25%
Intellectual property	3–20 years	5–35%

■ Impairment of non-financial assets

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

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

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

■ Employee benefits

Short-term benefits

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

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

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

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

Superannuation schemes

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

Long service leave, retirement leave and sick leave

Entitlements that are payable beyond 12 months, such as long service leave, retirement leave and sick leave, have been calculated on an actuarial basis. The calculations are based on likely future entitlements accruing to staff, based on years of service, years to entitlement, payment history, the likelihood that staff will reach the point of entitlement, and contractual entitlements information.

■ Provisions

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

■ Borrowings

Borrowings are initially recognised at their fair value.

After initial recognition, all borrowings are measured at amortised cost, using the effective interest method.

■ Goods and Service Tax (GST)

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

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

Commitments and contingencies are disclosed exclusive of GST.

■ Budget figures

The budget figures are those in the Statement of Corporate Intent approved by the shareholding Ministers at the beginning of the year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Group for the preparation of the financial statements.

■ Critical accounting estimates and assumptions

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

Revenue recognition

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

■ Critical judgements in applying the Group's accounting policies

Management has exercised the following critical

judgements in applying the Group's accounting policies for the year ended 30 June 2012:

Leases classification

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

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

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

Provision for warranty

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

■ Changes in accounting policies

The Company introduced a new accounting policy whereby Core Funding revenue is treated as a government grant and recognised in the year of receipt except where the Ministry of Business, Innovation and Employment has provided prior written consent to carry amounts forward. In prior years Core Funding was recognised using the percentage-of-completion method. All other policies have been applied on bases consistent with those used in the previous year.

The group has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) - The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction.

Notes to the financial statements

	Consolidated		Parent	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
2 REVENUE				
Revenue from operations consisted of the following items:				
Ministry of Science and Innovation (MSI)	34,037	32,335	34,037	32,335
New Zealand non-MSI	23,033	21,169	21,680	25,455
International non-MSI	1,347	5,217	986	1,142
<i>Interest revenue:</i>				
Bank deposits	191	247	188	244
Finance leases	84	91	84	91
Subsidiaries	0	0	21	71
Total interest	275	338	293	406
Dividends - subsidiaries	0	0	181	0
Gain/(loss) on sale of subsidiary	606	0	1,083	0
Total revenue	59,298	59,059	58,260	59,338

	Consolidated		Parent	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
3 PROFIT BEFORE INCOME TAX				
Profit before income tax has been arrived at after charging the following expenses:				
<i>Finance costs:</i>				
Interest on loans	134	222	155	220
Employee remuneration	29,705	31,558	28,079	29,392
Superannuation contributions	1,133	1,181	1,101	1,181
Employee entitlements increase/(decrease)	485	(67)	485	(1)
Net bad and doubtful debts	8	5	4	5
Donations	94	9	10	1
<i>Auditors' remuneration:</i>				
Audit New Zealand – audit services	108	108	88	87
Audit New Zealand – other services	1	1	1	1
Directors' fees	261	242	207	202
Depreciation and amortisation of non-current assets	4,206	4,024	4,175	3,879
Loss/(gain) on sale of non-current assets	118	(13)	74	(13)
Operating lease rental	646	1,013	641	738
Cost of sales	723	2,326	217	615
Movement in inventory	(14)	(97)	(33)	(99)
Loss on foreign currency contracts fair value	0	29	0	64
Impairment of investment in subsidiary	0	275	1,200	0

4 CASH AND CASH EQUIVALENTS	Consolidated		Parent	
	2012	2011	2012	2011
	Actual \$000s	Actual \$000s	Actual \$000s	Actual \$000s
Cash at bank and in hand	376	349	216	349
Short-term deposits maturing three months or less from date of acquisition	1,600	6,095	1,602	6,095
Total cash and cash equivalents	1,976	6,444	1,818	6,444

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

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

Cash at bank and in hand	374	349	216	349
Short-term deposits maturing three months or less from date of acquisition	1,602	6,095	1,602	6,095
	1,976	6,444	1,818	6,444

5 TRADE AND OTHER RECEIVABLES	Consolidated		Parent	
	2012	2011	2012	2011
	Actual \$000s	Actual \$000s	Actual \$000s	Actual \$000s
Trade debtors	7,175	7,167	6,499	5,945
Accrued income and sundry debtors	124	73	124	298
Receivables from controlled entities (note 24)	0	0	254	722
Prepayments	874	827	856	795
Loans to controlled entities (note 24)	0	0	700	200
	8,173	8,067	8,433	7,960
Less provision for impairment of receivables	(18)	(11)	(2)	(2)
Total trade and other receivables	8,155	8,056	8,431	7,958
Total non-current portion	0	0	0	0
Total current portion of trade & other receivables	8,155	8,056	8,431	7,958

The carrying value of trade and other receivables approximates their fair value. The carrying value of loans to related parties approximates their fair value.

Apart from the Ministry of Science and Innovation, which is Government owned, there is no concentration of credit risk to receivables outside the Group, as the Group has a large number of customers.

As of 30 June 2012, all overdue receivables have been assessed for impairment and appropriate provisions applied. Landcare Research holds no collateral as security or other credit enhancements over receivables that are either past due or impaired. The impairment provision has been calculated based on expected losses for Landcare Research's pool of debtors. Expected losses have been determined based on review of specific debtors.

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

As at 1 July	11	15	2	15
Additional provisions made during the year	9	5	2	5
Receivables written off during the period	(2)	(9)	(2)	(9)
Transferred to assets held for sale	0	0	0	(9)
As at 30 June	18	11	2	2

Age of trade debtors:

Current	6,625	6,710	6,009	6,710
Outstanding	550	457	490	(765)
Total trade debtors	7,175	7,167	6,499	5,945

	Consolidated		Parent	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
6 INVENTORIES				
Finished goods (at net realisable value)	121	135	96	128
Total inventories	121	135	96	128

	Consolidated		Parent	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
7 ASSETS/(LIABILITIES) HELD FOR SALE				
Current assets	0	1,923	0	1,029
Non-current assets	0	1,744	0	1,639
Current liabilities	0	(796)	0	(628)
Non-current liabilities	0	(10)	0	(4)
Total assets/(liabilities) held for sale	0	2,861	0	2,036

On 1 July 2011 Landcare Research's carboNZero strategic business unit became carboNZero Holdings Limited, a separate legal entity 100% owned by Landcare Research New Zealand Limited. The assets of carboNZero Holdings Limited were held for sale and show in the Parent 2011 actual column.

Prior to 30 June 2011 the Landcare Research Board agreed to divest Sirtrack Limited. On 30 November 2011 the business was sold to Lotek Inc. The assets of Sirtrack Limited were held for sale and show in the Consolidated Group 2011 actual column. Sirtrack's land and buildings were recognised at fair value based on a valuation completed by Logan Stone. The transfer of Sirtrack's land and buildings from property, plant and equipment to non-current assets held for sale resulted in an impairment fair value charge of \$275,000, which has been recognised in the Statement of Comprehensive Income in 2011.

	Consolidated		Parent	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
8 ANALYSIS OF FINANCE LEASE RECEIVABLE				
Total minimum lease payments are receivable:				
Not later than one year	165	165	165	165
Later than one year and not later than five years	552	638	552	638
Later than five years	686	765	686	765
Total minimum lease payments	1,403	1,568	1,403	1,568
Future finance charges	(511)	(595)	(511)	(595)
Total present value of minimum lease payments	892	973	892	973
Present value of minimum lease payments are receivable:				
Not later than one year	88	81	88	81
Later than one year and not later than five years	330	384	330	384
Later than five years	474	508	474	508
Total	892	973	892	973
Current	88	81	88	81
Non-current	804	892	804	892
Total	892	973	892	973

Finance lease receivable relates to the animal house facility. The building transfers to Lincoln University for nil consideration in 2016. Landcare Research New Zealand Limited has the right to continue occupying the building for a further 10 years to 2026 at a rent of \$1.00 per annum.

9 DERIVATIVE FINANCIAL INSTRUMENTS	Consolidated		Parent	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
Current asset/(liability) portion				
Foreign currency forward contracts	(28)	(56)	(28)	(56)
Total derivative financial instruments	(28)	(56)	(28)	(56)

10 PROPERTY, PLANT AND EQUIPMENT

2011	Parent						Group					
	Land	Buildings	Plant & equipment	Library assets	Finance lease	Total	Land	Buildings	Plant & equipment	Library assets	Finance lease	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Cost at 1 July 2010	519	22,266	33,802	4,429	122	61,138	999	23,624	34,670	4,429	162	63,884
Accumulated depreciation and impairment charges	0	(6,492)	(21,485)	(3,222)	(0)	(31,199)	0	(6,662)	(21,965)	(3,222)	(32)	(31,881)
Net book value at the beginning of the year	519	15,774	12,317	1,207	122	29,939	999	16,962	12,705	1,207	130	32,003
Year ended 30 June 2011												
Net book value at the beginning of the year	519	15,774	12,317	1,207	122	29,939	999	16,962	12,705	1,207	130	32,003
Additions	0	1,290	2,235	504	0	4,029	0	1,290	2,242	504	0	4,036
Disposals and transfers	0	0	(308)	0	0	(308)	(480)	(1,083)	(1,183)	0	(40)	(2,786)
Accumulated depreciation on disposals/transfers	0	0	308	0	0	308	0	213	870	0	39	1,122
Fair value impairment	0	0	0	0	0	0	0	(275)	0	0	0	(275)
Current year depreciation	0	(432)	(2,577)	(484)	(5)	(3,498)	0	(475)	(2,659)	(484)	(12)	(3,630)
Net book value at the end of the year	519	16,632	11,975	1,227	117	30,470	519	16,632	11,975	1,227	117	30,470
At 30 June 2011												
Cost	519	23,556	35,729	4,933	122	64,859	519	23,556	35,729	4,933	122	64,859
Accumulated depreciation	0	(6,924)	(23,754)	(3,706)	(5)	(34,389)	0	(6,924)	(23,754)	(3,706)	(5)	(34,389)
Net book value at the end of the year	519	16,632	11,975	1,227	117	30,470	519	16,632	11,975	1,227	117	30,470

2012	Parent						Group					
	Land	Buildings	Plant & equipment	Library assets	Finance lease	Total	Land	Buildings	Plant & equipment	Library assets	Finance lease	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Cost at 1 July 2011	519	23,556	35,729	4,933	122	64,859	519	23,556	35,729	4,933	122	64,859
Accumulated depreciation and impairment charges	0	(6,924)	(23,754)	(3,706)	(5)	(34,389)	0	(6,924)	(23,754)	(3,706)	(5)	(34,389)
Net book value at the beginning of the year	519	16,632	11,975	1,227	117	30,470	519	16,632	11,975	1,227	117	30,470
Year ended 30 June 2012												
Net book value at the beginning of the year	519	16,632	11,975	1,227	117	30,470	519	16,632	11,975	1,227	117	30,470
Additions	474	1,695	4,786	515	0	7,470	0	819	4,809	515	0	6,143
Disposals and transfers	(474)	(876)	(562)	0	0	(1,912)	0	0	(562)	0	0	(562)
Accumulated depreciation on disposals	0	0	536	0	0	536	0	0	533	0	0	533
Fair value impairment	0	0	0	0	0	0	0	0	0	0	0	0
Current year depreciation	0	(414)	(2,870)	(506)	(5)	(3,795)	0	(414)	(2,870)	(506)	(5)	(3,795)
Net book value at the end of the year	519	17,037	13,865	1,236	112	32,769	519	17,037	13,885	1,236	112	32,789
At 30 June 2012												
Cost	519	24,375	39,953	5,448	122	70,417	519	24,375	39,976	5,448	122	70,440
Accumulated depreciation	0	(7,338)	(26,088)	(4,212)	(10)	(37,648)	0	(7,338)	(26,091)	(4,212)	(10)	(37,651)
Net book value at the end of the year	519	17,037	13,865	1,236	112	32,769	519	17,037	13,885	1,236	112	32,789

Heritage Assets

Heritage collection assets are those assets held for the duration of their physical lives because of their unique scientific importance. The Crown, when establishing Crown Research Institutes in 1992, transferred various national databases and reference collections to individual Institutes at nil value. Many of these databases and collections were specifically identified by the Foundation for Research, Science and Technology as being of significant national importance, and they have covenants attached to them restricting an Institute's ability to deal with them.

Landcare Research has the following nationally significant collections and databases that have been defined as heritage assets:

- The New Zealand Arthropod Collection (NZAC), including the New Zealand National Nematode Collection (NZNNC) and associated database NZACbugs, BUGS bibliography and Pacific database
- The New Zealand Fungal & Plant Disease Herbarium (PDD)
- The International Collection of Micro-Organisms from Plants (ICMP) and associated NZFungi Database
- The Allan Herbarium
- The National Vegetation Survey Databank (NVS)
- The 'Ngā Tipu Whakaoranga' Ethnobotany Database and New Zealand Flax and Living Plant collections

Further details on these heritage assets are shown in the company's Statement of Corporate Intent page 53.

The nature of these heritage assets and their significance to the science and research that Landcare Research undertakes make it necessary to disclose them.

No reliable valuation is able to be obtained for these assets, and so they remain at nil value.

A rare books collection, previously considered to be part of the reference collections, was introduced in 2002/03 on a market value basis. This value has been accepted as deemed cost.

	Consolidated	Parent
	Actual	Actual
	\$000s	\$000s
11 PATENTS AND INTELLECTUAL PROPERTY		
As at 1 July 2010		
Cost	595	493
Accumulated amortisation and impairment	(118)	(16)
Net book amount	477	477
Year ended 30 June 2011		
Opening net book amount	477	477
Additions	43	43
Disposals	0	(136)
Amortisation charge	(4)	(4)
Closing net book amount	516	380
As at 1 July 2011		
Cost	638	399
Accumulated amortisation and impairment	(122)	(19)
Net book amount	516	380
Year ended 30 June 2012		
Opening net book amount	516	380
Additions	24	24
Disposals/transfers	(181)	(35)
Amortisation on disposals/transfers	111	9
Amortisation charge	(3)	(3)
Closing net book amount	467	375
As at 30 June 2012		
Cost	481	388
Accumulated amortisation and impairment	(14)	(13)
Net book amount	467	375

Landcare Research has patents and trademarks amounting to \$467,000 (2011: \$516,000), which are carried at an indefinite life in the financial statements. These assets have not been impaired during the year (2011: no impairment writedown). Landcare Research has not recognised an impairment charge, as these assets are still used by the business.

	Consolidated		Parent	
	Actual		Actual	
12 INTANGIBLE ASSETS	\$000s		\$000s	
As at 1 July 2010				
Cost	3,175		2,992	
Accumulated amortisation and impairment	(2,330)		(2,174)	
Net book amount	845		818	
Year ended 30 June 2011				
Opening net book amount	845		818	
Additions	210		208	
Disposals	(259)		(196)	
Amortisation on disposals	245		168	
Amortisation charge	(392)		(377)	
Closing net book amount	649		621	
As at 30 June 2012				
Cost	3,126		3,004	
Accumulated amortisation and impairment	(2,477)		(2,383)	
Net book amount	649		621	
Year ended 30 June 2012				
Opening net book amount	649		621	
Additions	1,075		674	
Disposals/transfers	(1)		(1)	
Amortisation on disposals/transfers	1		1	
Amortisation/impairment charge	(787)		(358)	
Closing net book amount	937		937	
As at 30 June 2012				
Cost	4,200		3,677	
Accumulated amortisation and impairment	(3,263)		(2,740)	
Net book amount	937		937	

13 INVESTMENTS	Consolidated		Parent	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$000s		\$000s	
Investment in Kiwi Innovation Limited	0	0	0	0
Investment in Sirtrack Limited	0	0	0	0
Investment in carboNZero Holdings Limited	0	0	0	0
Investment in Landcare Research US Limited	0	0	71	71
Total investments	0	0	71	71

Landcare Research New Zealand Limited has 100% interest in Landcare Research US Limited and carboNZero Holdings Limited. The investment in Sirtrack was classified as held for sale as at 30 June 2011 and was physically sold on 30 November 2011.

Environmental Certification Services Limited and GHG Advisory Services Limited were amalgamated with carboNZero Holdings Limited, their parent company, on 30 June 2011 to become carboNZero Holdings Limited.

carboNZero Holdings Limited commenced trading on 1 July 2011. The parent invested \$1,200,000 in shares of carboNZero Holdings Limited, the investment included assets and liabilities transferred as a non cash transaction.

The subsidiaries are unlisted companies, and accordingly, there are no published price quotations to determine the fair value of these investments; therefore, they are accounted at cost less impairment as per the accounting policies.

As at 30 June 2012 the Parent Board assessed a \$1,200,000 impairment of the investment in carboNZero Holdings Limited reducing the investment to zero value.

During the year Landcare Research New Zealand Limited purchased an 11.1% investment in Kiwi Innovation Network Limited for \$30,000. As at 30 June 2012 the Parent Board assessed a \$30,000 impairment of the investment in Kiwi Innovation Network Limited reducing the investment to zero value.

14 TRADE AND OTHER PAYABLES	Consolidated		Parent	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
Trade payables	3,940	3,094	3,912	2,980
Amounts due to controlled entities	0	0	97	71
Amounts due to directors	5	1	3	1
GST & PAYE	830	987	753	877
Sundry creditors and accruals	1,862	1,415	1,737	1,362
Total trade and other payables	6,637	5,497	6,502	5,291

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

15 EMPLOYEE BENEFIT LIABILITIES	Consolidated		Parent	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
Accrued pay	695	605	695	567
Annual leave	2,074	1,971	1,999	1,881
Long service leave	1,253	1,056	1,238	1,052
Retirement leave	39	59	39	59
Time in lieu	183	149	183	143
Sick leave	69	62	68	59
Bonus provision	877	1,064	842	928
Restructuring provision	161	50	161	50
Total employee benefit liabilities	5,351	5,016	5,225	4,739
<i>Comprising:</i>				
Current	4,587	4,412	4,476	4,139
Non-current	764	604	749	600
Total	5,351	5,016	5,225	4,739

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis by Eriksen and Associates Limited as at 30 June 2012. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, likelihood staff will reach the point of entitlement and contractual entitlements information; and
- Present value of estimated future cash flows using the following key assumptions:
 - * Discount rates of 2.12% – 6.00% based on the risk-free rates as calculated from the yields on New Zealand Government Bonds
 - * Inflation factor of 3.00% was based on the expected long-term increase in remuneration of employees.

16 BORROWINGS	Consolidated		Parent	
	2012	2011	2012	2011
	Actual \$000s	Actual \$000s	Actual \$000s	Actual \$000s
Non-current	0	4,000	0	4,000
Borrowings	0	4,000	0	4,000

The overdraft is unsecured.

The carrying value of borrowings approximates their fair value. Borrowings are unsecured.

	Consolidated		Parent	
	Borrowings \$000s		Borrowings \$000s	
Maturity analysis and effective interest rates				
2011				
Less than one year		0		0
Later than one year		4,000		4,000
Greater than five years		0		0
2012				
Less than one year		0		0
Later than one year		0		0
Greater than five years		0		0
Interest rates				
June 2011		5.20%		5.20%

17 ANALYSIS OF FINANCE LEASE LIABILITIES	Consolidated		Parent	
	2012	2011	2012	2011
	Actual \$000s	Actual \$000s	Actual \$000s	Actual \$000s
Total minimum lease payments are payable:				
Not later than one year	45	49	45	49
Later than one year and not later than five years	0	45	0	45
Later than five years	0	0	0	0
Total minimum lease payments	45	94	45	94
Future finance charges	(3)	(11)	(3)	(11)
Present value of minimum lease payments	42	83	42	83
Present value of minimum lease payments are payable:				
Not later than one year	42	41	42	41
Later than one year and not later than five years	0	42	0	42
Later than five years	0	0	0	0
Total	42	83	42	83
Current	42	41	42	41
Non-current	0	42	0	42
Total	42	83	42	83

18 REVENUE IN ADVANCE	Consolidated		Parent	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
MSI public good science funding	271	2,237	271	2,237
MSI capability funding	303	161	303	161
Commercial contracts	1,689	1,895	1,557	1,817
	2,263	4,293	2,131	4,215

The carrying value of revenue in advance approximates fair value.

19 EQUITY	Consolidated		Parent	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
Retained earnings				
As at 1 July	16,461	14,928	15,974	14,226
Dividends paid	(1,088)	(717)	(1,088)	(717)
Fair value movement in financial assets classified as fair value through other comprehensive income	(30)	0	(30)	0
Surplus/(deficit) for the year	1,333	2,250	1,943	2,465
As at 30 June	16,676	16,461	16,799	15,974
Share capital				
As at 1 July	10,515	10,515	10,515	10,515
As at 30 June	10,515	10,515	10,515	10,515

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

Dividends of \$0.1035 (June 2011 full year: \$0.0682) per share were paid during the year ended 30 June 2012.

20 CAPITAL MANAGEMENT

The Group's capital is its equity, which comprises retained earnings and other reserves. Equity is represented by net assets. The Group is subject to the financial management and accountability provisions of the Crown Entities Act 2004, Crown Research Institutes Act 1992 and the Shareholding Ministers' Annual Operating Framework, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

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

21 RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES	Consolidated		Parent	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
Surplus/(deficit) after tax	1,333	2,250	1,943	2,465
<i>Add/(less) non-cash items:</i>				
Depreciation and amortisation	4,206	4,024	4,175	3,879
Fair value impairment	0	275	1,200	0
Non-current employee entitlements	160	(10)	149	(6)
Deferred tax	(298)	(173)	(293)	55
<i>Add/(less) items classified as investing or financing activities:</i>				
(Gain)/loss on sale of non-current assets and investments	(488)	(13)	(1,043)	(13)
Working capital items transferred to assets held for sale	0	(900)	0	(395)
Capital creditor movement	(739)	(152)	(739)	(157)
Movement in finance lease receivable	81	74	81	74
<i>Add/(less) movements in working capital items:</i>				
Inventory	14	1,203	33	106
Trade and other receivables	(77)	1,167	227	1,770
Trade and other payables	963	(862)	1,443	(810)
Employee benefit liabilities	175	(242)	336	(271)
Derivative financial instruments	(28)	111	(28)	60
Revenue in advance	(2,030)	(579)	(2,084)	(543)
Net cash inflow/(outflow) from operating activities	3,272	6,173	5,400	6,214

22 CAPITAL COMMITMENTS AND OPERATING LEASES	Consolidated		Parent	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$000s	\$000s	\$000s	\$000s
Capital commitments				
Estimated capital expenditure contracted for at balance date but not paid or provided for	2,207	993	2,207	993
Operating lease commitments				
<i>Lease commitments under non-cancellable operating leases:</i>				
Within one year	483	420	480	420
Later than one year and not later than two years	425	447	422	447
Later than two years and not later than five years	782	977	782	977
Later than five years	2,715	3,008	2,715	3,008

23 CONTINGENCIES

The Group is not aware of any significant contingent liabilities as at balance date (2011:nil).

24 RELATED PARTY TRANSACTIONS

Landcare Research New Zealand Limited is the ultimate parent of the Group and controls two entities, being Landcare Research US Limited and carboNZero Holdings Limited. Sirtrack Limited was sold in November 2011.

Amalgamation

On 30 June 2011 Environmental Certification Services Limited and GHG Advisory Services Limited were amalgamated into carboNZero Holdings Limited.

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

	Parent	
	2012 Actual \$000s	2011 Actual \$000s
The following transactions were carried out with related parties:		
<i>Sirtrack Limited:</i>		
Interest received	21	71
Dividend received	181	0
Services provided to Sirtrack	23	57
Products and services provided by Sirtrack	182	173
Purchase of land and buildings	1,350	0
Loan outstanding	0	200
Intercompany current account receivable	0	722
<i>carboNZero Holdings Limited</i>		
Services provided to carboNZero Holdings	321	0
Products and services provided by carboNZero Holdings	43	0
Loan outstanding	700	0
Intercompany current account receivable/(payable)	220	0
Issue of shares	1,200	0
Transfer/sale of assets and liabilities	800	0
Impairment of investment	1,200	0
<i>Landcare Research US Limited:</i>		
Intercompany current account receivable/(payable)	(71)	(71)

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

	Consolidated		Parent	
	2012 Actual \$000s	2011 Actual \$000s	2012 Actual \$000s	2011 Actual \$000s
Key management personnel compensation				
Salaries and other short-term employee benefits	2,055	1,899	1,522	1,550
Post-employment benefits	0	0	0	0
Other long-term benefits	0	0	0	0
Termination benefits	0	0	0	0

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

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

	2012	2011	2012	2011	2012	2011
	Services received from	Services received from	Services provided to	Services provided to	Amounts (Payable to)/ Receivable	Amounts (Payable to)/ Receivable
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Jo Brosnahan Leadership	59	52	0	0	(1)	0
Boyd Insight Limited (retired)	0	25	0	0	0	0
Luxton & Co. Limited	26	25	0	0	0	0
Hall Family Trust	27	24	0	0	0	(1)

During the year Landcare Research provided services to or received services from the following companies, in which Directors have declared an interest. These transactions were conducted on normal commercial terms. Related parties have ceased and commenced during the year due to changes in directorships as noted.

	2012	2011	2012	2011	2012	2011
	Services received from	Services received from	Services provided to	Services provided to	Amounts (Payable to)/ Receivable	Amounts (Payable to)/ Receivable
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
University of Waikato	665	608	85	65	(8)	(101)
University of Auckland	542	490	180	107	(138)	(12)
University of Canterbury	444	0	109	0	(165)	0
Telarc SAI Limited (ceased)	0	32	0	2	0	0
NZ Institute of Chartered Accountants	0	4	0	0	0	0
Mighty River Power Limited	0	0	19	15	3	2
Dairy NZ Inc. Limited	0	0	206	54	27	9
Leadership NZ	15	0	0	0	0	0
Waikato River Authority	0	0	2	0	2	0
AgResearch	1,436	0	2,009	0	391	0

In conducting its activities Landcare Research New Zealand Limited is required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these levies and taxes, other than income tax, is based on the standard terms that apply to all tax and levy payers.

Landcare Research New Zealand Limited also supplies and purchases goods and services from entities controlled, significantly influenced or jointly controlled by the Crown. Sales to and purchases from these entities during the year ended 30 June 2012 were:

	2012	2011	2012	2011	2012	2011
	Services received from	Services received from	Services provided to	Services provided to	Amounts (Payable to)/ Receivable	Amounts (Payable to)/ Receivable
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Crown entities, SOEs and government departments	5,663	5,593	44,469	45,600	2,749	2,434
Inland Revenue Department	12,967	15,368	28	1	(283)	(1,480)

25 EVENTS AFTER THE BALANCE SHEET DATE

Nil to report

26 FINANCIAL INSTRUMENT RISKS

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

Market risk

Price risk

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

Currency risk

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

At 30 June 2012, if the US dollar had weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, surplus after tax for the year would have been \$12,000 (2011: \$15,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US-dollar-denominated trade payables and receivables and the US dollar bank account.

At 30 June 2012, if the Australian dollar had weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, surplus after tax for the year would have been \$3,000 (2011: \$31,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Australian-dollar-denominated trade payables and receivables and the Australian dollar bank account.

At 30 June 2012, if the Euro dollar had weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, surplus after tax for the year would have been \$0 (2011: \$1,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-dollar-denominated trade payables and receivables.

At 30 June 2012, if the UK pound had weakened/strengthened by 10% against the New Zealand dollar with all other variables held constant, surplus after tax for the year would have been \$0 (2011: \$4,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of UK-pound-denominated trade payables and receivables.

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

Interest rate risk

The interest rates on the Group's borrowings are disclosed in note 16.

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

Cashflow interest rate risk is the risk that the cashflows from a financial instrument will fluctuate because of changes in market interest rates. Short term bank deposits which receive variable interest rates expose the Group to cash flow interest rate risk.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Landcare Research, causing Landcare Research to incur a loss. Landcare Research has a significant concentration of credit risk with the Ministry of Science and Innovation; however, the risk is mitigated as this entity is also Government owned.

Liquidity risk

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

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses the Parent and Group's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

2011	Carrying amount \$000s	Contractual cash flows \$000s	Less than 1 year \$000s	1-2 years \$000s	2-5 years \$000s	More than 5 years \$000s
Group						
Creditors & other payables	5,497	5,497	5,497	0	0	0
Secured loans	4,000	4,321	190	4,131	0	0
Finance leases	83	94	49	45	0	0
Total	9,580	9,912	5,736	4,176	0	0
Parent						
Creditors & other payables	5,291	5,291	5,291	0	0	0
Secured loans	4,000	4,321	190	4,131	0	0
Finance leases	83	94	49	45	0	0
Total	9,374	9,706	5,530	4,176	0	0

2012	Carrying amount \$000s	Contractual cash flows \$000s	Less than 1 year \$000s	1-2 years \$000s	2-5 years \$000s	More than 5 years \$000s
Group						
Creditors & other payables	6,639	6,639	6,639	0	0	0
Secured loans	0	0	0	0	0	0
Finance leases	42	45	45	0	0	0
Total	6,681	6,684	6,684	0	0	0
Parent						
Creditors & other payables	6,502	6,502	6,502	0	0	0
Secured loans	0	0	0	0	0	0
Finance leases	42	45	45	0	0	0
Total	6,544	6,547	6,547	0	0	0

Capital risk management

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

	Consolidated		Parent	
	2012 Actual \$000s	2011 Actual \$000s	2012 Actual \$000s	2011 Actual \$000s
27 TAXATION				
Components of tax expense				
Current tax	749	1,296	1,087	1,068
Adjustments to current tax in prior years	(27)	(153)	(27)	(153)
Deferred tax expense	(262)	(173)	(292)	55
Income tax expense from continuing operations	460	970	768	970
Income tax expense from discontinued operation	(81)	(177)	0	0
Total income expense	379	793	768	970

27 TAXATION CONTINUED

	Consolidated		Parent	
	2012	2011	2012	2011
	Actual \$000s	Actual \$000s	Actual \$000s	Actual \$000s
Relationship between tax expense and accounting profit				
Surplus/(deficit) before tax	2,021	3,435	2,711	3,435
Tax at 28% (2011 30%)	628	913	759	1,031
Non-deductible expenditure	(437)	110	(176)	26
Non-taxable income	179	(231)	182	50
Prior-year adjustment	9	1	3	0
Group loss offset	0	0	0	(137)
Total income tax expense	379	793	768	970

Deferred tax assets/(liabilities)	Property, plant and equipment	Employee entitlements	Other provisions	Total
	\$000s	\$000s	\$000s	\$000s
Parent				
Balance at 1 July 2010	(4,499)	872	89	(3,538)
Transfer Asset held for sale	0	(24)	(1)	(25)
Charged to surplus/(deficit)	9	(54)	(10)	(55)
Charged to other comprehensive income	0	0	0	0
Balance at 1 July 2011	(4,490)	794	78	(3,618)
Transfer Asset held for sale	0	0	0	0
Charged to surplus/(deficit)	250	57	(14)	293
Charged to other comprehensive income	0	0	0	0
Balance at 30 June 2012	(4,240)	851	64	(3,325)
Group				
Balance at 1 July 2010	(4,784)	928	155	(3,701)
Transfer Asset held for sale	0	(30)	(35)	(65)
Charged to surplus/(deficit)	294	(80)	(41)	173
Charged to other comprehensive income	0	0	0	0
Balance at 1 July 2011	(4,490)	818	79	(3,593)
Transfer asset held for sale	0	0	0	0
Charged to surplus/(deficit)	249	59	(11)	297
Charged to other comprehensive income	0	0	0	0
Balance at 30 June 2012	(4,241)	877	68	(3,296)

The corporate tax rate has been reduced from 30% to 28% with effect from the 2011/12 year. The financial effect of the change in tax rate on deferred taxation has been included in the financial statements for the year ended 30 June 2011.

	2012	2011
	Actual	Actual
	\$000s	\$000s
Imputation credit account (Subsidiary–Sirtrack Limited only)		
Opening balance at 1 July	662	667
Taxation paid/(refund)	0	(5)
Expired on change of ownership	(662)	0
Closing balance at 30 June	0	662

28 DISCONTINUED OPERATION

Sirtrack Limited, previously a wholly owned subsidiary of Landcare Research Limited, was sold on 30 November 2011 to Lotek Wireless Inc.

	2012 Actual \$000s	2012 Budget \$000s	2011 Actual \$000s
Revenue	1,785	4,822	4,722
Finance costs	(22)	0	(73)
Expenditure	(2,072)	(4,692)	(5,041)
Surplus/(deficit) before taxation	(309)	130	(392)
Tax expense	(81)	109	(177)
Surplus/(deficit) after taxation	(228)	21	(215)

	2012 Actual \$000s	2011 Actual \$000s
Cash flows from/(used in) discontinued operation		
Operating activities	(611)	(32)
Investing activities	1,333	(9)
Financing activities	(369)	(9)
Net cash flows for the year	353	(50)

Contingencies

The Company is not aware of any significant contingent liabilities arising from the discontinued operation as at balance date (2011:nil).

29 EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET AND BETWEEN YEARS

There were the following significant variances:

Statement of Comprehensive Income

- June 2012 actual result was impacted by the sale of Sirtrack Limited in November 2011. 2012 budget and 2011 comparatives included Sirtrack for the full year.
- June 2012 actual result was impacted by lower than expected financial performance by carboNZero Holdings Limited in its first year of operation due to low domestic and international revenues.

Statement of Financial Position

- On 1 July 2011 Landcare Research's carboNZero strategic business unit became carboNZero Holdings Limited, a separate legal entity 100% owned by Landcare Research New Zealand Limited. The assets of carboNZero Holdings Limited were classified as held for sale in the June 2011 Parent result.
- The assets of Sirtrack Limited were classified as held for sale in the June 2011 Consolidated Group result.
- Bank loans totalling \$4M were repaid in March 2012.


STATEMENT OF RESPONSIBILITY

In terms of Section 155 of the Crown Entities Act 2004, we hereby certify that:

- 1 We have been responsible for the preparation of these financial statements and the judgements used therein.
- 2 We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
- 3 We are of the opinion that the financial statements of Landcare Research New Zealand Limited and the Group fairly reflect the financial position and operations for the year ended 30 June 2012.



PM Schuyt
Chair
23 August 2012



TJ Simpson
Deputy Chair
23 August 2012

AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT

To the readers of
Landcare Research New Zealand Limited
and group's financial statements
for the year ended 30 June 2012

The Auditor General is the auditor of Landcare Research New Zealand Limited (the company) and group. The Auditor General has appointed me, Bede Kearney, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company and group, on her behalf.

We have audited the financial statements of the company and group on pages 8 to 33, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion on the financial statements

In our opinion the financial statements of the company and group on pages 8 to 33:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company and group's:
 - » financial position as at 30 June 2012; and
 - » financial performance and cash flows for the year ended on that date.

Opinion on other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 23 August 2012. This 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 our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company and group's preparation of the financial statements that fairly reflect the matters to which they relate.

We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company and group's financial position, financial performance and cash flows.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors' responsibilities arise from the Crown Research Institutes Act 1992 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Research Institutes Act 1992.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

In addition to the audit, we completed an assurance engagement reporting on the profit calculation pursuant to the staff profit share scheme. This engagement is compatible with those independence requirements.

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



Bede Kearney
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

CORE FUNDING Achievements 2011-2012

Landcare Research received \$24.2m core funding (including \$5.5m capability funding) in 2011–12 for research to achieve, for New Zealand:

- Improved measurement, management and protection of New Zealand's terrestrial biodiversity Outcome 1
- Sustainable use of land resources and their ecosystem services across catchments and sectors Outcome 2
- Improved measurement and mitigation of greenhouse gases from the terrestrial biosphere Outcome 3
- Development of industries and organisations within environmental limits, to meet market and community requirements Outcome 4

Research activity	2011/12 Achievements	Sector and Industry Alignment	Alignment with Statement of Core Purpose
Research Priority Area: ENVIRONMENTAL RESEARCH — LAND AND FRESHWATER RESOURCES			
Enhancing ecosystem resilience by: i) Reducing threats to forest ecosystem processes	<p>Integrated, unbiased and systematic measurement of status and trends in vegetation, pest mammals, and birds on conservation land progressed by:</p> <ul style="list-style-type: none"> • Providing data on vegetation trends, distribution and abundance of pest mammals, and composition of bird communities for DOC's 2011–12 Annual Report (DOC's national biodiversity monitoring and reporting system is based on our research) • Expanding a national network of sites for seed collection sites from dominant canopy trees to ensure unbiased national coverage • Integrating data to inform predictive models enabling anticipation of irruptions of pest mammals that are driven by periodic heavy seeding • Strengthening modelling predictions by demonstrating soil nutrient availability/climate interactions as predictors of seeding 	<p>Effective biodiversity management, and accurate monitoring and reporting for <i>policy agencies, local authorities, land owners and managers</i>, and Māori (<i>Tūhōe Tuawhenua Trust</i>)</p> <p>Supported by : Department of Conservation; Regional Councils; Universities</p>	Improved measurement, management and protection of NZ's terrestrial biodiversity
ii) Increasing natural ecosystem resilience to weeds	<p>Knowledge of soil-microbial interactions and processes improved by:</p> <ul style="list-style-type: none"> • Developing soil biology and ecology protocols and tools to quantify soil diversity and function, e.g., new molecular methods to identify ectomycorrhizal fungi on plant roots • Progressing conceptual understanding and quantifying thresholds and reversibility of weed impacts in ecosystems <p>Demonstrated contrasting effects of pine invasions on diversity that are not congruent with ecosystem services</p>	<p>Improved mitigation of weed impacts for <i>policy agencies, local authorities, and land owners and managers</i></p> <p>Global science benefits for NZ <i>research sector</i></p> <p>Supported by: Department of Conservation; Overseas universities and funding agencies</p>	Improved measurement, management and protection of NZ's terrestrial biodiversity

Research activity	2011/12 Achievements	Sector and Industry Alignment	Alignment with Statement of Core Purpose
<p>ii) Increasing natural ecosystem resilience to weeds (<i>continued</i>)</p>	<p>Showed that invasive pine species co-invade with non-native fungi rather than adopting native fungi found on co-occurring native trees</p> <p>Established major collaborative invasive species projects and research networks with Chile, US, Sweden, and Argentina</p> <p>Reviewed international knowledge on interactions between climate change and species invasions</p>	<p>See above</p>	<p>Improved measurement, management and protection of NZ's terrestrial biodiversity</p>
<p>iii) Determining biodiversity responses to global change</p>	<p>Knowledge of how ecosystems have responded to natural and human disturbance in the past, and how and why they are changing now progressed by:</p> <ul style="list-style-type: none"> • Overturning the widely held belief that historic logging has reduced podocarp tree seedling densities in Tuhoe Tuawhenua Trust forests • Showing that if observed demographic trends at <i>Nothofagus</i> treelines continue with limited new recruits, that treelines are unlikely to expand upslope in warming climates • Demonstrating an apparent minimal threat to rising treelines under warming climates – contrary to most treelines elsewhere in the world; showed from pollen records that oceanic tree lines are currently highest since the end of the last glaciation • Identifying mechanisms responsible for dynamic, disturbance-mediated vegetation transitions (fire, climate and humans) that are increasing worldwide • Demonstrating with simulation models that deforestation of New Zealand in the 13th Century has left long-term legacy effects that remain evident in contemporary landscapes • Isolating key predictors of forest loss; modelling showed that the introduction of a novel ignition source by people in the 13th century made widespread deforestation inevitable • Developing a conceptual framework to predict ecosystem sensitivity to human-set fires; produced national maps of vegetation flammability and tested influence of intrinsic vegetation flammability on wildfire extent and wildfire ignition probability <p>Showed, through assembly of vascular plant species lists for 120 Southland wetlands, that networks of wetlands of varying sizes are needed to maintain plant biodiversity</p>	<p>Scientifically based forest management plans for <i>Māori (Tūhōe Tuawhenua Trust)</i></p> <p>Improved understanding of NZ's conservation estate for <i>national policy agencies (Department of Conservation)</i></p> <p>Improved management of fire risk for <i>national policy agencies, and regional councils</i></p> <p>Wetland biodiversity maintained for <i>policy agencies and regional councils, community groups, and landowners</i></p> <p>Supported by: Department of Conservation; Overseas universities and research agencies</p>	<p>Improved measurement, management and protection of NZ's terrestrial biodiversity</p>
<p>Sustaining and restoring terrestrial indigenous biodiversity by:</p> <p>i) Reducing extinction risk by sustaining genetic diversity</p>	<p>Demonstrated the relationship between neutral and functional genetic markers in several species and the utility of genetic markers in conservation decision making</p> <p>Identified best practice management of threatened organisms to mitigate negative genetic effects, using both empirical data and modelling</p> <p>Provided conservation genetics advice for a large range of organisms and developed new marker systems and methods, increasing NZ capability, and providing reference studies for future research</p>	<p>Improved conservation management (availability of new tools) for <i>national policy agencies, regional councils, and community environmental managers</i></p> <p>Supported by: University of Otago; Department of Conservation; Regional councils</p>	<p>Improved measurement, management and protection of NZ's terrestrial biodiversity</p>

<p>ii) Sustaining critical functional species interactions</p>	<p>Published <i>Seabird Islands</i> (Oxford University Press), an authoritative book on the ecology, conservation and restoration of seabird islands, and a comprehensive basis for island ecosystem restoration</p> <p>Provided evidence that bird faeces in native forest ecosystems facilitate regeneration and reduce invasion of exotic trees</p> <p>Demonstrated the importance of kea as seed dispersers rather than seed predators in alpine ecosystems</p>	<p>Improved conservation management (new knowledge and information) for <i>national policy agencies, regional councils and community environmental managers</i></p> <p>Supported by: Department of Conservation; University of Canterbury</p>	<p>Improved measurement, management and protection of NZ's terrestrial biodiversity</p>
<p>iii) Increasing effectiveness of conservation flagships</p>	<p>Predicted fates of avian translocations using a novel modelling approach that enables predictions of site suitability for translocations; reinforced roles of ship rat predation and landscape connectivity in translocation success</p> <p>Described the occurrence and outcomes of pest-fenced sanctuaries in New Zealand, characterising their current and potential contributions to biodiversity restoration</p> <p>Reviewed current NZ insect conservation initiatives in a historical context, clarifying roles of legislation, agencies, islands and sanctuaries</p>	<p>Improved conservation management (new tools, knowledge and information) for <i>national policy agencies, regional councils and community environmental managers</i></p> <p>Supported by: University of Waikato</p>	<p>Improved measurement, management and protection of NZ's terrestrial biodiversity</p>
<p>iv) Maintaining threatened rare ecosystems</p>	<p>Identified 18 critically endangered, 17 endangered and 10 vulnerable ecosystem types in New Zealand's 72 naturally uncommon ecosystems</p> <p>Promoted standard classification methodology centred on explicit definition of vegetation types, and protocols for assigning new observations to previously defined vegetation types</p> <p>Demonstrated in two geographically disjunctive rare alpine ecosystems (granite gravel fields) that dominant species lead to trait convergence, but rare species contribute to trait diversity and trait divergence</p>	<p>Threatened rare ecosystems maintained for <i>national policy agencies, regional councils, communities, and landowners</i></p> <p>Supported by: Department of Conservation</p>	<p>Improved measurement, management and protection of NZ's terrestrial biodiversity</p>
<p>v) Restoring dryland biodiversity through woody dominance</p>	<p>Evaluated highly-threatened South Island dryland ecosystems; informed decisions on indigenous biodiversity protection and major land-use changes</p> <p>Identified biodiversity protection needs and recovery potential in dryland grasslands; informed decisions on protective habitat management in the Upper Waitaki (Mackenzie) Basin</p> <p>Predicted vulnerability of New Zealand's remaining indigenous grassland to conversion, using spatial models based on new mapping of land-use in relation to climate, topography, soils, and infrastructure/development</p> <p>Demonstrated change in conservation priorities over time and the resulting shift in classification of dryland areas from "suitable for low productivity extensive grazing" to "vulnerable"</p> <p>Developed a novel framework linking species extinction rates to changes in both spatial distribution and population size, showing how genetics, population ecology, and fragmentation can improve estimates of extinction</p>	<p>Conservation and habitat protection best practice for <i>national policy agencies, regional councils, communities, and landowners</i></p> <p>Supported by: Department of Conservation</p>	<p>Improved measurement, management and protection of NZ's terrestrial biodiversity</p>

Research activity	2011/12 Achievements	Sector and Industry Alignment	Alignment with Statement of Core Purpose
<p>Invasive mammal impacts on biodiversity</p>	<p>Shown if climate change increases the frequency of pulsed seeding (masts) in native forests leads, then persistence of high densities of rats and stoats is likely to result in intense predation on native fauna</p> <p>Demonstrated eradication of stoats from large, near-shore islands in Fiordland has been compromised by reinvasion from the nearby mainland</p> <p>Shown that rodent control in forest ecosystems allows iconic native invertebrates, such as tree weta, to increase dramatically in abundance, potentially maintaining important ecosystem functions</p> <p>Provided essential design input for a major public-private initiative to apply pest animal management over tens of thousands of hectares in Hawke's Bay</p> <p>Demonstrated removal of top predators can benefit indigenous species in dryland ecosystems, but vegetation changes, land-use change and complex invasive species interactions can temper recovery of indigenous fauna vulnerable to predation by mice</p>	<p>Improved management of pest mammals for <i>national policy agencies, regional councils and land managers</i></p> <p>Supported by: Department of Conservation; the Animal Health Board; other NZ end users; International end users</p>	<p>Development of industries and organisations within environmental limits, to meet market and community requirements</p>
<p>Reducing contamination of surface and ground waters;</p> <p>Sustaining and enhancing services provided by NZ's soils</p>	<p>Developed new methods to collect intact soil cores from stony soils; showed that nitrogen leakage from the soils is dependent on the depth of fine material over gravels</p> <p>Estimated, in a catchment-scale case study, economic value to both farmers and the community of tuning nitrogen mitigation to stony soils that are a hotspot for leaching nitrogen into ground water</p> <p>Initiated a field experiment using barrel lysimeters to monitor leaching of nitrogen, phosphorus and carbon under different crops and management practices</p> <p>Compared and contrasted the macro-pore structure of two soils with different ability to filter <i>Escherichia coli</i> to elucidate the role of soil structure in filtering pathogenic microbes</p>	<p>Enhanced water quality through best practice land management and waste treatment for the <i>pastoral agriculture sector</i></p> <p>Improved soil management and resilience for <i>agricultural and horticultural sector land managers</i></p> <p>Supported by: The Lake Taupo Protection Trust</p>	<p>Sustainable use of land resources and their ecosystem services across catchments and sectors</p>
<p>Improved spatial information for land management</p>	<p>Developed a method to combine spectral and temporal information in classifying land use – particularly cropping</p> <p>Characterised variability in farm-scale modelling to determine key sources of uncertainty: identified sources of sampling error in lysimeter studies</p> <p>Developed a new spatial model of contamination risk at the regional scale, from data in S-map and research on contaminant pathways</p> <p>Tested the spatial model AquiferSim in areas with good and poor data (Central Canterbury Plains and the Hurunui) and applied it in the mid-Mataura Basin</p>	<p>Effective use of spatial information in resource and environmental management by <i>national and regional land managers</i></p> <p>Supported by: Environment Canterbury; Greater Wellington Regional Council</p>	<p>Sustainable use of land resources and their ecosystem services across catchments and sectors</p>

Tools for improved cost-effectiveness efficacy, and targeting of weed control	Developed a framework to evaluate the potential cost and feasibility of biocontrol to improve weed biocontrol prioritisation	Better benefit/cost outcomes for weed management by <i>national policy agencies, regional councils and landowners</i> Supported by: Department of Conservation; Regional councils	Improved measurement, management and protection of NZ's terrestrial biodiversity
Improved environmental weed management	Demonstrated the contribution of ecological studies to improved risk assessment of weed biocontrol agents, using successful biocontrol of St John's wort as a case study Demonstrated that cost benefits of targeting high rainfall areas where biocontrol of ragwort is currently ineffective far exceed costs related to future climate change issues Evaluated outcomes and benefits of 10-year removal experiments with <i>Hieracium pilosella</i> invasions in high country systems	More effective weed biocontrol (including optimised biodiversity and ecosystem benefits) for <i>national policy agencies, regional councils and landowners</i> Supported by: Department of Conservation; Regional councils; NZ Army; Universities; National Institute for Agro- Environmental Sciences, Japan; CABI Bioscience	Improved measurement, management and protection of NZ's terrestrial biodiversity
Assessment of ecosystem services and links to land use and management	Mapped New Zealand's ecosystems and produced national maps of key ecosystem services (fresh water, water regulation, food and fibre, climate regulation, erosion control, natural habitat); delivered maps online Determined trends in ecosystems' ability to provide fresh water, natural habitat and climate-regulation services Developed and adopted a software framework for a land-use change model, linking 5 software components Identified trends in land-use change, including high class land in lifestyle blocks or urbanised, clearance of indigenous forest, and conversion of tussock grasslands to pasture	Improved planning and policy resources for <i>national policy agencies and regional councils</i> Supported by: Ministry for Primary Industries; Waikato Regional Council	Sustainable use of land resources and their ecosystem services across catchments and sectors
Adaptation of national resource planning and policy for national consistency and sustainability across multiple outcomes	Completed and provided to regional councils a procedure and recommendations for using an ecosystem services approach in planning and policy	Improved planning and policy resources for <i>national policy agencies and regional councils</i> Supported by: Ministry for Primary Industries	Development of industries and organisations within environmental limits, to meet market and community requirements

Research activity	2011/12 Achievements	Sector and Industry Alignment	Alignment with Statement of Core Purpose
<p>Research Priority Area: ENVIRONMENTAL RESEARCH — CLIMATE AND ATMOSPHERE</p> <p>Reducing terrestrial greenhouse gas emissions</p>	<p>Measured and modelled inputs and losses of carbon at an alpine site, with soil warming and nitrogen treatments</p> <p>Developed and applied the carbon and nutrient cycling model, CenW, to model the exchange of carbon of different vegetation types in response to soil and environmental factors</p> <p>Developed methods to quantify and forecast changes in carbon storage in vegetation and soil for indigenous ecosystems; showed forest disturbance can be the major driver of whether forests are long-term carbon sources or sinks</p> <p>Initiated a long-term field trial to measure total greenhouse gas emissions continuously in grazed dairy pasture in the Canterbury region</p> <p>Deployed and tested a laser-based system to measure nitrous oxide emissions over intensively grazed dairy pasture</p> <p>Identified relationships between microbial biomass, denitrification enzyme activity, emissions rates and nitrous oxide/denitrogen ratio in pasture soils representing New Zealand dairy-grazed systems</p> <p>Modified a paddock-scale methane emissions measurement system to allow simultaneous measurement from adjacent groups of cattle, and tested the system's ability to detect feed-related differences in emissions</p> <p>Further developed prototype biofilters incorporating in a soil matrix, methanotrophs able to consume methane emitted from dairy effluent ponds</p> <p>Developed a framework to chart the impact of land-use change on emissions from catchment to national scales</p> <p>Developed understanding of the synergistic impacts of environmental policy, their links to more efficient policy development, and the role of interactions as drivers of behaviour change in the agricultural and forestry sectors</p> <p>Quantified national area of Māori land and the amount of carbon currently stored on Māori land</p> <p>Identified gaps in climate change-related social knowledge, and opportunities to build capacity across policy and research and broaden and deepen understanding of New Zealanders' response to climate change</p>	<p>Offsetting and/or mitigation of greenhouse gas emissions for the <i>pastoral sector</i> and the <i>fertiliser industry</i></p> <p>Improved national inventory and greenhouse gas reporting for <i>policy agencies</i></p> <p>Supported by: NZ Agricultural Greenhouse Gas Research Centre; Ministry for Primary Industries</p>	<p>Improved measurement and mitigation of greenhouse gases from the terrestrial biosphere</p>

Reducing nitrous oxide emissions	<p>Showed decomposition of nitrification inhibitor (DCD) varies with time, and different seasonal rates and frequency of DCD application are required to minimise nitrous oxide emissions and nitrate leaching from dairy pastures</p> <p>Developed NZ-DNDC based 'look-up' tables of direct nitrous oxide emission factors for New Zealand soil, climate and grazing conditions</p> <p>Extended PGgRc nitrification inhibitor research in national field trials by determining effective DCD concentrations under controlled conditions</p> <p>Identified relationships between microbial biomass, denitrification enzyme activities, emissions rates and nitrous oxide/dinitrogen ratio in soils representing NZ's dairy-grazed pasture systems</p>	<p>Offsetting and/or mitigation of greenhouse gas emissions for the <i>pastoral sector</i> and the <i>fertiliser industry</i></p> <p>Improved national inventory and greenhouse gas reporting for <i>policy agencies</i></p> <p>Supported by: NZ Agricultural Greenhouse Gas Research Centre; Pastoral Greenhouse Gas Research Consortium</p>	Improved measurement and mitigation of greenhouse gases from the terrestrial biosphere
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Research Priority Area: SCIENCE COLLECTIONS AND INFRASTRUCTURE			
Defining land biota	<p>Curated and managed the 5 nationally significant biological collections, including: accessioning material; updating policies and procedures; pest control; disaster planning; and providing loans, exchanges, and visitor services</p> <p>Maintained databases associated with the 5 nationally significant biological collections; provided reports and outputs as required by users</p> <p>Provided diagnostic services for plants, fungi and bacteria, and invertebrates</p> <p>Developed further biodiversity informatics infrastructure, such as enhancement of the Collection Information System, including development of electronic field book; enhanced functionality of the annotation tool, and names editor</p> <p>Completed the first phase of infrastructure development for the New Zealand Organisms Register</p> <p>Fostered international networks for our 5 nationally significant biological collections, particularly trans-Tasman connections through Portfolio Leader's election to the Executive of the Council of Heads of Australasian Herbaria and Council of the Australasian Systematic Botany Society</p> <p>Provided up-to-date species names and information on distribution and abundance for revision of DOC's lists of threatened plant, fungi and terrestrial invertebrate species</p> <p>Contributed to recent major changes to rules for plant and fungal nomenclature</p> <p>Produced 13 chapters on fungi and plants for the NZ Inventory of Biodiversity, a 3- volume publication listing all currently recognized species in New Zealand</p> <p>Developed a range of diagnostic tools including online electronic keys, image galleries, DNA databases and barcode data, and geographic distributions maps to enable end-users including non-specialists to classify potentially harmful organisms rapidly and accurately</p>	<p>Improved conservation management (new taxonomic knowledge) and resource prioritisation by <i>national, regional and community environmental managers</i></p> <p>Rapid diagnosis of potential threats to New Zealand's <i>biosecurity sector</i></p> <p>Engagement of <i>New Zealand public</i> in ensuring biosecurity</p> <p>Protection of cultural taonga for <i>Māori</i></p> <p>Supported by : Department of Conservation; Ministry for Primary Industries; NZ Universities (Massey, Victoria, Auckland, Lincoln); NZ public (sales and information)</p>	<p>Improved measurement, management and protection of NZ's terrestrial biodiversity</p> <p>and</p> <p>Development of industries and organisations within environmental limits, to meet market and community requirements</p>

Research activity	2011/12 Achievements	Sector and Industry Alignment	Alignment with Statement of Core Purpose
<p>Defining land biota (continued)</p>	<p>Launched the New Zealand Virtual Herbarium</p> <p>Published new research on Hypericaceae and ferns in our electronic Flora</p> <p>Released a new online guide to the larger moths of New Zealand (with TFBIS support)</p> <p>Clarified taxonomy and developed a barcoding tool for the fungus <i>Colletotrichum</i>, an important pathogen for which it is difficult to identify disease-causing species</p> <p>Contributed to the review of the entire flowering plant and fern flora, indicating no change in numbers of nationally critical or endangered species, but an increase by over 40 in nationally vulnerable species</p> <p>Reviewed and revised: <i>Pollasps</i> (Hemiptera, Coccoidea, Diaspididae), describing 8 new species from Australia; <i>Sirmulidae</i> (Insecta: Diptera), recognising 19 species present in the New Zealand subregion; and <i>Trischistoma</i> (Nematoda: Enoplida), describing four new species from New Zealand</p> <p>In consultation with iwi, developed and released a policy for DNA sampling of Allan Herbarium specimens that protects the interests of tangata whenua in use of Herbarium material</p> <p>With iwi, local authorities and the NZ Transport Authority, established a large harakeke plantation for weavers in Hawke's Bay using plants from the Orchiston Collection; officially opened in August 2011</p> <p>Contributed to the international 1KITE consortium's development of methods for the collection and analysis of genome data to reconstruct evolutionary history</p> <p>Provided new insight into the evolution of everlasting daisies (Gnaphalieae), and the evolution and biogeography of <i>Pleurophyllum</i> (Astereae, Asteraceae), a small genus of megaherbs endemic to the Subantarctic Islands</p> <p>Demonstrated use of coprolites to reconstruct the habits and habitats of NZ's extinct upland Moa</p> <p>Compared phylogeography of four New Zealand forest beetles and examined concerted versus independent evolution and the search for multiple refugia</p> <p>Described new species of <i>Hierodoris</i> Meyrick (Lepidoptera: Oecophoridae) from granite sand plains in Fiordland, and <i>Craspedia</i> (Asteraceae: Gnaphalieae) from Tasmania, determined the identity of <i>C. macrocephala</i> Hook</p> <p>Determined the conservation status of New Zealand Coleoptera</p> <p>Showed that New Zealand can be regarded as a biodiversity 'hotspot' for moss bugs ("living fossils") because of high species-level diversity</p>	<p>Improved conservation management (new taxonomic knowledge) and resource prioritisation by <i>national, regional and community environmental managers</i></p> <p>Rapid diagnosis of potential threats to New Zealand's <i>biosecurity sector</i></p> <p>Engagement of <i>New Zealand public</i> in ensuring biosecurity</p> <p>Protection of cultural taonga for <i>Māori</i></p> <p>Supported by : Department of Conservation; Ministry for Primary Industries; NZ Universities (Massey, Victoria, Auckland, Lincoln); NZ public (sales and information)</p>	<p>Improved measurement, management and protection of NZ's terrestrial biodiversity and</p> <p>Development of industries and organisations within environmental limits, to meet market and community requirements</p>

<p>Preservation and maintenance and development of the National Vegetation Survey (NVS) databank</p>	<p>Improved accessibility to important large, historical datasets including:</p> <ul style="list-style-type: none"> compositional datasets collected by the pre-eminent botanist Hugh Wilson (3277 plots) permanent transects established and measured in montane and alpine grasslands by the NZ Forest Service from the 1960s to 1980s (339 transects) plots measured to support the National Forest Survey, 1946–55 (15607 plots) permanent transects established and measured on pastoral leasehold grasslands in lowland and montane areas (2159 transects) <p>Provided NVS data that was used in 23 peer-reviewed scientific publications</p> <p>Extended a pre-existing national-scale vegetation classification using over 12,000 NVS plots to define 12 new alliances, all of which were rare</p> <p>Identified portions of datasets from compositional and geographic gradients that are poorly documented or represented by existing data</p>	<p>Nationally significant data available for use by <i>national and local government, research and education sectors, Māori</i></p> <p>Supported by: Department of Conservation; Ministry for the Environment</p>	<p>Improved measurement, management and protection of NZ's terrestrial biodiversity</p>
<p>Enhanced scope, integrity and accessibility of land resource data</p>	<p>Launched two new web browsing portals for improved accessibility to soil and land resource data <i>S-map online</i> and <i>Our Environment</i></p> <p>Audited land and soils datasets and identified improvements in data management, in line with government policies</p> <p>Mapped the vulnerability of soils to nitrogen leaching for Canterbury and all parts of New Zealand covered by S-map</p> <p>Designed new information products for S-map for delivery including: dairy effluent risk category, by-pass flow, runoff potential, irrigability, hydrological soil group</p>	<p>Improved accessibility to quality land resource data for <i>central and regional government; pastoral agriculture, crop and horticulture sectors; researchers; education sector; and NZ public</i></p>	<p>Sustainable use of land resources and their ecosystem services across catchments and sectors</p>

<p>Research Priority Area: CAPABILITY FUNDING</p>			
<p>Measurement and modelling of biodiversity trends</p>	<p>Assessed the impact on fungal diversity of the invasion of <i>Phytophthora</i> taxon <i>Agathis</i> (PTA), the cause of kauri dieback</p> <p>Applied our Vital Sites and Actions model to biodiversity offsets</p> <p>Identified three distinct genotypes of <i>Tradescantia</i> ["Wandering Jew"] naturalised in New Zealand, demonstrating that a range of techniques is crucial to understand the biology and resolve the taxonomy of naturalised plants</p> <p>Significantly advanced measurement of changes in invertebrate populations by:</p> <ul style="list-style-type: none"> developing methods for routine extraction of soil invertebrates from ecological samples, and molecular methods to identify these invertebrates building biosystematics databases for two major taxonomic groups (nematodes, mites) developing an online bioinformatics pipeline that allows robust sample tracking and iterative sub-sampling across different sites 	<p>Improved knowledge of trends in national and regional biodiversity for <i>central and regional government; pastoral agriculture, crop and horticulture sectors; land managers, researchers; education sector; and NZ public</i></p>	<p>Improved measurement, management and protection of NZ's terrestrial biodiversity</p>

Research activity	2011/12 Achievements	Sector and Industry Alignment	Alignment with Statement of Core Purpose
<p>Measurement and modelling of biodiversity trends (<i>continued</i>)</p>	<p>Demonstrated a direct link between a dominant alien plant species (Heather), symbiotic mycorrhizal fungi, and potential soil carbon decomposition and release into the atmosphere</p> <p>Developed robust multiple-species analytical capability to identify bird species richness and occupancy in conservation and agricultural landscapes</p> <p>Standardised methods of reporting state and condition of biodiversity, threats and pressures to biodiversity, and community engagement for biodiversity</p> <p>Developed scanning electron microscopy (Neoscope) skills to enhance systematics research</p> <p>Confirmed that hybrids between all the <i>Fuscospora</i> beech species occur in the wild</p> <p>Updated metadata for 392 images linked to the Phylogeny of New Zealand Plants website, improving accessibility to images</p>	<p>Improved knowledge of trends in national and regional biodiversity for central and regional government; pastoral agriculture, crop and horticulture sectors; land managers, researchers; education sector; and NZ public</p>	<p>Improved measurement, management and protection of NZ's terrestrial biodiversity</p>
<p>Management and mitigation of threats to biodiversity</p>	<p>Reached a surprising new understanding of extinctions and supposed climax vegetation on northern offshore islands by combining analyses of pollen, ancient DNA and charcoal in Northland coastal soils with local kaumātua knowledge</p> <p>Optimized molecular methods for the detection and measurement of arbuscular mycorrhizal fungi in New Zealand native ecosystems</p> <p>Found that the cause of kauri die-back, <i>Phytophthora</i> taxon Agathis (PTA), is a new species to science (not <i>P. heveae</i> as described in 1974); developed a PTA-specific diagnostic protocol</p> <p>Developed and successfully tested a threatened species management prioritisation tool</p> <p>Provided new knowledge on distribution, density, and impacts of paper wasps, and proved biocontrol of paper wasps is feasible</p> <p>Developed a computer game to engage in and inform multiple stakeholders of pest control problems</p> <p>Tested fat from NZ hawks for a range of persistent organic pollutants recognised as threats to environmental health</p> <p>Investigated the use of instruments such as rate remissions or green credits as a way of funding conservation and pest control, particularly for significant natural areas</p> <p>Generated data on possum abundance, and trapper effort and economic return, to inform dialogue about better integrating the fur industry and possum control programmes</p>	<p>Efficient and effective large scale control of pests for biodiversity for policy agencies, regional councils and land managers</p>	<p>Improved measurement, management and protection of NZ's terrestrial biodiversity</p>

	<p>Increased our capacity to include stochasticity and individual/spatial/temporal heterogeneity</p> <p>Developed molecular methods based on human health screening to screen wildlife health to protect NZ's biodiversity</p> <p>Discovered that several serious aquatic weeds should be amenable to biocontrol</p> <p>Demonstrated the potential of a chemo-sterilant to cause permanent sterility in rodents but not in possums</p> <p>Identified new approaches to eradicate multiple invasive species from large, inhabited islands, a task previously considered too ambitious</p>		
<p>Improved data and information on land resources and ecosystem services</p>	<p>Analysed the S-map database, concluding that stony soils are an extensive landscape that is a hotspot for land use intensification; demonstrated the sensitivity of stony soils to nutrient leakage</p> <p>Tested newly acquired laser scanning processing software – Sorted Pulse Data (SPD) software – in acquiring TLS data, generating a large scale digital terrain model, determining river channel change, and interpolating woody vegetation height, nationally</p> <p>Screened <i>Arthrobacter</i> for use of carbon and nitrogen compounds for growth, to elucidate physiological mechanisms that allow bacteria to dominate Antarctic soils and tolerate salinity</p> <p>Contributed to the evolution, implementation and promotion of global software architectures to meet research needs for taxonomic and spatial data standards</p>	<p>Known status and trends of land resources and ecosystem services for <i>central and regional government; pastoral agriculture, crop and horticulture sectors; land managers, researchers, education sector; and NZ public</i></p>	<p>Sustainable use of land resources and their ecosystem services across catchments and sectors</p>
<p>Resilience of ecosystem services</p>	<p>Demonstrated the efficacy of raingardens containing allophane for contaminant (copper and phosphorus) removal</p> <p>Developed a new model, the Agent-based Rural Land Use New Zealand (ARLUNZ) model, to improve ability to address economic and social aspects of complex rural environmental issues</p> <p>Defined domain terms used by researchers, and evaluated new technology to implement a vocabulary and glossary service for non-technical audiences</p> <p>Developed a draft strategy and trained staff to widen use of Open Source GIS desktop software</p>	<p>Enhanced provision of ecosystem services for <i>all land users, researchers, the education sector; and NZ public</i></p>	<p>Sustainable use of land resources and their ecosystem services across catchments and sectors</p>
<p>Measurement of greenhouse gases and carbon storage</p>	<p>Conducted three independent repeat measurements of seven LUCAS carbon monitoring plots</p> <p>Estimated carbon stocks in NZ's remaining wetlands and compared current and historic stocks</p> <p>Developed networks with Australian greenhouse gas scientists and hosted a joint meeting in NZ to discuss innovations in carbon research</p> <p>Measured and modelled carbon inputs and partitioned soil respiration in three tillage treatments, with spring and winter barley crops</p>	<p>Options to offset or mitigate terrestrial greenhouse gas emissions for <i>policy agencies, regional councils and the pastoral sector</i></p>	<p>Improved measurement and mitigation of greenhouse gases from the terrestrial biosphere</p>

Research activity	2011/12 Achievements	Sector and Industry Alignment		Alignment with Statement of Core Purpose
Management and mitigation of terrestrial greenhouse gas emissions	<p>Developed a new method for high resolution mapping of soil attributes enabling precision management and optimized sustainable use of soil, water and land</p> <p>Calculated the C/N ratio for 802 soil samples from Waikato and Manawatu pastures to examine the potential cost of increasing carbon in pasture soils</p> <p>Enhanced progress in development of methane biofilter technology; conducted laboratory tests of methanotroph activity in different soils, and measured winter surface methane fluxes from a landfill</p>	<p>Terrestrial greenhouse gas emissions known, forecast and managed to meet targets for <i>policy agencies</i>, <i>regional councils</i> and <i>the pastoral sector</i></p>	<p>Improved measurement and mitigation of greenhouse gases from the terrestrial biosphere</p>	
Multi-stakeholder engagement in resolution of complex environmental issues	<p>Developed and validated a Kaitiaki Environmental Impact Assessment and Reporting framework that links Maori issues, aspirations, and values in a 'tool-box' approach to solve complex multi-dimensional issues</p> <p>Ran <i>Magnetic South</i>, a 24-hour online event to discuss the future of Christchurch using Foresight Engine software, developing our knowledge of use of social media in participatory, practical resolution of complex environmental issues</p> <p>Quantified the extent to which a range of revegetation methods can offset clearance of native ecosystems at different scales over a 5–20 year time frame</p> <p>Defined and tested an information model for the exchange of GlobalSoilMap.net soil property data</p> <p>Explored the feasibility of assessing exposure of New Zealand businesses to water risks, as in the recent global water disclosure project</p> <p>Investigated use of financial mechanisms to mobilise resources for enhancing biodiversity</p> <p>Surveyed environmental performance the of NZ food and beverage sector</p>	<p>Resolution of complex environmental issues for <i>policy agencies</i>, <i>regional councils</i>, <i>industry sectors</i> and <i>businesses</i>, and <i>NZ communities</i></p>	<p>Development of industries and organisations within environmental limits, to meet market and community requirements</p>	
Environmental, social, cultural and economic integration in managing opportunities and threats	<p>Completed the first cost-benefit studies of successful weed biocontrol in NZ</p> <p>Reviewed literature on dung beetles and conducted experimental trials to assess risks prior to release in New Zealand</p> <p>Examined potential for industries to add value and lower waste management costs through mutually beneficial use of otherwise under-utilized resources (industrial symbiosis)</p>	<p>Enhanced international competitiveness, market access and social and sustainable license to operate for <i>New Zealand business and industry</i></p>	<p>Development of industries and organisations within environmental limits, to meet market and community requirements</p>	

FINANCIAL INDICATORS

Financial key performance indicators

<i>For year ending 30 June:</i>	2012 Target	2012 Achieved
Efficiency:		
Operating margin	9.5%	10.9%
Operating margin per FTE	\$15,002	\$16,963
Risk:		
Quick ratio	0.98	0.80
Operating margin volatility	11.5%	10.8%
Forecasting risk	-1.8%	1.1%
Tailored rate of return:		
ROE before investment	9.4%	8.2%
Return on equity (ROE)	5.3%	4.9%
Growth/investment:		
Revenue growth	4.9%	-7.9%
Capital renewal	2.1	1.5

■ Operating Margin:

EBITDAF ÷ Revenue, expressed as a percentage. (EBITDAF is EBIT before depreciation, amortisation and fair value adjustments.)

■ Quick ratio:

(Current assets – Inventory – Prepayments) ÷ (Current liabilities – Revenue in advance).

■ Forecasting Risk:

5-year average of return on equity less forecast return on equity.

■ Return on equity:

NPAT ÷ Average shareholders' funds, expressed as a percentage. (NPAT: net profit after tax.)

■ Shareholders' funds:

Includes share capital and retained earnings.

■ Capital Renewal:

Capital expenditure / Depreciation expense plus amortisation expense.

DIRECTORY

DIRECTORS

Jo A Brosnahan QSO (Chair, to 30 June 2012)
Dr Chris Downs (From 1 July 2012)
Prof. W Grant Guilford (Resigned 28 March 2012)
Gavan J Herlihy
Hon. M John F Luxton QSO
Dr Emily J Parker
Peter M Schuyt (Chair, from 1 July 2012)
Tania J Simpson
Victoria A Taylor

SENIOR LEADERSHIP TEAM

Dr Richard FS Gordon: Chief Executive Officer (From 25 May 2011)
Dr Rob B Allen: Acting General Manager, Science & Policy
Carol R Bellette: Chief Financial Officer and Company Secretary
Katrina F Direen: General Manager, People & Culture
Dr Libby G Harrison: General Manager, Development
Dr Phil BS Hart: General Manager, Science Investment & Evaluation
Rau Kirikiri: Kaihautū (part time)
Dr Peter Millard: General Manager, Science & Industry
Dr David Whitehead: Chief Scientist

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AUDITORS: Audit New Zealand on behalf of the Auditor-General

SOLICITORS: Buddle Findlay

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**ANNUAL
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2012 PART II**



Landcare Research
Manaaki Whenua