

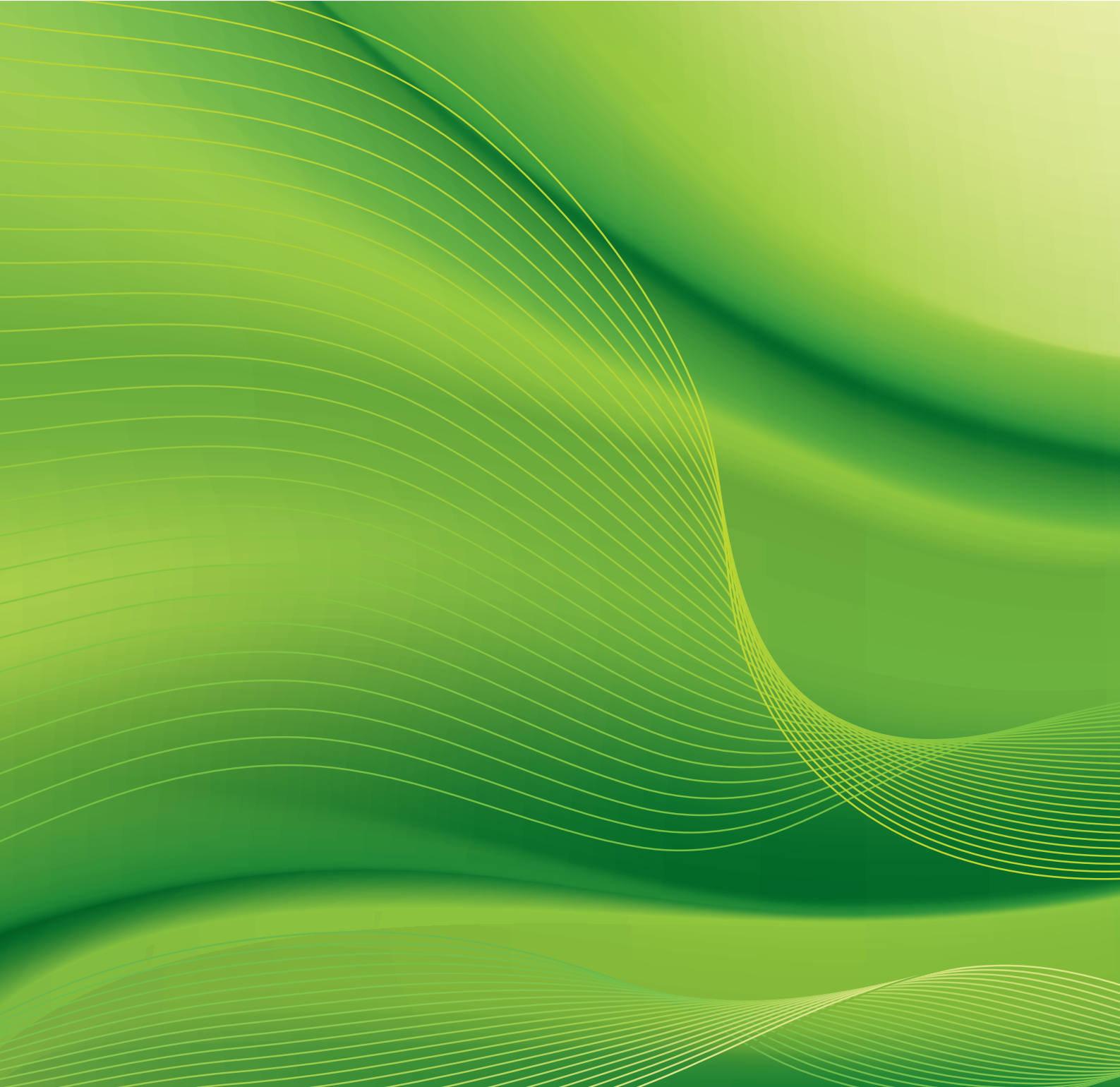


Farming, Food and Health. **First**™

Te Ahuwhenua, Te Kai me te Whai Ora. Tuatahi

ANNUAL REPORT

FINANCIALS 2008/09



Contents

AgResearch	2
Chair's Report	4
Chief Executive's Report	5
Corporate Governance	6
Capability Funding Report	7
Corporate Social Responsibility Report	14
Non-Financial Performance Indicators	15
Chief Financial Officer's Report	16
Financial Performance Indicators	17
Total Government Research Income (TGRI)	17
Financial Statements	18
Income Statement	18
Statement of Recognised Income and Expenditure	18
Balance Sheet	19
Cash Flow Statement	20
Statement of Accounting Policies	21
Notes to and Forming Part of the Financial Statements	31
1 Other Revenue	31
2 Operating Expenditure	31
3 Other Gains and (Losses)	31
4 Finance Costs	31
5 Result before Strategic Investment (Reinvestment)	31
6 Taxation	32
7 Equity	34
8 Trade and Other Receivables	35
9 Biological Assets – Livestock	35
10 Biological Assets – Forestry	36
11 Inventory	36
12 Derivative Financial Instruments	36
13 Trade and Other Payables	36
14 Property, Plant and Equipment	37
15 Intangible Assets	38
16 Provisions	39
17 Reconciliation of Net Surplus/(Deficit) after Tax with Net Cash Flow from Operating Activities	40
18 Contingent Liabilities and Commitments	40
19 Investments in Subsidiaries	41
20 Investments in Associates	43
21 Other Investments	44
22 Joint Venture Investments	44
23 Transactions with Related Parties	45
24 Financial Instruments	46
25 Term Loans	49
26 Capital Management	49
27 Significant Events after Balance Date	49
Audit Report	50
Statutory Reporting	52
Statement of Responsibility	54
Directory	55

AgResearch

AgResearch is New Zealand's largest Crown Research Institute. As an independent, Crown-owned research and development company with the Minister of Finance and the Minister of Research, Science and Technology as shareholders, AgResearch is owned by the people of New Zealand and works for the benefit of New Zealand.

AgResearch's mission is to create sustainable wealth in New Zealand's pastoral and technology sectors through focusing science and technology on 2020 Science encompassing the dairy, meat and textile industries, the biophysical environment, the relationship between agriculture and society, and the necessary, underpinning biotechnologies. This is done by creating real opportunities, solving real problems and ensuring real-world application of science and technology with internationally excellent competencies in research, development, application and commercialisation.

Our vision is to be the world's foremost pastoral sector research and development organisation. We are the engine of the pastoral sector.

AgResearch comprises three Science Groups, the Commercial Services Group and business units that deal with corporate governance and provide corporate services. We employ over 1000 staff at four campuses. The Corporate Office is based at our Ruakura campus, Hamilton.

The Commercial Services Group aims to facilitate the growth of revenue streams from commercial clients via the provision of services to third parties or from the transfer of intellectual property to external agencies. Its main driver is to forge key partnerships with industry partners to maximise the synergies that exist between AgResearch as a science provider and companies active in the market place. Full commercial potential is achieved through the Commercial Services group and a number of subsidiary and associate companies as well as joint ventures.

Work that AgResearch does includes:

Agriculture & Environment Group

- Developing profitable and environmentally sustainable agricultural production systems, through research into farm systems, animal production, management practices and system designs, including considering the integration of new technologies into specific production systems.
- Developing new and improved animal health therapies, including treatments for control of internal parasites in grazing livestock, vaccines for infectious diseases, with considerable focus on tuberculosis and Johnes Disease, and antibiotic alternatives.
- Identifying land uses that will achieve sustainable growth in the pastoral sector within the constraints of national and international protocols. This includes the soil-plant processes and animal interaction.
- Developing diagnostic tests to enable animal selection and management for disease control.
- Developing management solutions for nutrient, pathogen and gaseous emissions to ensure healthy ecosystems, both at a farm and catchment (district) level.
- Formulating mitigation strategies for greenhouse gases produced by grazing ruminants.
- Applying social research around bioethics, change behaviour and relationship alignment to develop plans and processes that initiate, support and prepare people for change, such as adoption of leading-edge technologies, policy and compliance.
- Formulating scientifically-proven codes of practice, that are acceptable to consumers, to protect the welfare of farmed animals.
- Understanding weed and pest population dynamics and their relationship with their host, enabling solutions for management or eradication of invasive weeds and pest to be developed, including technologies which enhance biosecurity.
- Exploring the potential of microbes as biocontrol agents against pests, including the use of biopolymer technology as a delivery vehicle.

Applied Biotechnologies Group

- Discovering and understanding genes in plants and endophytes, providing a strong base to leverage off new product opportunities.
- Applying plant functional genomics knowledge for novel developments, such as plant biomembrane technologies.
- Discovering and characterising the clover and ryegrass genomes.
- Developing improved ryegrasses, clovers and endophyte products, including plants for environmental management.
- Identifying key genes responsible for superior productivity of elite livestock, allowing breeders and industry to screen for superior animals and use them preferentially in breeding programmes and supply chains.
- Developing genomic technologies such as transgenics and cloning, offering potential for step changes in genetic improvement (as versus incremental improvements by traditional methods of animal selection and breeding).
- Determining the underlying mechanisms of muscle growth and wasting and applying this knowledge to both livestock production and human health therapies.
- Understanding the biological processes controlling wool and hair growth and developing ways to exploit these.
- Applying understanding of reproduction to generate novel solutions for enhancing livestock fertility, management of wildlife pests and contraception in humans.
- Developing and managing bioinformatics tools to facilitate this research.

- Developing mathematical models to aid scientific understanding and business decision-making in complex systems within genomics, physiology, ecology, agro-ecosystems and agribusiness value chains.
- Extracting, identifying and characterising valuable bioactives from deer antler velvet.

Food & Textiles Group

- Applying science and engineering to the world of carpets and textiles for fashion and industrial applications.
- Applying an understanding of ruminant nutrition to develop nutritional guidelines and solutions for improved productivity.
- Providing product and process development, and evaluation services, in the fields of fibre, textiles and related consumer and industrial products.
- Formulating mitigation strategies for greenhouse gases produced by grazing ruminants.
- Providing technology and technical services to the global carpet and rug sector, focusing on wool-based floor coverings.
- Developing human health therapeutics derived from livestock products, including wound-healing products from deer velvet and antimicrobials from milk and rumen microbes.
- Offering sophisticated research and development services in the fields of engineering, bio-materials, and textiles-based niche medical and health applications.
- Developing added-value foods derived from livestock products, including nutrigenomics - those that meet specific nutritional requirements of human genetic conditions.
- Providing expert textile and carpet-related technical consultancy, information, and education services, and managing key relationships with other technical authorities around the world.
- Providing tools to assist with quality assurance to meet customer expectations for desirability and safety of animal products, such as measurement of desirable food characteristics, diagnostic tests, predictive models and traceability tools. Such tools will improve decision making, efficiency and product quality of value chains and can also help resolve biosecurity issues.

Chair's Report

The past year has seen a rapidly changing global agribusiness and economic landscape. We have gone from celebrating record returns for dairy exports and commiserating on poor sheep meat prices, to something of a reversal.

Throughout New Zealand, the pain wrought by difficult times has been real and widespread. AgResearch has not been immune to this recessionary climate, and has responded realistically. Without access to sufficient funding to maintain staff complement, a number of positions were unfortunately lost. However, the Board is confident the Institute has met the challenge of preserving its core scientific capabilities and services.

These harsh times have underscored the importance of the pastoral sector to our economy and the critical role science plays in its future growth. This has been recognised in investments like the Invermay Christie Centre for reproductive and genomic research, and the \$190 million Government commitment to primary industry R&D during very tight fiscal times.

In seeking new and better ways to research and transfer knowledge to benefit land-based industries, AgResearch and Lincoln University explored a potential merger. Cost implications meant this initiative was not consummated as initially envisaged, but the process has resulted in strong relationships at various levels, and areas identified where our forces can be readily combined for mutual benefit. Combining capabilities will offer greatly enhanced opportunities for obtaining lucrative off-shore contracts, in research and teaching.

AgResearch is not new to such ventures. In the last five years it has greatly expanded its arrangements, commercial and otherwise, with domestic and international institutions. In forging its new partnership relationship with Lincoln, AgResearch is showing that it is ready and willing to engage widely to create a world-class virtual pastoral university to benefit the sector, and New Zealand.

This year we lose three experienced Board members in Dr Robert Welch, Graham Fraser and Richard Davidson. Each has made an outstanding contribution to the Board and the business of the organisation. I am grateful for their guidance and support, together with that of the other Board members, during my first year as Chairman.

I would like to acknowledge and thank our Chief Executive Dr Andrew West and his team of scientific, technical and support staff for all their work during a challenging year. They are truly the heart of this organisation, and New Zealand is fortunate to have such a committed group of people that enables AgResearch to punch above its weight internationally.



Sam Robinson
Chair

Chief Executive's Report

I thank all the staff of AgResearch and its subsidiaries and joint ventures for their contribution to the New Zealand pastoral sector and to AgResearch.

It was a difficult financial year during which we reduced staff numbers through attrition, severance and redundancy by 53 full-time equivalent staff. At year end we made a net 'loss' after tax of \$754,000. Of some encouragement, our earnings before interest, reinvestment, restructuring and tax were \$9 million (50% up on last year), representing a 6% gross margin, achieved through 4% operating revenue growth and 2% operating expenditure growth. The reinvestment amount mainly comprised investment in commercialisation and collaborative relationships.

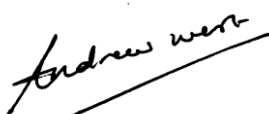
Commercialisation highlights included the formation of ParaCo, a subsidiary developing early stage anthelmintic molecules to control livestock parasites, and the creation of VerifiTT, a partnership with domestic investors that will soon introduce traceability technology into woollen carpets with Elders. Elders believes that VerifiTT will help *double* the return to farmers per kilo of strong wool. AgResearch largely internally funded its development. Similarly, AgResearch invested \$450,000 on collaboration with the Universities of Otago and Auckland, the former in a matched research fund and the latter on creating a "Pastoral Foods for Human Health Research Centre". Nevertheless, we continued to reduce our commercialisation and public good activities (50% down on 2006) and one, particularly poignant, loss was removal of our education service where we had worked with many thousands of secondary school students in biology to wide acclaim by teachers and Principals.

The operating environment was tough, with a continued fall in sheep numbers and hence levy money for R&D, and with a fall in the dairy payout. The anticipated Fast Forward Fund was disestablished to later be replaced by the Primary Growth Partnership, a welcome commitment to R&D supporting the primary industries. However, two years of delay in spending new money is exacting an increasing cost on AgResearch, especially when in real terms funding from the Foundation for Research, Science and Technology has declined over recent years. Correspondingly, not only did we lose staff we also focused hard on internal efficiency gains, including a state-of the art upgrade to our video conferencing system and better project management and time recording by scientists

The second half of the year was dominated by our proposal with Lincoln University to merge and create a genuinely world-leading, research intensive university focused on New Zealand's most important industries – those associated with the land (including tourism). The merger failed because between us we had insufficient of our own funds to meet one-off merger costs and some increased operating costs. The country will not enjoy the benefit of this merger, which was likely to rapidly be worth an additional \$200 million of income each year to farmers. However, our two institutions will now work more closely to secure some of that benefit. Also disappointing was the High Court finding against the Environmental Risk Management Authority's decision to consider AgResearch's applications on transgenic animal research.

There were many highlights in the year. The best was commissioning our Centre of Reproduction and Genomics with The University of Otago on our Invermay campus. We spent \$15 million on this wonderful laboratory, which was built on time and under budget. We also invested \$6 million (about two thirds of which was in 2008/09) in converting our Tokanui research farm to dairying, including highly-sophisticated, scientific infrastructure to help create the high-value dairy industry of the future. Another highlight was our joint hosting with the Australian CSIRO of "The Horizons in Livestock Agriculture Conference" in Christchurch, which identified just how fast global agriculture is changing. With this opportunity in mind, AgResearch expanded its focus on China, India and Chile as we sought to improve revenue growth. We also grew our commercial relationships with multinationals, including CRV Delta and MARS. This was achieved on the back of a significant increase in measured client satisfaction, from 45% of clients rating us as excellent to 76%.

Finally, we produced some wonderful science. The full sequence of the *Bovine* genome was published in *Science*; AgResearch played a major part in this. We also helped sequence the *Ovine* genome. We produced high sugar and high lipid GM ryegrasses; deep-rooting white clover hybrids and highly digestible lucerne. We discovered a new mechanism by which fungi grow and we discovered exactly how ryegrass staggers damages livestock at the cellular level. These are just a few examples.



Dr Andrew West
Chief Executive

Corporate Governance

The Board promotes the highest standards of corporate governance practice and ethical conduct by all directors and employees of AgResearch Limited and its subsidiaries. The Board endorses the overall principles embodied in the New Zealand Institute of Directors' "Code of Proper Practice for Directors". It has only independent directors on the Board, whose skills and experience bring balance and diversity to decision making.

Role of the Board

The Board is responsible to shareholders for charting the direction of the Company by the setting of objectives, strategy and key policy areas. It is then responsible for monitoring management's running of the business to ensure implementation is in accordance with the agreed framework.

The Board delegates the conduct of the day-to-day affairs of the Company to the Chief Executive within this framework. The Board is responsible for the appointment, from time to time, of the Chief Executive and annually reviews his performance.

The workings of the Board and its code of conduct are governed by the Companies Act and AgResearch's constitution, the Crown Research Institutes Act, the Crown Entities Act, the annual Statement of Corporate Intent and a Board Manual. This manual sets out all the functions and operating procedures of the Board. The policies approved by the Board clearly set out those matters on which only the Board can make decisions. These include dividend payments, solvency certificates, raising new capital, major borrowings, approval of the annual financial statements, appointment of directors to subsidiaries and associates, major capital expenditure and acquisitions.

Each year, the Company produces a three-year Strategic Plan, a Statement of Corporate Intent and an operating budget, which are reviewed and approved by the Board. Operating and financial statements are prepared monthly and reviewed by the Board progressively through the year to monitor management's performance against the budget and three-year Plan.

Independent Professional Advice

With the prior approval of the Chair, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings to assist in fulfilling their duties and responsibilities as directors.

Director Education

The Board had a budget of \$10,000 to assist directors with the financial costs of attending courses and conferences on governance matters. Directors who attend report back at Board meetings on matters learnt that would improve the governance of the Company. The Chair authorises expenditure from this budget.

Board Membership

The constitution currently sets the size of the Board at a minimum of two directors and a maximum of nine directors. The Board in the financial year consisted of the Chair and seven other directors. Directors are generally appointed for a three-year term and may be reappointed for further terms.

Rick Christie retired on 30 June 2008. Sam Robinson was appointed as Chair and Andrew MacPherson was appointed to the Board from 1 July 2008. Graham Fraser, Richard Davison and Robert Welch retired on 30 June 2009. At 1 July 2009 the Board has the Chair and four other directors. On 1 September 2009 Dr Michael Dunbier and Barry Harris were appointed to the Board.

The constitution does not permit directors to hold shares in the Company.

Directors' Meetings

The table below sets out the Board and committee meetings attended by directors during the course of the financial year.

Board of Directors	Meetings held	Meetings attended
Sam Robinson (Chair)	11	11
Graham Fraser	11	11
Dr Jane Adams	11	11
Danny Chan	11	11
Richard Davison	11	11
Susan Huria	11	11
Andrew MacPherson	11	11
Dr Robert Welch	11	11

Board Committees

The Board has established two standing committees to guide and assist the Board with overseeing certain aspects of corporate governance – the Audit and Risk Committee and the Remuneration Committee. The Board and each Committee is empowered to seek any information it requires from employees in pursuing its duties and to obtain independent legal or other professional advice.

Audit and Risk Committee	Meetings held	Meetings attended	Remuneration Committee	Meetings held	Meetings attended
Graham Fraser (Chair)	6	6	Richard Davison (Chair)	5	5
Danny Chan	6	6	Sam Robinson	5	5
Susan Huria *	6	1	Susan Huria	5	5
Andrew MacPherson *	6	5			

* Susan Huria was replaced by Andrew MacPherson

Capability Fund Report

In 2008/09, AgResearch received approximately \$10 million (incl. GST) from the Capability Fund. This funding was used to underpin AgResearch's mission to create sustainable wealth in the New Zealand pastoral and biotechnology sectors. This mission requires world-class core competencies in science and technology development, and in commercialisation.

AgResearch 2020 Science strategy alignment

Capability funding is applied through the focus of AgResearch's 2020 Science Strategy. The strategy is a statement of how AgResearch research and development will create value for the New Zealand's pastoral and biotechnology sectors, and the wider public. The Strategy is divided into five goals:

- Goal 1: To help create the future dairy industry
- Goal 2: To help create the future meat industry
- Goal 3: To help create the textile industry
- Goal 4: To help achieve a pestilence-free New Zealand
- Goal 5: Enabling capacity for change in agriculture and its communities

Each goal is underpinned by more specific objectives and themes, which together will provide the knowledge and products necessary to achieve step change in NZ's pastoral industries. Capability Fund allocations are used to support the strategy, whether through maintaining critical research in priority areas or for development of new capability to achieve the strategy.

In 2008/2009, the Capability Fund was used to support 32 individual projects (Table 1). The fund was used in several strategic ways: initiate new strategic projects where other funding was unlikely to support start-up; co-fund strategically important research where existing external funding did not allow critical mass for research performance; supporting researchers with national significant capabilities at risk through external funding decisions; developing new strategic inter-organisation collaborations that leverage new capabilities and infrastructure; and supporting novel ideas raised by AgResearch scientists that could not find funding elsewhere.

Initiate new strategic projects/programmes

Part of the Capability Funding was used to establish both new areas of research and new capability deemed important in achieving the 2020 science vision. For example, stem cell research is seen as an important underpinning technology currently underfunded in New Zealand. Therefore, the Capability Fund was used to establish programmes in adult stem cells from animal sources. The capability Fund was also used to establish new and/or expanded capability. Areas of water quantity and food technology in particular were targeted as requiring new specialists and Capability Funding will underpin the new positions as they transition into the New Zealand funding systems. New capacity has also been added in the ecology of pest and weeds on-farm. Capability Funding is also being applied to assist development of the next generation of pasture plants for New Zealand, through application to ERMA for genetically modified crops.

Co-fund strategically important research under-supported by external funders

With a high dependence on external funding, AgResearch is often faced with underfunded, but strategically important capability. This year, wool research has been an area particularly affected by an industry downturn, which has reduced the amount of external research investment. AgResearch has used the Capability Fund to maintain wool genetics research and textiles development capabilities, while repositioning the teams. Capability Funding is also being used to re-establish research teams in soil carbon, now of particular interest to New Zealand but neglected for many years.

Developing and maintaining strategic capability with a range of early-, mid- and late-career fellowships / development opportunities

Maintaining critical mass in strategically important areas is a major use of Capability Funding. These areas include soil microbiology for plant establishment, animal gut health, animal health such as mastitis control, animal reproduction and embryo survival.

Developing new strategic inter-organisation collaborations that leverage new capabilities and infrastructure

Science by its nature is collaborative. The Capability Fund is used to underpin collaborative programmes, such as the programme on lactic-acid bacteria as a barrier to meat contamination in conjunction with INRA, France. Funding to establishment of new water quantity research capability is also being used to underpin development of joint ideas with NIWA. Re-establishing a soil carbon focus through Capability Funding support is allowing collaboration with other organisations in New Zealand, such as Lincoln and Massey Universities.

Allowing researchers to contribute fresh new ideas through the contestable process

In addition to the strategic application of Capability Funding, AgResearch maintains a specific part of the fund for science merit, novel ideas generated by staff. This highly contested part of Capability Funding is judged by a panel of experts for projects with the most promise of generating good science. Research on endophyte secondary metabolites, mechanisms of bacterial compounds that enhance intestinal barrier function, the indigenous Koromiko as a feed supplement for the improvement of gut health in calves and novel multi-component meat food products are all examples of projects proposed by AgResearch scientists funded through the Capability Fund.

Table 1: Capability Profile for 2008/2009

A. Existing capabilities [maintain and enhance]				
Strategic area: 2020 science alignment	Capability and areas of activity	2008/09 Achievements	2009/10 Forecast	2010/11 Forecast
<p><i>Future dairy and meat industries</i></p> <ul style="list-style-type: none"> Sustainable farm system performance and optimal feed supply and use 	<p><i>Enhancing capability in white clover breeding:</i> Interspecific hybridisation in <i>Trifolium</i> and its use in clover improvement.</p>	<ul style="list-style-type: none"> Genetic relationships among clover relatives determined Geographical genetic variation in white clover found Hybrids of white clover and wild ancestors produced 	<p>Identify new populations, new species, and new hybrids for potential breeding value. Project continues with CF and FRST funding.</p>	<p>A new method of transferring genes via a genetic bridge will be investigated.</p>
<p><i>Future dairy and meat industries</i></p> <ul style="list-style-type: none"> Sustainable farm system performance Optimising the resource use efficiency and reducing the environmental footprint of Dairy and Meat sector 	<p><i>Expand capabilities in plant physiology to focus on water stress and improved water use efficiency:</i> Implement a systematic effort to exploit 200 accessions of ryegrass towards the identification of genetic factors for improved water utilisation.</p>	<ul style="list-style-type: none"> Database that collates genotypic, phenotypic and geographic data completed. Physiological parameters relating to plant water stress identified. 	<p>Create a genetic linkage map in an appropriate population developed from crossings involving 10 most exceptional ryegrass lines. Complete study.</p>	<p>Continuing support needed.</p>
<p><i>Future dairy and meat industries</i></p> <ul style="list-style-type: none"> Optimising the resource use efficiency and reducing the environmental footprint of Dairy and Meat sectors 	<p><i>Re-establishing soil carbon research:</i> Examining soil carbon under pasture and restore research activity of existing staff in carbon cycling in pastoral eco-systems.</p>	<ul style="list-style-type: none"> Appointed a postdoctoral researcher Reviewed evidence on sources of carbon input to the soil. Initiated experiments on atmosphere-soil carbon interactions 	<p>Establish the steady state values for some different management situations and the impact of some perturbations (e.g. drought) and the importance of previous management effects.</p>	<p>Milestones to be developed. Complete study.</p>
<p><i>Future dairy and meat industries</i></p> <ul style="list-style-type: none"> Optimising the resource use efficiency and reducing the environmental footprint of dairy & meat sectors Optimal use of soil resources 	<p><i>Further develop expertise in pasture soil microbiology:</i> Exploit recent advances in soil microbiology to overcome barriers to establishment of pasture species essential to the future productivity of farming operations, using microbes to enhance plant establishment.</p>	<ul style="list-style-type: none"> Testing of >1000 isolates of bacteria for traits useful in promoting seedling establishment underway. 	<p>Priming white clover seeds with endophytic and ectophytic microbes. Complete study.</p>	<p>Maintain and grow capability in endo- and ectophytic microbes.</p>
<p><i>Future dairy and meat industries</i></p> <ul style="list-style-type: none"> Ensuring product quality and market assurance; and enhanced safety assurance 	<p><i>Ensuring food safety:</i> Determine how endophyte toxin residue levels in animal tissue respond to continued exposure to toxin-containing pastures.</p>	<ul style="list-style-type: none"> Analysed pasture and fat samples for endophyte toxins. Results showed rapid turnover of toxin in fat limited risk to human health. 	<p>Maintain and grow capability in endophyte toxins residues.</p>	<p>Maintain and grow capability in endophyte toxins residues.</p>
<p><i>Future dairy and meat industries</i></p> <ul style="list-style-type: none"> Processing to Marketplace: High value meat-derived products 	<p><i>National expertise in high-throughput screening for food products:</i> Develop an advanced phenotypic high-throughput screening method to obtain compositional information on foods and active ingredients in foods.</p>	<ul style="list-style-type: none"> Project has developed a novel technique for rapidly analysing food samples for lipid composition at low cost. 	<p>Continuing support needed.</p>	<p>Continuing support needed.</p>

Strategic area: 2020 science alignment	Capability and areas of activity	2008/09 Achievements	2009/10 Forecast	2010/11 Forecast
<p><i>Future dairy and meat industries</i></p> <ul style="list-style-type: none"> Processing to Marketplace: High value dairy and meat-derived products 	<p><i>Improving NZ food products:</i> Tracking and mitigating protein damage in meat and dairy products</p>	<ul style="list-style-type: none"> Developed protein extraction and fractionation protocols for both dairy and meat samples. 	<p>Trial and evaluate UV damage in meat and dairy proteins. Complete study.</p>	<p>Continuing support needed.</p>
<p><i>Future meat industry</i></p> <ul style="list-style-type: none"> Optimised life-time meat production of the individual animal...from paddock to processor <ul style="list-style-type: none"> Production of market-defined animals and premium meats for export markets. 	<p><i>Developing novel beef system based on applying biotechnologies:</i> Demonstrate that finishing high marbling cattle genotypes on energy-dense pasture-based finishing systems will produce lightly marbled beef</p>	<ul style="list-style-type: none"> Increases in marbling in farm trials achieved. 	<p>Set up steer trial similar to heifer trial in 08/09 and report on levels of marbling achieved, and "breed differences" between high marbling genotypes and farm-bred steers in achieving marbling. Complete study.</p>	<p>Continuing support needed.</p>
<p><i>Future meat industry</i></p> <ul style="list-style-type: none"> Optimised life-time meat production of the individual animal...from paddock to processor <ul style="list-style-type: none"> Maximised reproductive performance 	<p><i>Improved reproduction in sheep:</i> Identify physiological mechanisms underlying genetic differences in embryo survival in sheep.</p>	<ul style="list-style-type: none"> Ultrasound scanning optimised for predicting litter size Advances made on the importance of the uterine environment for embryo survival. 	<p>Analyse the expression of 4 candidate genes involved in embryo survival in ewes which are extreme outliers for embryo-survival phenotype. Complete study.</p>	<p>Continuing support needed.</p>
<p><i>Future meat industry</i></p> <ul style="list-style-type: none"> Optimised life-time meat production of the individual animal...from paddock to processor <ul style="list-style-type: none"> Maximised reproductive performance 	<p><i>Maintain and enhance the competitive advantage of New Zealand's only adult muscle stem cell capability:</i> Foetal programming of growth and body composition: Role of adult stem cells and new approach for modifying livestock performance.</p>	<ul style="list-style-type: none"> Data-mining to establish the intra- and inter-generation effects of litter size on birth weight, survival, postnatal growth rate, body composition and lifetime production performance in lambs underway. 	<p>Determine the role of a myostatin splice-variant and/or specific nutrients in the activation and commitment of myoblasts to a myogenic fate using an ovine immortalized myoblast culture system. Complete study.</p>	<p>Continuing support needed.</p>
<p><i>Pestilence-free NZ</i></p> <ul style="list-style-type: none"> Development of sustainable pest management systems 	<p><i>Understanding the actions of endophytes:</i> Decoding fungal secondary metabolite biosynthesis through solving the structure of an adenylation domain of the SidN gene and develop a model to predict the secondary metabolite products</p>	<ul style="list-style-type: none"> Modelling of structures has begun In silico docking protocols begun 	<p>Maintain and grow capability in protein engineering and structural biology.</p>	<p>Maintain and grow capability in protein engineering and structural biology.</p>
<p><i>Enabling capacity for change in agriculture and its communities</i></p> <ul style="list-style-type: none"> Building people and organisational capacity for change 	<p><i>Building capacity for change by people and institutions through informed decision making:</i> Integrated assessment of the impact of agricultural industry strategies and regional/national policies developed in response to external.</p>	<ul style="list-style-type: none"> Socio-economist recruited Three case studies (plant and animal biotechnology and beef systems) using systems thinking and practice have been initiated. 	<p>Co-organise a Rural Futures conference and identify where research can be targeted to assist development of sustainable farm and value chain systems.</p>	<p>Milestones to be developed. Complete study.</p>

Strategic area: 2020 science alignment	Capability and areas of activity	2008/09 Achievements	2009/10 Forecast	2010/11 Forecast
Underpinning	<i>Building capacity in application writing:</i> Enable AgResearch to compete more effectively in 09/10 and 10/11FRST investment rounds by providing resources.	<ul style="list-style-type: none"> Engaged professional writing and editing services as required to support concept/full-proposal writers. 	Engage professional writing and editing services as required to support concept/full-proposal writers.	Engage professional writing and editing services as required to support concept/full-proposal writers. Complete support.

B. New and Emerging Capabilities				
Strategic area: 2020 science alignment	Capability and areas of activity	2008/09 Achievements	2009/10 Forecast	2010/11 Forecast
<i>Future dairy and meat industries</i> <ul style="list-style-type: none"> New technologies fitted to dairy, beef, sheep and venison farming systems 	<i>Develop application for next generation pasture plants:</i> Develop the tools necessary for successful GM ryegrass field trials to support ERMA process and support field trials and coordination with other science sections and stakeholders.	<ul style="list-style-type: none"> Seed of a T1 GM population of elite perennial ryegrass plants in production. 	Generate seed of a T2 GM population of elite perennial ryegrass plants with the ultimate goal to have the transgene gene at homozygosity. Complete study.	Capability developed to a point which enables external investment to be sought.
<i>Future dairy and meat industries</i> <ul style="list-style-type: none"> Sustainable farm system performance <ul style="list-style-type: none"> On-farm water and energy efficiency Optimal water quality and availability and use 	<i>Building capability in water quantity:</i> Building a new team in water quantity research on pastoral farms	<ul style="list-style-type: none"> Advertising for new post docs in water quantity Initiating reviews of area 	Proposals for water quantity research submitted.	Capability developed to a point which enables external investment to be sought.
<i>Future meat industry</i> <ul style="list-style-type: none"> Maximised reproductive performance 	<i>Improved reproduction in sheep:</i> Determine the cause of high embryonic survival in prolific ewes.	<ul style="list-style-type: none"> Evidence that embryo survival is a heritable trait Specific changes in hormone and protein levels linked to embryo survival PhD thesis submitted 	Maintain long-term capability in mammalian reproduction science.	Maintain long-term capability in mammalian reproduction science.
<i>Future dairy and meat industries</i> <ul style="list-style-type: none"> Maximised reproductive performance 	<i>Enhancing expertise in stem cells:</i> Derive pluripotent stem cells from <i>in vitro</i> fertilised and cloned bovine embryos and test their pluripotency <i>in vitro</i> en <i>in vivo</i> .	<ul style="list-style-type: none"> Embryonic stem cells from bovine produced in chemically defined conditions for the first time. Generation of bovine induced pluripotent stem cells successful. 	Maintain and grow capability in stem cells in cattle.	Maintain and grow capability in stem cells in cattle.
<i>Future dairy and meat industries</i> <ul style="list-style-type: none"> Maximised reproductive performance of beef and dairy cows 	<i>Improvement of reproductive methodologies to enhance fertility in cattle:</i> Enhance follicle development by the long-life roFSH to improve the superovulatory response and embryo yield in embryo transfer to increase fertility to artificial insemination in oestrus synchronisation programmes	<ul style="list-style-type: none"> The effect of different doses of roFSH on the superovulatory response and on embryo production in cattle initiated 	Compare the effect of roFSH in superstimulatory protocols initiated at the time of ovulation, on Day 10 of the oestrous cycle or at random stages of the cycle on superovulatory response and embryo yield. Complete study.	Capability developed to a point which enables external investment to be sought.

Strategic area: 2020 science alignment	Capability and areas of activity	2008/09 Achievements	2009/10 Forecast	2010/11 Forecast
<p><i>Future meat industry</i></p> <ul style="list-style-type: none"> Processing to Marketplace: High value meat-derived products 	<p><i>Improving NZ food products:</i> Explore the potential of lactic-acid bacteria candidates for the bio-preservation of meat, in collaboration with INRA, France.</p>	<ul style="list-style-type: none"> Located and defined the nature of bacterial genes responsible for the bio-preservative activity. 	<p>Further CF support for this area should be unnecessary if it is satisfactorily supported by FRST funding.</p>	<p>Further Capability Funding support for this area should be unnecessary if it is supported by FRST funding.</p>
<p><i>Future meat industry</i></p> <ul style="list-style-type: none"> Processing to Marketplace: High value meat-derived products 	<p><i>Maintain and grow capability in novel foods:</i> Explore the thermodynamical compatibility of meat proteins with proteins and biopolymers from non-meat sources, aiming at forming multi-component food products.</p>	<ul style="list-style-type: none"> Project has demonstrated that multi-component foods involving meat proteins and biopolymers can be used to develop novel products. 	<p>Maintain and grow capability in novel foods.</p>	<p>Maintain and grow capability in novel foods.</p>
<p><i>Future dairy and meat industries</i></p> <ul style="list-style-type: none"> Processing to Marketplace: High value meat-derived products 	<p><i>New capabilities in food science and technology</i> Grow capability needed to assist NZ companies to develop export-focused, added-value meat- and milk-based foods and ingredients.</p>	<ul style="list-style-type: none"> Established two job descriptions and interviewing to appoint two Senior Scientists in Food Science and Technology. 	<p>Milestones to be developed.</p>	<p>Milestones to be developed. Capability developed to a point which enables external investment to be sought.</p>
<p><i>Future dairy and meat industries</i></p> <ul style="list-style-type: none"> Foods of the Future 	<p><i>National expertise in gut health:</i> Determine that compounds produced by <i>Lactobacillus plantarum</i> increase the integrity of the human intestinal barrier by regulating tight junction-related gene expression and related protein networks</p>	<ul style="list-style-type: none"> Bacterial supernatant found to be unstable over time and research continuing to stabilise 	<p>Maintain and grow capability in intestinal barrier integrity.</p>	<p>Maintain and grow capability in intestinal barrier integrity.</p>
<p><i>Future dairy and meat industries</i></p> <ul style="list-style-type: none"> Optimised life-time meat and milk production of the individual animal...from paddock to processor Improved animal health 	<p><i>National expertise in gut health and supplementary feeding:</i> Identify specific gut health benefits of Koromiko, <i>Hebe salicifolia</i>, that are based upon indigenous Maori knowledge as a feed supplement for the improvement of gut health in calves</p>	<ul style="list-style-type: none"> Efficacy of Koromiko extracts demonstrated Partnerships for further studies investigated 	<p>Maintain and grow capability in gut health in cattle.</p>	<p>Maintain and grow capability in gut health in cattle.</p>
<p><i>Future dairy industry</i></p> <ul style="list-style-type: none"> Improved animal health 	<p><i>Novel approaches to mastitis management:</i> Develop a rapid diagnostic test to assist farmers with the management of mastitis in dairy herds.</p>	<ul style="list-style-type: none"> Affinity-purified polyvalent rabbit antibodies specific for bovine antimicrobial peptides are being produced. 	<p>Discover additional biomarkers for pre-clinical mastitis. Complete study.</p>	<p>Capability developed to a point which enables external investment to be sought.</p>
<p><i>Future textiles industry</i></p> <ul style="list-style-type: none"> A vibrant and competitive future wool textile industry: Smart and technical textiles 	<p><i>Expanding use of wool-based textiles:</i> Develop high-value, textile-based therapeutic technologies for human healthcare.</p>	<ul style="list-style-type: none"> Proof-of-concept of Heated Therapeutic device produced. 	<p>Complete and demonstrate proof-of-concept of Functional Electrical Stimulation and Electromagnetic-field devices including textile and electronic components. Complete study.</p>	<p>Capability developed to a point which enables external investment to be sought.</p>

Strategic area: 2020 science alignment	Capability and areas of activity	2008/09 Achievements	2009/10 Forecast	2010/11 Forecast
<i>Future textiles industry</i> <ul style="list-style-type: none"> Merino and mid-micron apparel <ul style="list-style-type: none"> High performance active wear 	<i>Expanding use of wool-based textiles:</i> Strengthen and diversify the NZ next-to-skin textiles for active sportswear sector by developing new advanced product and process technologies.	<ul style="list-style-type: none"> Progress in antistatic and antibacterial fabric development Progress on UV-protection compounds 	Produce garments from fabrics with high performance finish and evaluate garments in the field. Complete study.	Capability developed to a point which enables external investment to be sought.
<i>Future textiles industry</i> <ul style="list-style-type: none"> The identification, development and implementation of wool fibre innovations <ul style="list-style-type: none"> Valuable novel fibres attributes 	<i>Innovation in wool fibre attributes:</i> Assist a turnaround in the New Zealand wool industry by creating differentiated or well-specified raw products on-farm and promoting non-textile products from wool.	<ul style="list-style-type: none"> A dermal cell model of wool follicle development and fibre size established. Wool kertain gene sequencing and assembly completed Wool sampling programme established. 	Capability developed to a point which enables external investment to be sought.	Capability developed to a point which enables external investment to be sought.
<i>Pestilence free NZ</i> <ul style="list-style-type: none"> Sustainable pest management 	<i>Developing capability in ecological pest and weed management:</i> Development of unifying skills in ecological interactions.	<ul style="list-style-type: none"> Developed "Pestweb" for web-based information on pest and weed management Identified climate change trends for pests and weeds. 	Continue to develop enhanced capability in ecological pest and weed management, aligned with government and industry strategies. Complete study.	Capability developed to a point which enables external investment to be sought.

C. Over the Horizon [Discovery and creative insight activity]				
Strategic area: 2020 science alignment	Capability and areas of activity	2008/09 Achievements	2009/10 Forecast	2010/11 Forecast
<i>Future meat industry</i> <ul style="list-style-type: none"> Market-defined animals 	<i>Epigenetic control of carcass composition:</i> Identify novel genes that enhance muscle development and influence carcass composition in livestock.	<ul style="list-style-type: none"> Genes identified 	Maintain and grow capability in epigenetics.	Maintain and grow capability in epigenetics.
<i>Future meat industry</i> <ul style="list-style-type: none"> Optimised life-time meat production of the individual deer...from paddock to processor 	<i>New understanding of stem cells:</i> Develop an in vitro (co-culture) model system that allows the interactions between antler stem cells and their niche components to take place either through direct contact or diffusion.	<ul style="list-style-type: none"> Initial seeding ratio of each participating deer cell type in each of the four co-culture system optimised and optimal co-culture model selected based on three criteria. 	Epigenetic properties of the co-cultured epidermal cells evaluated and compared with those of velvet skin epidermal cells. Complete study.	Capability developed to a point which enables external investment to be sought.
<i>Future textiles industry</i> <ul style="list-style-type: none"> Smart and technical textiles 	<i>New wool-based textiles:</i> Strengthen and diversify the market for NZ crossbred wool through the development of technical textiles.	<ul style="list-style-type: none"> Developed a range of prototype wool pile fabrics for anti-decubitus bed cover and measure their performance via laboratory tests. 	Evaluate the performance of an optimised wool pile fabric (in a medical environment for preparation of funding application(s). Complete study.	Capability developed to a point which enables external investment to be sought.

Strategic area: 2020 science alignment	Capability and areas of activity	2008/09 Achievements	2009/10 Forecast	2010/11 Forecast
<p><i>Future dairy and meat industries (Pestilence free NZ)</i></p> <ul style="list-style-type: none"> • Sustainable pest management systems • Optimal feed supply and use 	<p><i>Novel compounds from endophytes:</i> Isolation, identification, and biological activity of novel cyclic oligopeptides from endophytes</p>	<ul style="list-style-type: none"> • Quantitative method for LC-MS analysis of cyclic oligopeptides in plant material developed. • 2 COPs identified 	<p>Maintain and grow capability in novel foods.</p>	<p>Maintain and grow capability in novel foods.</p>

Corporate Social Responsibility Report

AgResearch does not yet have a formal "Corporate Social Responsibility" strategy. However, a number of objectives in its strategic and business plan recognise AgResearch's obligations as a Crown Research Institute to stakeholders including employees, customers, the broader pastoral sector and the environment and community.

By far the largest impacts which AgResearch has on its stakeholders is through its research and development and the adoption of the outputs by the pastoral sector. 2020 Science comprises 5 Big Ideas which focus on outcomes for pastoral sector stakeholders rather than for AgResearch.

The major objective for the year for 2020 Science was the development of detailed implementation plans setting out how AgResearch would achieve the targets for 2020 Science which included reducing emissions. The implementation plans developed in 2008/09 include the following objectives (each of which reflects one or more major areas of research):

- Optimise the resource use efficiency and reduce the environmental footprint of the dairy sector
- Minimise the environmental impacts of the New Zealand meat industries
- Ensure that all processes and technologies used in the wool sector are environmentally sustainable and add value through better processes
- Help build the capacity of people and organizations for change
- Help develop socio-economic strengths for Maori enterprises throughout the agricultural value chain
- Help build resilient, vibrant rural communities
- Help people and organizations understand how drivers of change will shape future agricultural systems and make effective, informed, long-term business and policy decisions

In addition, to support an objective in 2020 Science relating to research into sustainable use of land, water and energy, AgResearch funds a chair in systems thinking at the University of Queensland. In return, Professor Kambiz Maani has held seminars for AgResearch at which scientists learned to consider the research they are doing in the environmental and social context in which outputs would be applied. As an indicator of the value of this initiative, when AgResearch made Professor Maani available to MAF for a similar exercise, they put over 70 of their staff through the seminars.

AgResearch has an objective "*to actively support the provision of a safe and healthy workplace*". An externally-led Pay and Employment Equity Review identified some areas where performance could be improved or further investigation was needed. These included bullying and harassment. Recommendations from the review were considered by management and the Board and been incorporated into the workplan for the 2009/10 year.

AgResearch committed itself in 2008/09 to "*complete the upgrade to our customer relationship management regime*". The efforts in this area included the appointment of account managers for all key customers and training for business and science staff. This investment is now starting to pay off as evidenced by our latest customer survey which showed:

- 80% of the respondents described the relationship with AgResearch in a positive way, a marked improvement on the 50% who did so previous survey.
- One-third of the respondents freely made reference to an improving relationship.
- 69% of respondents rated AgResearch's customer service as "very good" or "excellent" compared to 52% who gave that rating in the previous survey.
- 76% of respondents rated the relationship as "very good" or "excellent", compared to only 45% in the previous survey.

A range of factors appear to have contributed to the positive change in customer perception:

- Communication with customers has significantly improved.
- More customers rated AgResearch "good" or better on other service attributes, which include offering solutions, delivery against agreed goals, follow-up and contribution to the client's business.
- Customers also indicated that AgResearch is becoming better at focusing on commercial outcomes.

The objectives to "*introduce environmental improvement and reporting regimes to reduce AgResearch's environmental footprint*" and to "*Set social and environmental values*" were not achieved in the 2008/09 due to commitment of management time to the Lincoln merger investigation and meeting shareholder expectations regarding prospective financial performance, but are priorities for the 2009/10 year.

The Te Ahuwhenua Maori award recognises excellence in Maori farming. AgResearch continued to support this event, which goes from strength to strength, both as a sponsor and assisting with judging.

AgResearch willingly undertakes activities to communicate the value of science, communicate more clearly to the New Zealand public AgResearch's range of activities and contribution to New Zealand's well-being, and grow and maintain linkages with domestic and international CRIs, firms and universities. It is estimated that around 5% of AgResearch staff time (mainly science staff) is committed to presenting to stakeholders at conferences, symposia, woolshed meetings, etc; preparing conference or seminar proceedings, magazine or news articles, etc; reviewing journal papers and examining student research theses; operating scientific societies and conferences; visiting overseas research organisations and hosting visitors from overseas research organisations.

Non-Financial Performance Indicators
For the year ended 30 June 2009

	Projected	Actual
General research indicators		
Commissioned reports to users	500	726 a
Presentations on technical information and research results	480	560 a
Publications on technical information and research results	450	516 a
Peer-reviewed articles	320	298 a
Keynote and plenary presentations	10	8
New and improved products, processes and services	115	110
Patents granted in New Zealand	4	9
Patents granted overseas	1	4
Licensing arrangements entered into	10	5
Joint ventures or formal associations	1	1
Spin out companies formed (subsidiaries)	1	1
Spin off companies formed (associates companies)	-	-
Requests for information from databases and collections		
Margot Forde Germplasm Collection		Will report totals to the Minister
Staff Indicators		
Total number of FTEs	890	873.8 b
FTEs in research teams	650	644.8
FTEs in research support	105	97.0
FTEs in management and general support	135	132.0

Notes:

a) The growth in presentation and publication of technical research outcomes together with strong growth in commissioned reports to users, reflect the strong improvement in customer satisfaction feedback.

b) Recruitment and fixed-term contract renewals were managed during the year to control costs. The number of FTEs have declined following a review of resource requirements in line with science funding and strong management of recruitment procedures to ensure new appointments are kept at appropriate levels.

Chief Financial Officer's Report

The 2009 financial year saw AgResearch pass the \$150 million revenue milestone with revenue growing by \$6 million (4%) to \$155 million (2008: \$149 million). Revenue from the Foundation of Research Science and Technology and the Ministry of Research, Science and Technology increased by 5% to \$66 million (2008: \$63 million) while commercial revenue increased by 4% to \$73 million (2008: \$70 million) despite industry research funding cuts due the global economic situation, levy reductions and waiting on the Primary Growth Partnership (and prior to that the Fast Forward Fund).

Operating margins have been low for several years as AgResearch has absorbed costs associated with new and improved facilities, increased science salaries and retained significant underfunded scientific capability to underpin our 2020 Science Strategy in readiness for anticipated new funding for pastoral sector research and development. This past year operating expenditure increased by only 2% to \$155 million (2008: \$152 million) and recent operating losses were improved to break even (2008: \$3 million). However finance costs and the absence of a gain from commercialisation activities (2008: \$8 million) meant a net loss after tax of \$0.8 million (2008: \$3 million).

Net operating cash flow was \$20 million (2008: \$13 million) and capital expenditure of \$19 million (2008: \$15 million) included the Centre for Reproduction and Genomics at Invermay and the conversion to dairy of the Tokanui Farm. With total assets of \$256 million (2008: \$246 million) and shareholders' equity of \$195 million (2008: \$193 million) AgResearch maintains a strong balance sheet.

An expectation of continued revenue growth, actions taken to reduce some unfunded and underfunded capability, a range of productivity improvement initiatives, increased capability funding and the prospect of Primary Growth Partnership funding now sees AgResearch projecting improved operating profitability and financial performance consistent with fiscal targets.



Geoff Balme
Chief Financial Officer

Financial Performance Indicators

	Actual 09	Target 09	Actual 08	Target 08
Revenue Excluding Interest \$m	154.3	155.0	148.6	161.7
EBIT \$m	(0.9)	(4.4)	4.2	2.7
Adjusted EBIT \$m	5.9	3.9	10.3	9.9
Adjusted EBIT Margin %	3.8%	2.5%	6.9%	6.1%
NPAT \$m	(0.8)	(4.9)	3.0	0.6
Return on Equity %	(0.4%)	(2.6%)	1.6%	0.4%
Adjusted Return on Equity %	(0.7%)	(4.9%)	3.0%	0.7%
Return on Assets %	(0.4%)	(1.8%)	1.7%	1.2%
Adjusted Return on Assets %	(0.6%)	(2.9%)	2.8%	1.8%
Equity Ratio	77.3	78.6	78.1	78.2
Quick Ratio	1.31	2.70	1.65	1.45
Gearing	9.3%	9.6%	9.4%	9.8%
Interest Cover	(0.1)	(3.6)	2.7	1.8

Total Government Research Income (TGRl)

	Group	
	2009 \$000's	2008 \$000's
Foundation for Research Science and Technology and Ministry of Research Science and Technology contracts (net)	68,055	65,638
Co-funding, including consortia and Crown Entities	26,429	30,489
Royal Society of New Zealand	600	317
Health Research Council of New Zealand	100	-
Total Vote Research Science and Technology and co-funding	95,184	96,444
Government Departments		
Agriculture and Forestry	4,318	3,097
Foreign Affairs	179	147
Other Government Departments	179	176
Local Government	818	818
Total Government Research Income	100,678	100,682

The TGRl is used to calculate AgResearch Limited's share of the CRI Capability Fund. Refer to page 7.

Income Statement
For the year ended 30 June 2009

	Note	Group			Company		
		Actual	Budget	Actual	Actual	Budget	Actual
		2009	2009	2008	2009	2009	2008
		\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Revenue							
Foundation for Research Science and Technology and Ministry of Research Science and Technology contracts		65,584	65,048	63,181	64,667	64,213	62,375
Commercial		72,615	72,618	70,204	74,910	75,212	72,901
Farm produce		5,621	6,732	6,214	5,468	6,732	6,153
Other revenue	1	11,293	11,409	9,690	3,063	3,053	2,990
Total operating revenue		155,113	155,807	149,289	148,108	149,210	144,419
Operating expenditure	2	(155,213)	(158,515)	(152,301)	(148,695)	(150,574)	(148,702)
Other gains and (losses)	3	(84)	(8)	7,904	(72)	(8)	7,540
Finance costs	4	(1,304)	(1,976)	(1,828)	(1,429)	(1,976)	(1,819)
Share of surplus/(deficit) of associates	20	30	(916)	22	-	-	-
Surplus/(deficit) before tax		(1,458)	(5,608)	3,086	(2,088)	(3,348)	1,438
Tax expense/(tax benefit)	6	(704)	(665)	37	155	(768)	710
Surplus/(deficit) for the year from continuing operations		(754)	(4,943)	3,049	(2,243)	(2,580)	728
Attributable to:							
Equity holders of the parent		(754)	(4,943)	3,300	(2,243)	(2,580)	728
Minority interest		-	-	(251)	-	-	-
		(754)	(4,943)	3,049	(2,243)	(2,580)	728

The statement of accounting policies and the accompanying notes form an integral part of these financial statements.

Statement of Recognised Income and Expenditure
For the year ended 30 June 2009

	Note	Group			Company		
		Actual	Budget	Actual	Actual	Budget	Actual
		2009	2009	2008	2009	2009	2008
		\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Net surplus/(deficit) after tax for the year		(754)	(4,943)	3,049	(2,243)	(2,580)	728
Income and expense recognised directly in equity:							
Gain/(loss) in asset revaluation reserve	7	2,345	-	-	2,345	-	-
Gain/(loss) in cash flow hedge reserve	7	-	-	(69)	-	-	(69)
Transfers from available-for-sale reserve	7	158	-	(353)	158	-	(353)
Net income recognised directly in equity		2,503	-	(422)	2,503	-	(422)
Total recognised income and expense		1,749	(4,943)	2,627	260	(2,580)	306
Total recognised income attributable to:							
Equity holders of the parent		1,749	(4,943)	2,878	260	(2,580)	306
Minority interest		-	-	(251)	-	-	-
		1,749	(4,943)	2,627	260	(2,580)	306

The statement of accounting policies and the accompanying notes form an integral part of these financial statements.

Balance Sheet
As at 30 June 2009

	Note	Group			Company		
		Actual	Budget	Actual	Actual	Budget	Actual
		2009	2009	2008	2009	2009	2008
		\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Current Assets							
Cash and cash equivalents		8,239	19,996	7,370	7,079	20,481	5,796
Trade and other receivables	8	23,120	27,518	27,962	22,311	23,586	28,987
Prepayments		1,829	1,191	1,191	1,821	1,171	1,171
Biological assets - livestock	9	4,855	5,036	5,095	4,855	5,036	5,095
Taxation	6	137	1,319	612	-	847	80
Inventory	11	1,103	1,051	974	889	684	684
Derivative financial instruments	12	81	52	52	81	43	52
Other receivables	24	2,388	1,988	-	2,388	1,988	-
Total Current Assets		41,752	58,151	43,256	39,424	53,836	41,865
Non-Current Assets							
Investments in subsidiaries	19	-	-	-	4,789	6,043	4,293
Investments in associates	20	504	345	345	404	245	245
Other investments	21	6,788	11,299	6,886	4,998	8,596	5,018
Joint venture investments	22	-	-	-	125	125	125
Property, plant and equipment	14	201,656	164,563	187,845	201,455	164,601	187,545
Biological assets - forestry	10	1,411	1,416	1,416	1,411	1,416	1,416
Other receivables	24	540	-	1,988	540	-	1,988
Intangible assets	15	3,491	4,813	4,608	2,572	3,679	3,624
Total Non-Current Assets		214,390	182,436	203,088	216,294	184,705	204,254
Total Assets		256,142	240,587	246,344	255,718	238,541	246,119
Less:							
Current Liabilities							
Trade and other payables	13	25,698	20,965	21,060	29,684	19,754	24,493
Taxation	6	-	-	-	418	-	-
Derivative financial instruments	12	296	-	9	296	-	9
Other loans	24	300	380	380	300	380	380
Provisions	16	6,359	6,171	6,291	6,212	5,901	6,151
Total Current Liabilities		32,653	27,516	27,740	36,910	26,035	31,033
Non-Current Liabilities							
Deferred tax	6	7,028	4,215	4,215	7,595	4,476	4,476
Income in advance		540	-	-	540	-	-
Term loans	25	20,000	20,000	20,000	20,000	20,000	20,000
Provisions	16	806	905	905	806	885	885
Total Non-Current Liabilities		28,374	25,120	25,120	28,941	25,361	25,361
Net Assets		195,115	187,951	193,484	189,867	187,145	189,725
Equity							
Share capital	7	47,268	47,268	47,268	47,268	47,268	47,268
Asset revaluation reserve	7	92,930	90,464	90,464	92,930	90,464	90,464
Available-for-sale asset revaluation reserve	7	403	-	591	403	591	591
Minority interest		(291)	(291)	(291)	-	-	-
Retained earnings	7	54,805	50,510	55,452	49,266	48,822	51,402
Total Equity		195,115	187,951	193,484	189,867	187,145	189,725

The statement of accounting policies and the accompanying notes form an integral part of these financial statements.



Sam Robinson
Chair

27 August 2009



Danny Chan
Director

27 August 2009

Cash Flow Statement
For the year ended 30 June 2009

	Note	Group			Company		
		Actual	Budget	Actual	Actual	Budget	Actual
		2009	2009	2008	2009	2009	2008
		\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Cash received from operating activities							
Receipts from customers		158,781	156,296	152,262	155,666	148,737	147,532
Interest received		736	760	667	422	599	434
Dividends received		11	-	8	31	-	12
Net GST received		62	2,148	-	368	1,236	-
Income tax received		1,398	-	-	864	-	-
Total cash received from operating activities		160,988	159,204	152,937	157,351	150,572	147,978
Cash disbursed on operating activities							
Payments to employees		68,503	68,453	68,128	67,395	66,166	67,150
Payments to suppliers		69,597	79,261	68,223	64,006	70,854	62,183
Restructuring		1,458	2,666	1,493	1,458	2,666	1,493
Net GST paid		-	-	273	-	-	311
Income tax paid		-	-	51	-	-	4
Interest paid		1,396	1,973	1,828	1,521	1,976	1,819
Total cash disbursed on operating activities		140,954	152,353	139,996	134,380	141,662	132,960
Net cash flow from operating activities	17	20,034	6,851	12,941	22,971	8,910	15,018
Cash received from investing activities							
Disposal of property, plant and equipment		230	32,500	134	212	32,500	132
Disposal of investments and intangible assets		-	-	7,315	-	-	7,315
Acquisition of subsidiaries	19	848	-	-	-	-	-
Total cash received from investing activities		1,078	32,500	7,449	212	32,500	7,447
Cash disbursed on investing activities							
Investment in property, plant and equipment		18,922	21,000	14,889	18,864	21,000	14,797
Purchase of other investments and intangible assets		1,241	5,725	2,074	2,956	5,725	3,808
Total cash disbursed on investing activities		20,163	26,725	16,963	21,820	26,725	18,605
Net cash flow from investing activities		(19,085)	5,775	(9,514)	(21,608)	5,775	(11,158)
Cash received from financing activities							
Other loans		-	-	230	-	-	230
Increase in share capital		-	-	195	-	-	195
Total cash received from financing activities		-	-	425	-	-	425
Total cash received from financing activities		-	-	425	-	-	425
Total cash received from financing activities		80	-	-	80	-	-
Total cash disbursed on financing activities		80	-	-	80	-	-
Net cash flow from financing activities		(80)	-	425	(80)	-	425
Total net cash flow		869	12,626	3,852	1,283	14,685	4,285
Cash at beginning of the year		7,370	7,370	3,518	5,796	5,796	1,511
Cash at end of the year		8,239	19,996	7,370	7,079	20,481	5,796

The statement of accounting policies and the accompanying notes form an integral part of these financial statements.

Statement of Accounting Policies

For the year ended 30 June 2009

REPORTING ENTITY

AgResearch Limited (the Company) is a profit oriented entity incorporated in New Zealand. Operating as a Crown Research Institute its principal activity is research and development in the pastoral sector of New Zealand. The financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993, the Crown Research Institutes Act 1992, and the Public Finance Act 1989.

The Company is a limited liability company incorporated and domiciled in New Zealand. The Company, its subsidiaries, associates and joint ventures comprise the Group.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with the New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable financial reporting standards as appropriate for profit-orientated entities.

The financial statements comply with International Financial Reporting Standards (IFRS). The financial statements were authorised for issue by the Directors on 27 August 2009.

BASIS OF PREPARATION

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented in these financial statements for the year ended 30 June 2008.

Standards, amendments and interpretations not yet effective have not been early adopted by the Group.

The Group has chosen not to early adopt the following standards and interpretations that were issued but not yet effective as at 27 August 2009:

- NZ IFRS 3 (Amendment) 'Business Combinations' (effective for accounting periods beginning on or after 1 July 2009). The amendment includes a number of updates including the requirement that all costs relating to a business combination must be expensed and subsequent remeasurement of the business combination must be put through profit or loss. The impact will be dependent on changes in business combinations.
- NZ IFRS 8 'Operating Segments' (effective for accounting periods beginning on or after 1 January 2009) replaces NZ IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This will not impact on the Group as the Group's securities are not publically traded and the non reporting of segments will have minimal impact on the user's interpretation of the financial statements.
- NZ IAS 1 (Amendment) 'Presentation of Financial Statements' (effective for accounting periods beginning on or after 1 January 2009). The amendment requires a number of changes to the presentation and disclosures in financial statements.
- NZ IAS 23 (revised) 'Borrowing Costs' (effective for accounting periods beginning on or after 1 January 2009). NZ IAS 23 (July 2004) permits an entity to either expense or capitalise borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets. Under NZ IAS 23 (revised) 2007, entities are no longer permitted to choose between alternate treatments and must capitalise borrowing costs relating to qualifying assets. The Group does not currently have any borrowing costs directly attributable to an acquisition.
- IFRIC 15 'Agreements for the Construction of Real Estate' (effective for accounting periods beginning on or after 1 January 2009).
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' (effective for accounting periods beginning on or after 1 October 2008).
- Amendments to NZ IFRS 2 'Share-Based Payment' – Vesting Conditions and Cancellations (effective for accounting periods beginning on or after 1 January 2009).
- NZ IAS 27 'Consolidated and Separate Financial Statements' – revised 2008 (effective for accounting periods beginning on or after 1 July 2009).
- Revised Amendments to NZ IAS 32 'Financial Instruments: Presentation' and NZ IAS 1 'Presentation of Financial Statements' – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009).

Statement of Accounting Policies

For the year ended 30 June 2009

- Amendments to NZ IFRS 1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards' and NZ IAS 27 'Consolidated and Separate Financial Statements' – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for accounting periods beginning on or after 1 January 2009).
- Improving Disclosures about financial Instruments (amendments to NZ IFRS 7 Financial Instruments: Disclosures) – These amendments require disclosure of a 'fair value hierarchy' showing the financial instruments carried at fair value on the balance sheet, grouped into three levels based on the extent to which the fair values were determined by reference to market observable data as compared to unobservable inputs. The amendments also expand and clarify the disclosure requirements relating to liquidity risk (effective for accounting periods beginning on or after 1 January 2009).
- Improvements to New Zealand Equivalents to International Financial Reporting Standards 2008 (effective for accounting periods beginning on or after 1 January 2009).

Critical Accounting Estimates and Assumptions

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant accounting policy or in the relevant note.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to estimated impairment of assets, income taxes, fair value of financial instruments and revenue recognition. In respect to the impairment of assets, an asset impairment methodology has been developed to guide the accounting estimate and assumptions for the assessment of impairment.

Fair Value Estimates

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) 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 fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation and presentation of the financial statements are as follows:

(A) BASIS OF CONSOLIDATION

The consolidated financial statements comprise AgResearch Limited (the Company), together with its subsidiaries (the Group) as defined in NZ IAS 27 'Consolidated and Separate Financial Statements' and the Group's interest in associates and through limited partnerships. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the Group's share of identifiable net assets acquired exceed the cost of acquisition, the excess is credited to profit or loss in the period of acquisition.

Subsidiaries held for sale are recognised and measured at fair value less costs to sell.

Statement of Accounting Policies

For the year ended 30 June 2009

The results of any subsidiaries that become or cease to be part of the Group during the year are consolidated from the date that control commenced or until the date that control ceased.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the identifiable assets and liabilities recognised on acquisition together with the minority interests' share of post acquisition surpluses.

All inter-company transactions, balances and unrealised profits are eliminated on consolidation.

Investments in subsidiaries are recorded at cost in the Company's financial statements.

A list of subsidiaries appears in Note 19.

Investments in Associates

An associate is an investee, not being a subsidiary or joint venture, over which the Group has the capacity to exercise significant influence through participation in the financial and operating policy decisions of the investee.

The Group financial statements incorporate the Group's interest in associates, using the equity method, as from the date that significant influence commenced or until the date the significant influence ceased. The investments are initially recorded at cost and subsequently at the lower of carrying value and recoverable amount. Associates held for sale are accounted for in accordance with NZ IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

The Group recognises its share of the associate's post acquisition net surplus or deficit for the year in its profit or loss. The Group's share of associates' surplus or deficit is adjusted to align the accounting policies of the associate with that of the Group. The Group recognises its share of other post-acquisition movements in reserves in equity. Dividends received from associates are recognised directly against the carrying value of the investment. In the Balance Sheet the investment and the reserves are increased by the Group's share of the post-acquisition retained surplus and other post-acquisition reserves of the associates. In assessing the Group's share of earnings of associates, the Group's share of any unrealised profits between Group companies and associates is eliminated.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Whenever there is an indication that the goodwill may be impaired any impairment is recognised immediately in profit or loss and is not subsequently reversed.

A list of associates appears in Note 20.

Interests in Joint Ventures

Joint ventures are joint arrangements between the Group and another party in which there is a contractual agreement to undertake a specific business project in which the venturers share several liability in respect of costs and liabilities of the project and share in any resulting output. The Group's share of the assets, liabilities, revenues and expenses of joint ventures are incorporated into the Group financial statements on a line by line basis using the proportionate method. Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Joint ventures held for sale are accounted for in accordance with NZ IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

A list of joint ventures appears in Note 22.

(B) REVENUE RECOGNITION

Sale of Goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the balance sheet date. The stage of completion is the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Royalties

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

Dividend and Interest Revenue

Dividend revenue from investments is recognised in the financial period in which the right to receive payment is established. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(C) INCOME TAX

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Statement of Accounting Policies

For the year ended 30 June 2009

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the assets and liabilities giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to the income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net tax basis.

Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited to equity, in which case the deferred tax or current tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Foreign Tax Liabilities and Assets

Exchange differences on deferred foreign tax liabilities or assets recognised in profit or loss for the period are classified as deferred tax expense or income.

Foreign deferred tax assets that result from operating losses in respect of subsidiaries, associates, joint venture entities or interests in joint venture operations are recognised in the financial statements, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the future.

(D) FOREIGN CURRENCY

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of each group entity are expressed in New Zealand dollars ('NZ\$'), which is the functional currency of the Company and the presentation currency for the Group financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

(E) DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into forward foreign exchange contracts to manage its exposure to foreign exchange rate risk and interest rate swaps to manage its exposure to interest rate risk. Further details of derivative financial instruments are disclosed in Note 12 to the financial statements.

Statement of Accounting Policies

For the year ended 30 June 2009

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions (cash flow hedges) or hedges of net investments in foreign operations.

Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedge item arising from the hedge risk is amortised to profit or loss from that date.

Currently the Group does not have any items in this category.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised in profit or loss.

Amounts deferred in equity are recycled in the profit or loss in the periods when the hedged item is recognised in the profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss deferred in equity is recognised immediately in profit or loss.

The Group's cash flow hedges are detailed in Note 12.

Net Investment Hedge

Hedges of net investment in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the foreign currency translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses deferred in the foreign currency translation reserve are recognised immediately in profit or loss when the foreign operation is disposed of.

Derivatives that do not Qualify for Hedge Accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

(F) FINANCIAL ASSETS

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial Assets at Fair Value through Profit or Loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorised as held for trading if they are not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are recognised initially at fair value. Gains and losses arising from changes in the fair value are included in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Fair value is determined in the manner described in Note 24.

Statement of Accounting Policies

For the year ended 30 June 2009

Held to Maturity Investments

Financial instruments purchased with the intention of being held for the long term or until maturity are recorded at amortised cost using the effective interest rate method less impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate a shorter period, to the net carrying amount of the financial asset.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Certain shares held by the Group are classified as being available-for-sale and are stated at fair value less impairment. Fair value is determined in the manner described in Note 24. Gains or losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve with the exception of impairment loss, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the profit or loss. Where the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are stated at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as available-for-sale and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off through profit or loss. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Assets Carried at Fair Value

Financial assets at fair value through profit or loss are not assessed for impairment as their fair value reflects the credit quality of the instrument and changes in the fair value are recognised in profit or loss.

Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

(G) PAYABLES

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

Statement of Accounting Policies

For the year ended 30 June 2009

(H) INVENTORIES

Inventories are valued at the lower of cost, determined on a first in first out basis, and net realisable value. Inventory comprises feedstock, cereal crops, wool, breeder seed, farm sundry consumables and property and plant maintenance consumables. The cost of harvested agricultural produce is measured at fair value less estimated point-of-sale costs at the point of harvest.

(I) PROPERTY, PLANT AND EQUIPMENT

The Group has the following classes of property, plant and equipment:

- Land - Campus
- Land - Farm
- Land Improvements
- Buildings - Campus
- Buildings - Farm
- Leasehold Improvements
- Vehicles
- Plant and Equipment

Land and buildings are measured at fair value. Fair value is determined on the basis of an independent valuation prepared by external valuation experts less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land and buildings are revalued at least every 3 years or whenever there has been a significant movement in the fair value. The fair values are recognised in the financial statements of the Group, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

Any revaluation increase arising on the revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

All other assets are recorded at cost less accumulated depreciation and accumulated impairment.

Capital work in progress is recorded at cost.

Depreciation is provided for on a straight line basis on all tangible property, plant and equipment, other than freehold land and capital work in progress, at depreciation rates calculated to allocate the assets' cost or other revalued amount over their estimated useful lives. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Land Improvements	40 years
Buildings (Including Farms)	10-80 years
Leasehold Improvements	5 years
Vehicles	3-10 years
Plant and Equipment	
Computer Hardware	3-5 years
Other Plant and Equipment	5-10 years

(J) BIOLOGICAL ASSETS

Livestock

Livestock are valued at their fair value less estimated point-of-sale costs by reference to the most relevant active market. An allowance is made for diminution in value of certain livestock held for research trials. Changes in the valuation of livestock are recognised in profit or loss for the period. Gains or losses for livestock held throughout the year are recorded as holding gains and losses and are included in the fair value changes recognised in profit or loss.

Forestry Assets

Forests are recorded at their fair value less point-of-sale costs based on an annual valuation using anticipated harvesting timing and yield and an applicable discount rate. Changes in the valuation of forests are accounted for through profit or loss.

Statement of Accounting Policies

For the year ended 30 June 2009

(K) LEASED ASSETS

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as Lessor

Amounts due from leases under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term.

Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Group as Lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset or the lease term, whichever is the shorter.

Operating lease payments are included in profit or loss in equal instalments over the lease term.

(L) INTANGIBLE ASSETS

Purchased Intangible Assets

Purchased intangible assets such as intellectual property, patents, trademarks and licences are recorded at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight line basis over their estimated useful lives, which varies between 3 and 7 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Computer Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (between 3 and 5 years). Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Internally-Generated Intangible Assets - Research and Development Expenditure

Research expenditure is expensed in the period incurred.

The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only.

Development expenditure is expensed in the period incurred unless all of the following conditions have been demonstrated:

- the intention to complete the intangible asset and use or sell it;
- how the asset created will generate future economic benefits;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development; and
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

Internally-generated intangible assets that satisfy the asset recognition criteria above, are amortised on a straight line basis over future periods from which benefits are expected to accrue. These future periods are between 5 and 7 years.

Computer software development costs that are directly associated with the production of identifiable and unique software products controlled by the Group are recognised as intangible assets where it is probable that future economic benefits will be generated. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding 5 years).

Goodwill on Acquisition

Goodwill, which represents the excess of the cost of acquisition over the fair value of the assets, liabilities and contingent liabilities, acquired at the time of acquisition of a business, is not amortised, but tested for impairment annually. Whenever there is an indication that the goodwill may be impaired any impairment is recognised immediately in profit or loss and is not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investments in Associates' above.

Statement of Accounting Policies

For the year ended 30 June 2009

Other Intangible Assets

Assets with indefinite useful lives are not amortised, but are tested at least annually for impairment. Where there is an active market for an intangible asset, the asset is recorded at a revalued amount, being fair value less any subsequent accumulated amortisation and subsequent accumulated impairment losses. Revaluations are for each intangible asset, not for a class of asset.

Disposal of Intangible Assets

Realised gains and losses arising from disposal of intangible assets are recognised in profit or loss in the period in which the transaction occurs.

(M) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (and disposal groups) classified as held for sale are recorded at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

(N) INVESTMENT PROPERTY

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

(O) IMPAIRMENT OF ASSETS

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets that are subject to amortisation or depreciation to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation increase.

(P) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

All provisions are recorded at the best estimate of the expenditure required to settle the obligation at balance date. Where the effect is material, the expected expenditures are discounted to their present value using pre-tax discount rates.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous Contracts

A provision for an onerous contract is recognised where the economic benefits expected to be derived from a contract are less than the unavoidable costs of meeting the Group's obligation under the contract. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(Q) BORROWINGS

Borrowings are recorded at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest rate method.

Statement of Accounting Policies

For the year ended 30 June 2009

(R) BORROWING COSTS

Borrowing costs directly attributable to buildings under construction are capitalised as part of the cost of those assets.

(S) EMPLOYEE BENEFITS

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, retirement leave/gratuities and sick leave where it is probable that settlement will be made and they are capable of being measured reliably.

Provision for employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rates as at the reporting date and are recorded as current liabilities.

Provision for employee benefits which are not expected to be settled within 12 months, are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date and are recorded as non-current liabilities.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Defined Contribution Plan

There are a small number of employees that are a part of Crown Defined Benefit Superannuation Plan. Future benefits are generated by the Crown and the Group has no legal or financial contribution liability for future benefits. The Group's contributions to the plan are expensed when incurred.

(T) GOODS AND SERVICES TAX

The financial statements are prepared on a GST exclusive basis with the exception of receivables and payables which include GST.

(U) CASH FLOW STATEMENT

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, demand deposits and other highly liquid investments readily convertible into cash. Bank overdrafts are shown as current liabilities in the Balance Sheet.

Operating Activities

Operating activities include all transactions and other events that are not investing or financing activities.

Investing Activities

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

Financing Activities

Financing activities are those activities relating to changes in the equity and debt structure of the Group.

(V) SEGMENTAL REPORTING

The Group operates in one segment.

(W) INSURANCE CONTRACTS

The Group has elected to join the Accident Compensation Commission (ACC) Partnership Programme. Under the Partnership Programme the Group is liable for all its claim costs for a period of 4 years up to a specified maximum. At the end of the 4 year period, the Group pays a premium to ACC for the value of residual claims, and the liability for ongoing claims from that point passes back to ACC.

The liability for the ACC Partnership Programme is recognised in the ACC provision and measured as the present value of expected future payments to be made in respect of the employee injuries and claims up to the reporting date using actuarial techniques. Consideration is given to expected future wage and salary levels and experience of employee claims and injuries. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(X) BUDGET FIGURES

The budget figures are those approved by the Board. They have been prepared using the same accounting policies as for these financial statements.

CHANGES IN ACCOUNTING POLICIES

Accounting policies are changed only if the change is required by a standard or interpretation or otherwise provides more reliable and more relevant information.

There were no changes in accounting policies.

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

	Note	Group		Company	
		2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
1 Other revenue					
Interest		768	667	422	434
Dividends		11	12	31	12
Royalties		8,668	7,241	720	765
Rental		1,846	1,770	1,890	1,779
		11,293	9,690	3,063	2,990
2 Operating expenditure					
Employee benefit expense - salary and wages		69,549	67,895	68,459	66,901
Employee benefit expense - defined contribution plans		852	764	841	753
Depreciation	14	9,431	8,883	9,364	8,804
Operating lease expenses		3,946	4,002	3,862	3,911
Other operating expenses		26,794	26,005	25,892	24,895
Site and property expenses		6,762	6,968	6,756	6,962
Supplies		13,332	11,773	10,691	10,250
Science 3rd party sub-contracts		17,351	19,226	15,887	17,490
Auditors' remuneration - for services as auditors		277	280	199	241
Bad debts		86	31	85	31
Change in provision for doubtful debts		412	(150)	(8)	(150)
Directors' fees		351	362	351	297
Donations		303	303	303	303
Financial and legal expenses		2,118	2,271	1,737	1,898
Amortisation of intangible assets	15	1,553	1,791	1,185	1,577
Impairment of intangible assets	15	607	1,551	163	1,436
Impairment of investments in subsidiaries	19	-	-	1,602	2,896
Impairment of available-for-sale financial assets	21	580	166	501	-
Impairment reversal of property, plant and equipment	14	-	(243)	-	(40)
Impairment reversal of investments in associates	20	(249)	-	(259)	(165)
Write down of assets		1,158	423	1,084	412
		155,213	152,301	148,695	148,702
3 Other gains and (losses)					
Net gain/(loss) from foreign currency exchange		573	233	591	237
Net gain/(loss) on derivatives		(258)	(90)	(258)	(90)
Net gain/(loss) on sale of property, plant and equipment		(79)	47	(85)	48
Net gain/(loss) on sale of investments in subsidiaries		-	380	-	-
Net gain/(loss) on sale of investments in associates		-	6,753	-	6,764
Net gain/(loss) on sale of other investments		(67)	-	(67)	-
Change in fair value of forestry	10	(100)	(204)	(100)	(204)
Change in fair value of livestock	9	(153)	785	(153)	785
		(84)	7,904	(72)	7,540
4 Finance costs					
Interest on bank overdrafts and loans		1,304	1,828	1,303	1,790
Interest payable on intercompany loans		-	-	126	29
		1,304	1,828	1,429	1,819
5 Result before strategic investment (reinvestment)					

As per the Minister's Operating Framework, Crown Research Institutes (CRIs) may seek extraordinary strategic investments that lower their rate of return but which will, or quite probably will, advantage the CRI and New Zealand in the longer term. The Minister will actively contemplate a lower rate of return in such circumstances, especially when the science involved in such a strategic investment is higher risk than normal.

The effect of these strategic investments are:

	Group	
	2009 \$000's	2008 \$000's
Surplus/(deficit) before tax	(1,458)	3,086
Add back strategic investments		
National good activities	926	1,225
Commercial with a lower than average rate of return	4,416	3,753
Total strategic investments	5,342	4,978
Adjusted surplus before tax and reinvestment	3,884	8,064

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

6 Taxation

Tax expense comprises:

Current tax expense/(benefit)

Adjustments recognised in the current year in relation to the current tax of prior years

Prior period tax losses offset for no consideration

Deferred tax expense relating to the origination and reversal of temporary differences

Deferred tax recycled from equity to income

Effect of changes in tax rates and laws

Write-downs (reversals of previous write-downs) of deferred tax assets

Total tax expense/(benefit)

Attributable to:

Continuing operations

The total charge for the year can be reconciled to the accounting profit as follows:

Profit/(loss) from continuing operations

Income tax expense/(benefit) calculated at 30% (2008 - 33%)

Effect of revenue that is exempt from taxation

Donations

Foreign surplus not recognised for tax

Effect of expenses that are not deductible in determining taxable profit

Impairment losses that are not deductible

Loss on sale of investment not deductible for tax

Non assessable capital gain

Effect of deferred tax transferred on sale of revalued asset

Effect of unused tax losses and tax offsets not recognised as deferred tax assets

Effect of previously unrecognised and unused tax losses and tax offsets now recognised as deferred tax assets

Effect on deferred tax balances due to the change in income tax rate from 33% to 30%

Adjustments recognised in the current year in relation to the current tax of prior years

Prior period tax losses transferred for no consideration

Income tax expense/(benefit) recognised in profit or loss

Income tax recognised directly in equity

Deferred tax

Arising on income and expenses taken directly to equity:

Property revaluations

Revaluations of available-for-sale financial assets

Revaluation of financial instruments treated as cash flow hedges

Total deferred tax recognised directly in equity

Current tax assets and liabilities

Current tax assets

Tax refund receivable

Unutilised tax losses

Current tax liabilities

Income tax payable

Net current tax asset/(liability)

	Group		Company	
	2009	2008	2009	2008
	\$000's	\$000's	\$000's	\$000's
Current tax expense/(benefit)	(364)	357	(637)	584
Adjustments recognised in the current year in relation to the current tax of prior years	(286)	(396)	(239)	(46)
Prior period tax losses offset for no consideration	-	-	510	53
Deferred tax expense relating to the origination and reversal of temporary differences	265	52	567	119
Deferred tax recycled from equity to income	(46)	-	(46)	-
	(67)	(344)	792	126
Effect of changes in tax rates and laws	-	24	-	-
Write-downs (reversals of previous write-downs) of deferred tax assets	(273)	-	-	-
Total tax expense/(benefit)	(704)	37	155	710
Attributable to:				
Continuing operations	(704)	37	155	710
The total charge for the year can be reconciled to the accounting profit as follows:				
Profit/(loss) from continuing operations	(1,458)	3,086	(2,088)	1,438
Income tax expense/(benefit) calculated at 30% (2008 - 33%)	(437)	1,018	(626)	475
Effect of revenue that is exempt from taxation	(492)	(370)	(450)	-
Donations	-	100	-	100
Foreign surplus not recognised for tax	72	13	-	-
Effect of expenses that are not deductible in determining taxable profit	1,312	869	1,305	674
Impairment losses that are not deductible	566	703	746	1,660
Loss on sale of investment not deductible for tax	-	76	-	-
Non assessable capital gain	(153)	(2,206)	(31)	(2,206)
Effect of deferred tax transferred on sale of revalued asset	(46)	-	(46)	-
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	(967)	415	(1,014)	-
Effect of previously unrecognised and unused tax losses and tax offsets now recognised as deferred tax assets	(273)	(209)	-	-
Effect on deferred tax balances due to the change in income tax rate from 33% to 30%	-	24	-	-
	(418)	433	(116)	703
Adjustments recognised in the current year in relation to the current tax of prior years	(286)	(396)	(239)	(46)
Prior period tax losses transferred for no consideration	-	-	510	53
Income tax expense/(benefit) recognised in profit or loss	(704)	37	155	710
Income tax recognised directly in equity				
Deferred tax				
Arising on income and expenses taken directly to equity:				
Property revaluations	2,632	-	2,632	-
Revaluations of available-for-sale financial assets	(80)	(151)	(80)	(151)
Revaluation of financial instruments treated as cash flow hedges	-	(30)	-	(30)
Total deferred tax recognised directly in equity	2,552	(181)	2,552	(181)
Current tax assets and liabilities				
Current tax assets				
Tax refund receivable	11	43	-	-
Unutilised tax losses	1,120	569	-	80
	1,131	612	-	80
Current tax liabilities				
Income tax payable	994	-	418	-
Net current tax asset/(liability)	137	612	(418)	80

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

6 Taxation continued

Deferred tax assets/(liabilities) arise from the following:

Group

2009

Temporary differences

	Opening Balance	Charged to Income	Charged to Equity	Acquisitions /Disposals	Changes in Tax Rates	Closing Balance
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Biological assets	(380)	(151)	-	-	-	(531)
Property, plant & investments	(5,477)	(454)	(2,632)	4	-	(8,559)
Intangible assets	(155)	344	-	-	-	189
Available-for-sale financial assets	(254)	-	80	-	-	(174)
Provisions	1,991	(9)	-	-	-	1,982
Doubtful debts	24	(3)	-	-	-	21
	(4,251)	(273)	(2,552)	4	-	(7,072)

Unused tax losses and credits

Tax losses	36	8	-	-	-	44
	(4,215)	(265)	(2,552)	4	-	(7,028)

2008

Temporary differences

Cash flow hedges	(30)	-	30	-	-	-
Biological assets	(376)	(4)	-	-	-	(380)
Property, plant & investments	(6,259)	774	-	19	(11)	(5,477)
Intangible assets	(206)	51	-	-	-	(155)
Available-for-sale financial assets	(405)	-	151	-	-	(254)
Provisions	2,363	(361)	-	-	(11)	1,991
Doubtful debts	76	(52)	-	-	-	24
Other financial liabilities	21	(21)	-	-	-	-
	(4,816)	387	181	19	(22)	(4,251)

Unused tax losses and credits

Tax losses	477	(439)	-	-	(2)	36
	(4,339)	(52)	181	19	(24)	(4,215)

Company

2009

Temporary differences

Biological assets	(380)	(151)	-	-	-	(531)
Property, plant & investments	(5,580)	(419)	(2,632)	-	-	(8,631)
Intangible assets	(155)	3	-	-	-	(152)
Available-for-sale financial assets	(254)	-	80	-	-	(174)
Provisions	1,869	3	-	-	-	1,872
Doubtful debts	24	(3)	-	-	-	21
	(4,476)	(567)	(2,552)	-	-	(7,595)

Unused tax losses and credits

Tax losses	-	-	-	-	-	-
	(4,476)	(567)	(2,552)	-	-	(7,595)

2008

Temporary differences

Cash flow hedges	(30)	-	30	-	-	-
Biological assets	(376)	(4)	-	-	-	(380)
Property, plant & investments	(6,242)	662	-	-	-	(5,580)
Intangible assets	(249)	94	-	-	-	(155)
Available-for-sale financial assets	(405)	-	151	-	-	(254)
Provisions	2,233	(364)	-	-	-	1,869
Doubtful debts	76	(52)	-	-	-	24
Other financial liabilities	21	(21)	-	-	-	-
	(4,972)	315	181	-	-	(4,476)

Unused tax losses and credits

Tax losses	434	(434)	-	-	-	-
	(4,538)	(119)	181	-	-	(4,476)

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

6 Taxation continued

	Group		Company	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Unrecognised deferred tax assets				
The following deferred tax assets have not been recognised at the balance sheet date:				
Tax losses	54	59	-	-
Unrecognised taxable temporary differences associated with investments and interests				
Taxable temporary differences in relation to investments in subsidiaries, branches and associates and interest in joint ventures for which deferred tax liabilities have not been recognised are attributable to the following:				
Foreign subsidiaries	644	479	-	-
Imputation credits				
Balance at beginning of year	1,149	1,473	-	-
Attached to dividends received	-	(12)	-	-
Prior period adjustments	(646)	(359)	-	-
Taxation paid	-	47	-	-
Balance at end of year	503	1,149	-	-
Imputation credits available directly and indirectly to shareholders of the parent company through:				
Subsidiaries	503	1,149	-	-

7 Equity

Share capital

Capital consists of 47,268,000 authorised ordinary shares fully paid to \$1.00 each (2008: 47,268,000 authorised ordinary shares).

	Group		Company	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Retained earnings				
Balance at beginning of year	55,452	52,152	51,402	50,674
Net surplus/(deficit) attributable to equity holders of the parent	(754)	3,300	(2,243)	728
Transfer from available-for-sale revaluation reserve	107	-	107	-
Balance at end of year	54,805	55,452	49,266	51,402
Reserves				
Total reserves				
Balance at the beginning of the year	91,055	91,477	91,055	91,477
Current year movement	2,278	(422)	2,278	(422)
Balance at end of year	93,333	91,055	93,333	91,055
Asset revaluation reserve				
Balance at beginning of year	90,464	90,464	90,464	90,464
Revaluation increases	4,977	-	4,977	-
Transfer to retained earnings through the income statement	121	-	121	-
Transfer to deferred tax	(2,632)	-	(2,632)	-
Balance at end of year	92,930	90,464	92,930	90,464

The asset revaluation reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold, the portion of the asset revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings.

	Group		Company	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Available-for-sale revaluation reserve				
Balance at beginning of year	591	944	591	944
Revaluation decreases	(225)	(504)	(225)	(504)
Transfer to retained earnings through the income statement	77	-	77	-
Transfer to retained earnings	(107)	-	(107)	-
Transfer to deferred tax	67	151	67	151
Balance at end of year	403	591	403	591

The available-for-sale revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit or loss.

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

7 Equity continued

	Group		Company	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Cash flow hedge reserve				
Balance at beginning of year	-	69	-	69
Transfer to initial carrying value of hedged item	-	(69)	-	(69)
Balance at end of year	-	-	-	-

The cash flow hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

There are no forecast transactions for which hedge accounting had previously been used which are no longer expected to occur.

8 Trade and other receivables

	Group		Company	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Trade receivables	19,994	22,489	15,075	19,267
Receivables from associates	694	1,854	694	1,854
Receivables from subsidiaries	-	-	3,496	4,327
Receivables from other related parties	2,923	3,698	3,117	3,618
Total receivables	23,611	28,041	22,382	29,066
Less provision for doubtful debts	491	79	71	79
Net receivables	23,120	27,962	22,311	28,987

The fair value of trade and other receivables is approximately equal to their carrying value.

Terms of trade vary according to individual customer contracts. Trade receivables are assessed for impairment on an individual basis. The only receivables impaired are provided for within doubtful debts. As of 30 June 2009, trade receivables of \$384,458 (2008: \$898,196) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of defaults. The ageing analysis of trade receivables is as follows:

	Group		Company	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
1 to 2 months	19,401	21,512	14,482	18,353
2 to 3 months	118	245	118	182
Over 3 months	475	732	475	732
	593	977	593	914

9 Biological assets - livestock

The Group's livestock consists of sheep, beef cattle, dairy cattle and deer.

	Group & Company				
	Sheep \$000's	Beef cattle \$000's	Dairy cattle \$000's	Deer \$000's	Total \$000's
2009					
Reconciliation of changes in the carrying value					
Balance at beginning of year	882	628	3,147	438	5,095
Increases due to acquisitions	310	343	57	-	710
Decreases due to sales	(1,158)	(788)	(252)	(241)	(2,439)
Net increase due to births and deaths	768	398	296	180	1,642
Changes in fair value less estimated point-of-sale costs	770	61	(1,145)	161	(153)
Balance at end of year	1,572	642	2,103	538	4,855
Quantity of livestock at end of year	15,304	1,536	2,047	947	
2008					
Reconciliation of changes in the carrying value					
Balance at beginning of year	1,151	897	1,958	511	4,517
Increases due to acquisitions	227	336	372	-	935
Decreases due to sales	(937)	(888)	(300)	(267)	(2,392)
Net increase due to births and deaths	530	350	227	143	1,250
Changes in fair value less estimated point-of-sale costs	(89)	(67)	890	51	785
Balance at end of year	882	628	3,147	438	5,095
Quantity of livestock at end of year	17,211	1,631	2,059	1,064	

Livestock valuation method

Livestock was valued by PGG Wrightson Limited by reference to market evidence of recent transactions for similar livestock.

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

9 Biological assets - livestock *continued*

Financial risk management strategies

The Group is exposed to financial risks arising from changes in livestock prices. Generally the Group takes normal commercial industry measures to manage the risks of a decline in livestock prices except where livestock is held for research purposes.

10 Biological assets - forestry

The Group has radiata pine tree crops at Whatawhata, Flockhouse, Ballantrae and Invermay.

	Group & Company	
	2009	2008
	\$000's	\$000's
Reconciliation of changes in the carrying value		
Balance at beginning of year	1,416	1,515
Increases due to capitalised expenditure	108	112
Decreases due to harvesting	(13)	(7)
Changes in fair value less estimated point-of-sale costs	(100)	(204)
Balance at end of year	1,411	1,416
Area (ha) of forest at end of year	458	464

Forestry valuations

Forestry was valued by Alan Bell and Associates as at 30 June 2009 based on pre-tax cash flows, taking into account anticipated harvest timing and yield. The value of forestry at 30 June 2009 was \$1,411,048 (2008: \$1,415,151). Forestry includes AgResearch Limited's share of forestry held as part of the Tainui Joint Venture.

Financial risk management strategies

The Group is exposed to financial risks arising from changes in timber prices. The Group is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future, therefore, has not taken any measures to manage the risks of a decline in timber prices.

11 Inventory

Inventory comprises consumables held for farm and textiles operations.

12 Derivative financial instruments

	Group		Company	
	2009	2008	2009	2008
	\$000's	\$000's	\$000's	\$000's
Assets				
Forward exchange rate agreements:				
Cash flow hedges	81	8	81	8
Interest rate swaps				
Cash flow hedges	-	44	-	44
	81	52	81	52
Represented by:				
Current assets	81	52	81	52
Liabilities				
Forward exchange rate agreements:				
Fair value hedges	296	7	296	7
Cash flow hedges	-	2	-	2
	296	9	296	9
Represented by:				
Current liabilities	296	9	296	9

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the local interbank rate of New Zealand. The Group settles the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously.

13 Trade and other payables

	Group		Company	
	2009	2008	2009	2008
	\$000's	\$000's	\$000's	\$000's
Trade payables	17,678	14,372	15,303	13,408
Payables to associates	8	-	8	-
Payables to subsidiaries	-	-	5,747	4,222
Payables to other related parties	69	56	1	4
Goods and services tax (GST)	915	902	1,493	1,125
Payables to Directors	34	3	34	3
Revenue in advance	6,048	4,218	6,165	4,238
Accrued salaries and wages	946	1,509	933	1,493
Total payables	25,698	21,060	29,684	24,493

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

13 Trade and other payables *continued*

The fair value of payables is approximately equal to their carrying value as all amounts are expected to be settled within 90 days. No interest is charged on trade payables.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

14 Property, plant and equipment

	Land & Land Improvements	Buildings	Leasehold Improvements	Plant & Equipment	Vehicles	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Group						
2009						
Balance at beginning of year	90,699	80,422	758	15,920	46	187,845
Additions	2,947	8,864	231	7,927	13	19,982
Disposals	(6)	(113)	-	(518)	-	(637)
Reclassifications between classes	-	-	-	(8)	8	-
Revaluations	(1,813)	5,710	-	-	-	3,897
Depreciation	(428)	(3,405)	(46)	(5,533)	(19)	(9,431)
Balance at end of year	91,399	91,478	943	17,788	48	201,656
Cost or valuation	91,431	91,820	1,576	67,492	188	252,507
Accumulated depreciation	(32)	(342)	(633)	(49,704)	(140)	(50,851)
Balance at end of year	91,399	91,478	943	17,788	48	201,656
2008						
Balance at beginning of year	90,158	73,913	772	17,687	7	182,537
Additions	917	9,896	51	3,465	48	14,377
Disposals	(14)	(347)	-	(68)	-	(429)
Impairment losses reversed	-	-	-	243	-	243
Depreciation	(362)	(3,040)	(65)	(5,407)	(9)	(8,883)
Balance at end of year	90,699	80,422	758	15,920	46	187,845
Cost or valuation	91,378	85,954	1,346	61,027	167	239,872
Accumulated depreciation	(679)	(5,532)	(588)	(45,107)	(121)	(52,027)
Balance at end of year	90,699	80,422	758	15,920	46	187,845
Company						
2009						
Balance at beginning of year	90,699	80,422	754	15,624	46	187,545
Additions	2,947	8,864	231	7,874	13	19,929
Disposals	(6)	(113)	-	(433)	-	(552)
Reclassifications between classes	-	-	-	(8)	8	-
Revaluations	(1,813)	5,710	-	-	-	3,897
Depreciation	(428)	(3,405)	(43)	(5,469)	(19)	(9,364)
Balance at end of year	91,399	91,478	942	17,588	48	201,455
Cost or valuation	91,431	91,820	1,563	66,659	188	251,661
Accumulated depreciation	(32)	(342)	(621)	(49,071)	(140)	(50,206)
Balance at end of year	91,399	91,478	942	17,588	48	201,455
2008						
Balance at beginning of year	90,158	73,913	766	17,506	7	182,350
Additions	917	9,896	51	3,471	48	14,383
Disposals	(14)	(347)	-	(63)	-	(424)
Impairment losses reversed	-	-	-	40	-	40
Depreciation	(362)	(3,040)	(63)	(5,330)	(9)	(8,804)
Balance at end of year	90,699	80,422	754	15,624	46	187,545
Cost or valuation	91,378	85,954	1,333	60,149	167	238,981
Accumulated depreciation	(679)	(5,532)	(579)	(44,525)	(121)	(51,436)
Balance at end of year	90,699	80,422	754	15,624	46	187,545

The Budget for Property, Plant & Equipment shown in the Balance Sheet did not include any possible impact of revaluation.

Land and buildings were revalued at 30 June 2009 by DTZ New Zealand Limited, independent valuers not connected with the Group, by reference to market evidence of recent transactions for similar properties. The valuation conforms to International Valuation Standards.

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

14 Property, plant and equipment *continued*

Had the Group's land and buildings (other than land and buildings classified as held for sale or included in a disposal group) been measured on a historical cost basis, their carrying amount would have been as follows:

	<u>Group</u>	<u>Company</u>
	2009	2009
	\$000's	\$000's
Land and land improvements	20,741	20,741
Buildings	54,047	54,047

Impairment Adjustment

Property, plant and equipment held by the Group was reviewed for impairment. No impairments were made in 2009 (Company: Nil) (2008: Nil; Company: Nil) in the Income Statement. No impairment reversal for property, plant and equipment (Company: Nil) was made in 2009 (2008: \$243,137; Company \$39,683) in the Income Statement.

15 Intangible assets

Group	Note	Intellectual Property		Total
		Including Patents and Licences	Software	
		\$000's	\$000's	\$000's
2009				
Balance at beginning of year		3,083	1,525	4,608
Amortisation	2	(889)	(664)	(1,553)
Capitalised		30	-	30
Purchased		247	350	597
Impairment	2	(607)	-	(607)
Purchased on acquisition of subsidiary		405	11	416
Balance at end of year		2,269	1,222	3,491
Cost		13,957	6,521	20,478
Accumulated amortisation		(11,688)	(5,299)	(16,987)
Balance at end of year		2,269	1,222	3,491
2008				
Balance at beginning of year		5,683	1,549	7,232
Amortisation	2	(1,176)	(615)	(1,791)
Capitalised		59	-	59
Purchased		-	895	895
Impairment	2	(1,436)	(115)	(1,551)
Asset write down		(37)	-	(37)
Disposal on derecognition of a subsidiary		(10)	(129)	(139)
Disposal		-	(60)	(60)
Balance at end of year		3,083	1,525	4,608
Cost		13,848	6,131	19,979
Accumulated amortisation		(10,765)	(4,606)	(15,371)
Balance at end of year		3,083	1,525	4,608
Company				
2009				
Balance at beginning of year		2,266	1,358	3,624
Amortisation	2	(593)	(592)	(1,185)
Purchased		20	276	296
Impairment	2	(163)	-	(163)
Balance at end of year		1,530	1,042	2,572
Cost		5,976	5,738	11,714
Accumulated amortisation		(4,446)	(4,696)	(9,142)
Balance at end of year		1,530	1,042	2,572
2008				
Balance at beginning of year		4,725	1,291	6,016
Amortisation	2	(1,023)	(554)	(1,577)
Purchased		-	681	681
Impairment	2	(1,436)	-	(1,436)
Disposal		-	(60)	(60)
Balance at end of year		2,266	1,358	3,624
Cost		6,118	5,460	11,578
Accumulated amortisation		(3,852)	(4,102)	(7,954)
Balance at end of year		2,266	1,358	3,624

The Group has reviewed intangibles at year end for impairment by assessment of the future recoverable amounts. The nature of the Group's business being research and development gives rise to potential impairments as part of the normal course of business.

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

16 Provisions

	Group		Company	
	2009	2008	2009	2008
	\$000's	\$000's	\$000's	\$000's
Balance at beginning of year	7,196	10,204	7,036	10,067
Provisions made during the year	8,018	7,336	7,845	7,192
Provisions used during the year	(7,572)	(9,176)	(7,392)	(9,055)
Provisions reversed during the year	(477)	(1,168)	(471)	(1,168)
Balance at end of year	7,165	7,196	7,018	7,036
Represented by:				
Current liabilities	6,359	6,291	6,212	6,151
Non-current liabilities	806	905	806	885
Total provisions	7,165	7,196	7,018	7,036

The resulting outflows of all provisions except for Long Term Employee Entitlements are expected to be paid within the following financial year. The provisions made are based on the best current estimate of outflows expected to settle these obligations.

	Group		Company	
	2009	2008	2009	2008
	\$000's	\$000's	\$000's	\$000's
Restructuring provision				
Balance at beginning of year	182	1,012	182	1,012
Provision made during the year	-	50	-	50
Provision used during the year	(28)	(880)	(28)	(880)
Provision reversed during the year	(151)	-	(151)	-
Balance at end of year	3	182	3	182
Represented by:				
Current liabilities	3	182	3	182

The restructuring provision represented the anticipated cost of the closure of the Wallaceville Campus which is now complete.

	Group		Company	
	2009	2008	2009	2008
	\$000's	\$000's	\$000's	\$000's
Remediation provision				
Balance at beginning of year	200	2,650	200	2,650
Provision used during the year	(200)	(1,481)	(200)	(1,481)
Provision reversed during the year	-	(969)	-	(969)
Balance at end of year	-	200	-	200
Represented by:				
Current liabilities	-	200	-	200

The remediation provision represented the anticipated cost of removing contamination from the Wallaceville Campus which is now complete.

	Group		Company	
	2009	2008	2009	2008
	\$000's	\$000's	\$000's	\$000's
Employee entitlements provision				
Balance at beginning of year	6,309	6,180	6,153	6,046
Provision made during the year	7,326	6,700	7,160	6,562
Provision used during the year	(6,754)	(6,372)	(6,580)	(6,256)
Provision reversed during the year	(326)	(199)	(320)	(199)
Balance at end of year	6,555	6,309	6,413	6,153
Represented by:				
Current liabilities	5,749	5,404	5,607	5,268
Non-current liabilities	806	905	806	885
	6,555	6,309	6,413	6,153

Employee entitlements represents annual leave, alternative days leave, sick leave, long service leave and performance pay.

	Group		Company	
	2009	2008	2009	2008
	\$000's	\$000's	\$000's	\$000's
ACC provision				
Balance at beginning of year	505	362	501	359
Provision made during the year	692	586	685	580
Provision used during the year	(590)	(443)	(584)	(438)
Balance at end of year	607	505	602	501
Represented by:				
Current liabilities	607	505	602	501

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

16 Provisions continued

ACC partnership programme

Liability valuation

An independent actuarial valuer has calculated the Group's liability as at 30 June 2009. The valuer has attested satisfaction as to the nature, sufficiency and accuracy of the data used to determine the outstanding liability.

For the claim year ended 2009 the Group has chosen a stop loss limit of 175% of risk which means that the Group will only carry the total cost of claims up to a limit of \$322,000. Pre-valuation date claim inflation has been taken as 50% of movements in the CPI and 50% of the movements in the Average Weekly Earnings (AWE) Index. Post-valuation date claim inflation has been taken as 4% per annum. A discount rate of 4% has been used.

The value of the liability is not material for the Group's financial statements, therefore, any changes in assumptions will not have a material impact on the financial statements.

The Group is not exposed to any significant concentrations of insurance risk as work related injuries are generally the result of an isolated event to an individual employee.

Objectives for managing risks

The Group manages its exposure arising from the programme by promoting a safe and healthy working environment by:

- implementing and monitoring health and safety policies;
- induction training on health and safety;
- actively managing work place injuries to ensure employees return to work as soon as practical;
- recording and monitoring work place injuries and near misses to identify risk areas and implementing mitigating actions; and
- identification of work place hazards and implementation of appropriate safety procedures.

	Group		Company	
	2009	2008	2009	2008
	\$000's	\$000's	\$000's	\$000's

17 Reconciliation of net surplus/(deficit) after tax with net cash flow from operating activities

Net surplus/(deficit) after tax	(754)	3,049	(2,243)	728
Non-cash items				
Depreciation	9,431	8,883	9,364	8,804
Intangible assets amortisation and impairment	2,160	3,342	1,348	3,013
Provision for long term staff liabilities	(99)	(215)	(79)	(217)
Equity accounted profit	(30)	(22)	-	-
Investment write down and revaluation	331	166	1,844	2,731
Change in fair value of forestry	100	204	100	204
Asset impairment/write down	1,158	423	1,084	412
Provision for doubtful debts	412	(150)	(8)	(150)
Net loss from foreign currency exchange	(573)	(233)	(591)	(237)
Unrealised loss on derivative financial instruments	258	90	258	90
Change in current taxation	475	(74)	498	587
Change in deferred tax	261	(124)	567	(62)
Movements in working capital				
Change in inventory	(129)	80	(205)	98
Change in livestock	240	(578)	240	(578)
Change in receivables	4,842	2,993	6,676	2,799
Change in prepayments	(638)	154	(650)	137
Change in provisions	68	(2,793)	61	(2,814)
Change in payables	4,638	3,816	5,191	5,050
Items classified as investing activities				
Net (gain)/loss on sale of property, plant and equipment	79	(47)	85	(48)
Net (gain)/loss on sale of investments and intangible assets	67	(7,133)	67	(6,764)
Accrual of plant and equipment, intangible assets and investments (net)	(959)	1,169	(530)	1,235
Add items reclassified as investing activities	(1,304)	(59)	(106)	-
Net cash flow from operating activities	20,034	12,941	22,971	15,018

18 Contingent liabilities and commitments

Capital commitments

Asset purchases committed and contracted for at balance date

Capital commitments to joint ventures

Total capital commitments

Asset purchases committed and contracted for at balance date	3,091	8,199	3,091	8,199
Capital commitments to joint ventures	1,875	408	1,875	408
Total capital commitments	4,966	8,607	4,966	8,607

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

18 Contingent liabilities and commitments *continued*

Litigation and other contingent liabilities

The two shareholders of Farmax Limited have given a joint and several guarantee up to \$150,000 to Westpac for a bank overdraft facility of up to \$100,000 (2008: Nil) to 10 February 2011. As at 30 June 2009 \$19,561 (2008: Nil) was drawn.

There are no known other contingent liabilities or pending litigation.

	Group		Company	
	2009	2008	2009	2008
	\$000's	\$000's	\$000's	\$000's
Non-cancellable operating leases				
Payable no later than one year	3,570	3,827	3,470	3,743
Payable later than one, not later than two years	3,333	2,900	3,331	2,818
Payable later than two, not later than five years	7,676	5,542	7,676	5,540
Payable later than five years	6,588	8,401	6,588	8,401
Total non-cancellable operating leases	21,167	20,670	21,065	20,502

All significant operating lease commitments relate to land and buildings.

The significant land lease with Tainui Group Holdings Limited is in perpetuity but with rights of renewal that are executable by AgResearch Limited. The lease has a restriction in respect of the right to occupy in perpetuity, which only continues if AgResearch Limited is using the land primarily for agricultural purposes and/or research and development purposes.

The significant building leases are for at least ten years or have rights of renewal for at least that period. All leases have normal provisions for periodic rent reviews to market rates.

Refer to Note 2 where the operating lease expense for the year is disclosed.

19 Investments in subsidiaries

Subsidiary companies	Balance date	% Interest held 2009	% Interest held 2008	Principal activity
Celentis Limited	30 June	100	100	Holding company
AgResearch Plant Bio Holding Limited	30 June	100	100	Not trading
Celcom One Limited	30 June	100	100	Not trading
Celcom Three Limited	30 June	100	100	Not trading
Grasslanz Technology Limited	30 June	100	100	Cultivar development and management
AgResearch (USA) Limited	30 June	100	100	Managing Grasslanz Technology's interests in the US
AgResearch (Pastoral Genomics Consortia) Limited	30 June	100	100	Joint venture participating company
AgResearch (Meat Biologics Consortia) Limited	30 June	100	100	Joint venture participating company
AgResearch (PPGR Consortia) Limited	30 June	100	100	Joint venture participating company
AgResearch Shelf Four Limited	30 June	100	100	Not trading
AgResearch Strategic Investments Limited	30 June	100	100	Not trading
AgResearch (John's Disease Research Consortium) Limited	30 June	100	100	Joint venture participating company
ContainerScan Limited	30 June	100	100	Developing and marketing container screening biosecurity applications
Covita Limited *	30 June	100	25	Funding receptacle for programmes related to the 'parasite leads' and myostatin business
Paraco Technology Limited (formerly Biosteel New Zealand Limited)	30 June	100	100	Undertaking commercialisation around parasite intellectual property
Phyatgro New Zealand Limited	30 June	100	100	Holding company
Phyatgro LLC** ***	31 December	80	-	Develop and licence IP in forage crops
Phyatgro Incorporated ***	31 December	80	80	Develop and licence IP in forage crops

* AgResearch Limited acquired all shares not already owned in Covita Limited and Paraco Limited on 1 August 2008. On 31 December 2008 these companies were amalgamated along with Orico Limited a wholly owned subsidiary of Covita Limited with the surviving entity being Covita Limited.

** Phyatgro LLC was incorporated on 21 October 2008.

*** Phyatgro Incorporated and Phyatgro LLC's balance dates are different from the Group's due to being incorporated in the United States.

All subsidiary companies are incorporated in New Zealand, except Phyatgro Incorporated and Phyatgro LLC which are incorporated in the United States.

AgResearch Plant Bio Holding Limited; Celcom One Limited; Celcom Three Limited and Grasslanz Technology Limited are direct subsidiaries of Celentis Limited. AgResearch (USA) Limited is a direct subsidiary of Grasslanz Technology Limited. Paraco Technology Limited is a direct subsidiary of Covita Limited. Phyatgro LLC is a direct subsidiary of Phyatgro New Zealand Limited. All other subsidiary companies are direct subsidiaries of AgResearch Limited.

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

19 Investments in subsidiaries continued

Impairment of subsidiaries

During the year, investments in subsidiaries were impaired by \$1,601,752 being: AgResearch (Pastoral Genomics Consortia) Limited, AgResearch (Meat Biologics Consortia) Limited, AgResearch (PPGR Consortia) Limited and Celentis Limited. (2008: \$2,895,981 being: AgResearch (Pastoral Genomics Consortia) Limited, AgResearch (Meat Biologics Consortia) Limited, AgResearch (PPGR Consortia) Limited, Phytagro Incorporated and ContainerScan Limited).

The Group invests predominantly in start up biotechnology companies. Such companies have a high cash utilisation and often are unable to carry intellectual property as an asset. The impairment of the investment in Celentis Limited is based on the lower net assets as a result of the transfer of tax losses to AgResearch Limited for no consideration.

Acquisition of subsidiaries

In August 2008, the Group acquired the outstanding shares not already held in the entities listed below:

	Principal activity	Date of acquisition	Proportion of shares acquired %	Cost of acquisition \$ 000's
Covita Limited	IP Ownership	6 August 2008	74.90	325
Paraco Limited	IP Ownership	6 August 2008	66.67	50

As a result of the acquisition of Covita Limited, the Group also acquired the assets and liabilities of Orico Limited, a 100% owned subsidiary of Covita Limited.

The contributed revenues and net profit to the Group for the period from acquisition to 30 June 2009 by the acquired business, and the impact on the consolidated revenue and profit for the year ended 30 June 2009, if the acquisition had occurred on 1 July 2008 were not significant.

Details of net assets acquired are as follows:

	\$ 000's
Purchase consideration:	
Cash paid	375
Total purchase consideration	375

Analysis of assets and liabilities acquired:

	Carrying amount \$ 000's	Fair value on acquisition \$ 000's
Cash and cash equivalents	1,291	1,291
Property, plant and equipment	6	-
Intangibles	309	359
Trade and other payables	(1,308)	(1,275)
Net identifiable assets acquired	298	375

Flow of cash to acquire business, net of cash acquired:

	\$ 000's
Cash consideration	(375)
Cash and cash equivalents in subsidiary acquired	1,223
Cash inflow on acquisition	848

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

20 Investments in associates

Associate companies	Balance date	% Interest held 2009	% Interest held 2008	Principal activity
Clone International Pty Limited	30 June	25	25	Cloning high value horses, cattle and sheep
Ovita Limited	30 June	50	50	Developing technology from intellectual property for on-farm application of sheep genome research
Paraco Limited *	30 June	-	33	Undertaking commercialisation around parasite intellectual property
Covita Limited *	30 June	100	25	Funding receptacle for programmes related to the 'parasite leads' and myostatin business
Ultrafine Merino Limited	30 June	20	20	Breeding sheep which produce high quality fine wool
Velvet Antler Research New Zealand Limited	30 September	50	50	Managing investments in velvet antler research and commercialising the intellectual property
DeeResearch Limited	30 June	50	50	Research and development relevant to deer farming and processing for deer products (except deer velvet)
BioPacific Management Limited	30 June	50	50	Managing fund investing into life sciences, biotechnology, medicine, food and agriculture
Biopolymer Network Limited	30 June	33	33	To create high performance bio based products
Genetic Engine Holding Company Limited	30 June	25	25	Holding assets related to Genetic Engine software
Encoate Holdings Limited	30 June	27	27	To research and develop bacteria and probiotics stabilisation technologies

* AgResearch Limited acquired all shares not already owned in Covita Limited and Paraco Limited on 1 August 2008. On 31 December 2008 these companies were amalgamated along with Orico Limited a wholly owned subsidiary of Covita Limited with the surviving entity being Covita Limited.

All associates are incorporated in New Zealand except for Clone International Pty Limited which is incorporated in Australia. There are no restrictions on the ability of any associate to pay dividends, repay loans or otherwise transfer funds to the investor company.

Movement in the carrying amount of the Group's investments in associates:

	Group		Company	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Balance at beginning of the year	345	2,540	245	2,516
Purchases	-	231	-	-
Disposals	-	(2,448)	-	(2,436)
Share of profits of associates	30	22	-	-
Share of dividends	(20)	-	-	-
Reclassification of associate to subsidiary	(100)	-	(100)	-
Impairment reversals	249	-	259	165
Balance at end of year	504	345	404	245
Represented by:				
Non-current assets	504	345	404	245

Summarised financial information in respect of the Group's associates

	Group	
	2009 \$000's	2008 \$000's
Total assets	3,601	5,549
Total liabilities	1,678	4,114
Net assets	1,923	1,435
Group's share of net assets of associates	504	345
Total revenue	12,507	17,414
Total profit for the period	331	380
Group's share of profits of associates	30	22

Disposals

There were no disposals during the period (2008: 50% of the Group's shares in Ultrafine Merino Limited and all shares in Catapult Genetics Pty Limited).

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

21 Other investments

	Group		Company	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Available-for-sale financial assets	6,788	6,886	4,998	5,018
Details of other investments				
Fonterra Cooperative Group	1,336	2,393	1,336	2,393
BioPacific Ventures	3,043	2,183	3,043	2,183
Finistere-AgResearch Strategic Investment Fund Limited	1,790	1,868	-	-
Other investments	619	442	619	442
	6,788	6,886	4,998	5,018

Disposals

The Group disposed of shares in Fonterra Cooperative Group following the ceasing of supply for one of its farming operations (2008: no disposals).

Impairment of other investments

During the year, the Finistere-AgResearch Strategic Investment Fund Limited Partnership, recognised an impairment of \$78,648 of its investment in Cibus LLC (2008: \$165,994 impairment of its investment in Cibus LLC) and AgResearch Limited recognised a change in fair value of \$214,681 of its investment in Fonterra (2008: Nil) and a change in fair value of \$286,599 of its investments held through BioPacific Ventures (2008: Nil).

22 Joint venture investments

	Group		Company	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Joint ventures	-	-	125	125

Joint ventures (and joint venture participant where relevant)	Balance date	% Interest held	% Interest held	Principal activity
		2009	2008	
Innervision	30 June	50	50	Provision of CT Scanning services to the sheep breeding industry
Meat Biologics Consortia (AgResearch [Meat Biologics Consortia] Limited)	30 June	16	16	To undertake research to create, develop and exploit intellectual property relating to Meat Biologics
Pastoral Genomics Consortia (AgResearch [Pastoral Genomics Consortia] Limited)	30 June	9	9	To undertake research into clover genomics and exploit any resulting intellectual property
Pastoral Greenhouse Gases Consortia (AgResearch [PPGR Consortia] Limited)	30 June	20	22	To undertake research into greenhouse gases produced by ruminants and exploit any resulting intellectual property
Johne's Disease Research Consortium (AgResearch [Johne's Disease Research Consortium] Limited) *	30 June	12	-	To undertake research on effective methods of reducing Johne's disease in livestock
Grasslands Innovation Limited **	30 June	50	50	To identify, develop and exploit product opportunities in proprietary forage cultivars and other forage technologies
Tainui Forestry	30 June	50	50	Hold and exploit a forestry right held jointly
Farmax Limited	30 June	50	50	Development and distribution of farm management software

* Johne's Disease Research Consortium commenced 1 September 2008.

** Grasslands Innovation Limited 50% interest is held by Grasslanz Technology Limited.

Summarised financial information in respect of the Group's joint ventures

The following amounts are included in the Group financial statements as a result of the proportionate consolidation of Innervision, Meat Biologics Consortia, Pastoral Genomics Consortia, Pastoral Greenhouse Gases Consortia, Johne's Disease Research Consortium, Grasslands Innovation Limited and Farmax Limited (2008: Innervision, Meat Biologics Consortia, Pastoral Genomics Consortia, Pastoral Greenhouse Gases Consortia, Grasslands Innovation Limited and Farmax Limited).

	Group	
	2009 \$000's	2008 \$000's
Current assets	2,137	2,465
Non-current assets	218	194
Total assets	2,355	2,659
less:		
Current liabilities	1,383	1,672
Non-current liabilities	515	527
Net assets	457	460
Income	3,284	2,928
Expenses	3,708	3,170

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

23 Transactions with related parties

The ultimate shareholder of the Group is the Crown. The Group undertakes many transactions with other Crown Entities, State Owned Enterprises and Government Departments, which are carried out on a commercial and arms length basis. A summary of the transactions is detailed below:

Transactions with the Crown

	Sale of services		Due from	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Research, development and other services	84,409	80,704	3,749	5,751

	Purchase of services		Due to	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Research, development and other services	19,412	20,801	1,700	1,193

Key management personnel compensation

The compensation of the Directors and Executives, being the key management personnel of the AgResearch Group comprised:

	Group		Company	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Salaries and other short term employee benefits	3,559	3,223	3,231	2,866

Key management personnel have had the following direct interests in transactions with entities in the Group:

- Sam Robinson (Chair from 1 July 2008) is a director ofASUREQuality Limited of which the Group had sales of \$61,612 and purchases of \$704,280 during the year.
- Andrew MacPherson (Director from 1 July 2008) is a director on the Animal Health Board of which the Group had sales of \$1,983,088 during the year.
- Graham Fraser (Director to 30 June 2009) was a director of Livestock Improvement Corporation Limited (until 8 October 2008) of which the Group had sales of \$16,993 during the year (2008: \$14,144) and purchases of \$176,341 (2008: \$86,737).

Equity interest in related parties

Details of the percentage of interests held in related parties are disclosed in Notes 19 to 22 to the financial statements.

Transactions with related parties

Transactions between AgResearch Limited and related parties are disclosed below:

	Sale of services		Due from	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Subsidiaries				
Research, development and management services	4,709	2,594	1,125	338

Associates				
Research, development and management services	7,805	12,179	694	2,316

Jointly controlled entities				
Research, development and management services	1,239	1,155	337	331

Other related parties				
Research, development and management services	7,654	6,805	2,748	3,263

	Purchase of services		Due to	
	2009 \$000's	2008 \$000's	2009 \$000's	2008 \$000's
Subsidiaries				
Research, development and management services	30	55	20	45

Associates				
Research, development and management services	28	-	8	-

Jointly controlled entities				
Research, development and management services	15	18	1	4

Other related parties				
Research, development and management services	30	-	-	-

Notes To and Forming Part of the Financial Statements

For the year ended 30 June 2009

23 Transactions with related parties *continued*

The amounts outstanding are unsecured, on normal trade terms and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

During the year, AgResearch Limited made interest payments of \$125,771 (2008: \$28,686) to its subsidiaries on intercompany loans. The weighted average interest rate on the loans is 5.92% (2008: 5.85%).

Subsidiary companies are party to the covenanting group in respect of borrowing by AgResearch Limited. Details of the borrowing facility are reflected under Note 25. At 30 June 2009 the financial covenants have been met and subsidiary companies have no liability under the negative pledge covenant agreement (2008: Nil).

24 Financial instruments

Financial instruments carried on the Balance Sheet include cash and bank balances, bank debt, term loans, other loans, investments, receivables and trade creditors. The particular recognition methods adopted are disclosed in the accounting policies where relevant.

Financial risk management

The Group has exposure to the following risk from its use of financial instruments:

- credit risk
- market risk
- liquidity risk

Credit risk

Financial instruments which potentially subject the Group to credit risk principally include cash, short term deposits, forward rate agreements and accounts receivable.

Credit risk with respect to cash and short term deposits is reduced by investing with (S&P A Grade) registered banks. The Group has a treasury policy which limits the counterparty risk to a maximum of \$10 million with any one bank. While accounts receivable are unsecured they are subject to established credit control procedures. No collateral is held.

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Balance Sheet.

There has been no change during the year to the Group's exposure to credit risks or the manner in which it manages and measures the risks.

Market risk

Currency risk

Revenues and expenses in foreign currency are translated to New Zealand dollars at the exchange rates in effect at the time of the transaction, or at rates approximating them. Assets and liabilities are converted to New Zealand dollars at the rates of exchange ruling at balance date.

Currency risk in respect of the Group's transactions is managed in accordance with a treasury policy approved by the Board and may include forward exchange contracts being taken out for any foreign currency exposure.

It is estimated that a 10% decrease in the New Zealand dollar would increase profit and equity by \$596,801 (2008: \$294,418). It is estimated that a 10% increase in the New Zealand dollar would reduce profit and equity by \$488,292 (2008: \$240,887).

Cash flow hedges

For those exposures less certain in their timing and extent, such as future sales and purchases, it is the Group's policy to manage the risk on a group wide basis and cover a maximum of 75% of anticipated exposures for a maximum of 12 months forward.

The Group uses foreign currency forward exchange contracts to manage these exposures.

There has been no change during the year to the Group's exposure to currency risks or the manner in which it manages and measures the risks.

Interest rate risk

The Group has borrowings as outlined in Note 25. The interest on the term loan is on a floating basis and resets quarterly. This risk is managed through the use of interest rate swaps in accordance with the Group's treasury policy.

Interest rate risk in respect of the Group's transactions is managed in accordance with a treasury policy approved by the Board.

By managing interest rate risk the Group aims to moderate the impact of short-term fluctuations in interest rates. It is estimated that a one percent fluctuation in average interest rates would increase or reduce profit and equity by \$200,000 (2008: \$100,000).

There has been no change during the year to the Group's exposure to interest rate risks or the manner in which it manages and measures the risks.

Liquidity risk

Liquidity risk represents the Group's ability to meet its financial obligations on time. For the most part the Group generates sufficient cash flows from its operating activities to make timely payments. It does however maintain committed credit lines to cover any shortfalls. The Group has a multi-option credit facility of up to \$15 million (2008: \$15 million). As at 30 June 2009 \$0 (2008: Nil) was drawn by the Group.

Liquidity is managed by monitoring short term and long term cash flows for up to 3 years.

There has been no change during the year to the Group's exposure to liquidity risks or the manner in which it manages and measures the risks.

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

24 Financial instruments *continued*

Maturity analysis - financial liabilities

	On demand	Less than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
Group					
2009					
Trade and other payables	-	25,698	-	-	25,698
Derivative financial instruments	-	296	-	-	296
Other loans	-	300	-	-	300
Term loan	-	650	20,650	-	21,300
	-	26,944	20,650	-	47,594
2008					
Trade and other payables	-	21,060	-	-	21,060
Derivative financial instruments	-	9	-	-	9
Other loans	-	380	-	-	380
Term loan	-	1,790	21,800	-	23,590
	-	23,239	21,800	-	45,039
Company					
2009					
Trade and other payables	-	29,684	-	-	29,684
Derivative financial instruments	-	296	-	-	296
Other loans	-	300	-	-	300
Term loan	-	650	20,650	-	21,300
	-	30,930	20,650	-	51,580
2008					
Trade and other payables	-	24,493	-	-	24,493
Derivative financial instruments	-	9	-	-	9
Other loans	-	380	-	-	380
Term loan	-	1,790	21,800	-	23,590
	-	26,672	21,800	-	48,472

Fair value

Cash and cash equivalents, bank overdraft, term loans, trade receivables, other receivables and payables

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

Investments

Investments, except for other shares and investments valued at fair value, are carried at cost. It is not practical to estimate the fair values of unlisted subsidiaries and associates.

Derivative financial instruments

Foreign currency contracts and interest rate swaps are shown at fair value.

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

24 Financial instruments *continued*

Categories of financial instruments

	Note	Group					Total
		Loans and receivables	Designated at fair value	Available-for-sale	Financial liabilities at amortised cost	Investments in associates accounted for using the equity method	
		\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
2009							
Financial assets							
Cash and cash equivalents		8,239	-	-	-	-	8,239
Trade and other receivables	8	23,120	-	-	-	-	23,120
Derivative financial instruments	12	-	81	-	-	-	81
Other receivables *		2,928	-	-	-	-	2,928
Investments in associates	20	-	-	-	-	504	504
Other investments	21	-	-	6,788	-	-	6,788
		34,287	81	6,788	-	504	41,660
Financial liabilities							
Trade and other payables	13	-	-	-	18,735	-	18,735
Derivative financial instruments	12	-	296	-	-	-	296
Other loans		-	-	-	300	-	300
Term loans	25	-	-	-	20,000	-	20,000
		-	296	-	39,035	-	39,331
2008							
Financial assets							
Cash and cash equivalents		7,370	-	-	-	-	7,370
Trade and other receivables	8	27,962	-	-	-	-	27,962
Derivative financial instruments	12	-	52	-	-	-	52
Other receivables *		1,988	-	-	-	-	1,988
Investments in associates	20	-	-	-	-	345	345
Other investments	21	-	-	6,886	-	-	6,886
		37,320	52	6,886	-	345	44,603
Financial liabilities							
Trade and other payables	13	-	-	-	15,940	-	15,940
Derivative financial instruments	12	-	9	-	-	-	9
Other loans		-	-	-	380	-	380
Term loans	25	-	-	-	20,000	-	20,000
		-	9	-	36,320	-	36,329

Notes To and Forming Part of the Financial Statements
For the year ended 30 June 2009

24 Financial instruments *continued*

Categories of financial instruments

	Note	Company					Total \$000's
		Loans and receivables	Designated at fair value	Available-for- sale	Financial liabilities at amortised cost	Investments carried at cost	
		\$000's	\$000's	\$000's	\$000's	\$000's	
2009							
Financial assets							
Cash and cash equivalents		7,079	-	-	-	-	7,079
Trade and other receivables	8	22,311	-	-	-	-	22,311
Other receivables *		2,928	-	-	-	-	2,928
Derivative financial instruments	12	-	81	-	-	-	81
Investments in subsidiaries		-	-	-	-	4,789	4,789
Investments in associates	20	-	-	-	-	404	404
Other investments	21	-	-	4,998	-	-	4,998
		32,318	81	4,998	-	5,193	42,590
Financial liabilities							
Trade and other payables	13	-	-	-	22,026	-	22,026
Derivative financial instruments	12	-	296	-	-	-	296
Other loans		-	-	-	300	-	300
Term loans	25	-	-	-	20,000	-	20,000
		-	296	-	42,326	-	42,622
2008							
Financial assets							
Cash and cash equivalents		5,796	-	-	-	-	5,796
Trade and other receivables	8	28,987	-	-	-	-	28,987
Other receivables *		1,988	-	-	-	-	1,988
Derivative financial instruments	12	-	52	-	-	-	52
Investments in subsidiaries	19	-	-	-	-	4,293	4,293
Investments in associates	20	-	-	-	-	245	245
Other investments	21	-	-	5,018	-	-	5,018
		36,771	52	5,018	-	4,538	46,379
Financial liabilities							
Trade and other payables	13	-	-	-	19,130	-	19,130
Derivative financial instruments	12	-	9	-	-	-	9
Other loans		-	-	-	380	-	380
Term loans	25	-	-	-	20,000	-	20,000
		-	9	-	39,510	-	39,519

* Other receivables includes \$2,327,959 (2008: \$1,988,459) held in escrow being part of the sale proceeds of the Catapult Genetics Pty Limited shareholding. Any interest receivable, which is unknown at this point in time, will be received on settlement.

25 Term loans

The Group has a term loan (\$20 million) secured by way of a negative pledge covenant agreement. The Group had outstanding borrowings of \$20 million at 30 June 2009 (2008: \$20 million). In addition AgResearch Limited has a multi-option credit facility of up to \$15 million secured by way of a negative pledge covenant agreement against which \$0 (2008: Nil) was drawn at 30 June 2009.

The interest on the term loan is on a floating basis and resets quarterly. At 30 June 2009 the loan carries interest at 3.05% per annum (2008: 9.15% per annum). This loan is repayable on 8 July 2012. Interest only is repayable until maturity date. The weighted average effective interest rate was 6.82% (2008: 8.54%).

26 Capital management

The Group's capital is its equity which is made up of share capital, asset revaluation reserve, available-for-sale asset revaluation reserve, cash flow hedge reserve, minority interest and retained earnings.

The Crown Research Institutes Act 1992 requires AgResearch Limited to maintain its financial viability in order to undertake research for the benefit of New Zealand.

The Group is not subject to any externally imposed capital requirements.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Group's management of capital during the year.

27 Significant events after balance date

There were no significant events after balance date that would have a material effect on the financial statements.

Audit Report to the Readers of AgResearch Limited and Group's Financial Statements For the year ended 30 June 2009

The Auditor-General is the auditor of AgResearch Limited (the Company) and Group. The Auditor-General has appointed me, Graham Naylor, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the Company and Group, for the year ended 30 June 2009.

Unqualified Opinion

In our opinion:

- The financial statements of the Company and Group on pages 18 to 49:
 - comply with generally accepted accounting practice in New Zealand;
 - comply with International Financial Reporting Standards; and
 - give a true and fair view of:
 - the Company and Group's financial position as at 30 June 2009; and
 - the results of operations and cash flows for the year ended on that date.
- Based on our examination the Company and Group kept proper accounting records.

The audit was completed on 27 August 2009, and is the date at which our opinion is expressed.

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

Basis of Opinion

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

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

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

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

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

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

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

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the Company and Group as at 30 June 2009 and the results of operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Crown Research Institutes Act 1992 and the Financial Reporting Act 1993.

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

Audit Report to the Readers of AgResearch Limited and Group's Financial Statements For the year ended 30 June 2009

Independence

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

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



Graham Naylor
Deloitte
On behalf of the Auditor-General
Hamilton, New Zealand

This audit report relates to the financial statements of AgResearch Limited and Group for the year ended 30 June 2009 included on the AgResearch Limited's website. The AgResearch Limited's Board of Directors is responsible for the maintenance and integrity of the AgResearch Limited's website. We have not been engaged to report on the integrity of the AgResearch Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 27 August 2009 to confirm the information included in the audited financial statements presented on this website.

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

Statutory Reporting

As at 30 June 2009

To our Shareholders and Stakeholders

The Directors are pleased to report that AgResearch Limited met its obligations in all material aspects under the Crown Research Institutes Act 1992 for the year ended 30 June 2009.

Revenue and Surplus

Total revenue was \$155.1 million (2008: \$149.3 million). Net operating deficit after associates and before tax was \$1.5 million (2008: surplus \$3.1 million).

Comparison of Surplus with Statement of Corporate Intent

Net operating deficit after associates and before tax of \$1.5 million compares to the \$5.6 million deficit projected in the Statement of Corporate Intent.

Performance Ratios

Net operating deficit before tax represented -0.9% (2008: 2.1%) of total revenue (excluding interest). Net operating deficit before tax was -0.7% (2008: 1.6%) of average shareholders' funds.

Dividends

No dividend has been declared.

Capital Structure

Issued and paid-up capital remained unchanged at \$47.3 million. The net deficit (after tax and dividend) of \$0.8 million was transferred to retained earnings. This amount, when added to reserves, left total shareholders' funds at \$195.1 million (2008: \$193.5 million). At the end of the financial year, Shareholders' funds as a percentage of total assets were 76.2% (2008: 78.5%).

Directors' Interests

The Board received no notices during the year from Directors requesting the use of Company information that would not otherwise have been available to them. There were no share dealings by Directors with the Company.

Directors' Remuneration

Remuneration and other benefits paid or due and payable to Directors for services as a Director, including membership of Board Committees, during the year were as follows:

	2009	2008
J Adams	\$32,631	\$32,264
D Chan	\$38,161	\$37,733
R Christie	-	\$67,527
R Davison	\$35,636	\$35,235
G Fraser	\$57,855	\$51,273
S Huria	\$41,636	\$40,704
A MacPherson	\$38,161	-
S Robinson	\$74,289	-
R Welch	\$32,631	\$32,264

Remuneration Greater than \$100,000

During the year ended 30 June 2009, 125 staff (122 Company) received remuneration of or exceeding \$100,000 per annum as follows:

	Group	Company
\$100,000 to \$109,999	35	35
\$110,000 to \$119,999	32	31
\$120,000 to \$129,999	14	14
\$130,000 to \$139,999	10	10
\$140,000 to \$149,999	5	4
\$150,000 to \$159,999	7	7
\$160,000 to \$169,999	8	8
\$170,000 to \$179,999	2	1
\$180,000 to \$189,999	1	1
\$190,000 to \$199,999	3	3
\$210,000 to \$219,999	2	2
\$220,000 to \$229,999	1	1
\$240,000 to \$249,999	4	4
\$460,000 to \$469,999	1	1

Remuneration included performance awards, superannuation benefits, vehicle benefits and severance payments. Remuneration above was received by Science (91), Commercialisation (11) and Corporate staff (23).

Statutory Reporting

As at 30 June 2009

Termination Payments

During the year, the Group made the following payments to former employees in respect of termination of their employment with the Group.

Number of Employees	Amount
57	\$1,387,436

Donations

Donations of \$0.3 million (2008: \$0.3 million) were paid during the year.

Directors and Employee's Indemnity and Insurance

During the year, the Company indemnified Directors and certain employees to the fullest extent permissible by law. The Company also has Directors' and Officers' insurance.

Auditor

Mr Graham Naylor of Deloitte is the appointed auditor of the Company under contract from the Office of the Controller and Auditor-General and under Section 21 of the Crown Research Institutes Act 1992.

Statement of Responsibility
As at 30 June 2009

AgResearch Limited certifies that:

1. The Board of AgResearch Limited accepts responsibility for the preparation of the annual financial statements and the judgements used in them;
2. The Board of AgResearch Limited accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and
3. In the opinion of the Board of AgResearch Limited, the annual financial statements for the financial year ended 30 June 2009 fairly reflect the financial position and operations of AgResearch Limited.



Sam Robinson
Chair
27 August 2009



Danny Chan
Director
27 August 2009

Directory

EXECUTIVE MANAGEMENT COMMITTEE

Dr Andrew West
Chief Executive

Geoff Balme
Chief Financial Officer

Peter Benfell
Science & Technology General Manager,
Agriculture & Environment

Dr Ian Boddy
General Manger,
Commercial Services

Ellen Dunster
General Manager,
Human Resources

Dr Travis Glare
General Manager,
Science Strategy

Allanah James
Corporate Affairs Manager

Dr Phillip Lindsay
Chief Information Officer

Scott Mataga
Company Secretary,
Group Manager Legal

Dr Warren McNabb
Science & Technology General Manager (Acting),
Food & Textiles

Dr Jimmy Suttie
Science & Technology General Manager,
Applied Biotechnologies

BOARD OF DIRECTORS

Sam Robinson
Chair

Graham Fraser
Deputy Chair (Until 30 June 2009)

Dr Jane Adams
Director

Danny Chan
Director

Richard (Dick) Davison
Director (Until 30 June 2009)

Susan Huria
Director

Andrew MacPherson
Director

Dr Robert Welch
Director (Until 30 June 2009)

INFORMATION

Auditors
Deloitte

Bankers
Westpac Banking Corporation

Solicitors
Buddle Findlay, Auckland

Patent Attorney
James & Wells, Hamilton

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Fax: 64 6 353 7853

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Private Bag 4749, Christchurch 8140
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Fax: 64 3 321 8811

AgResearch Invermay: Invermay Agricultural Centre
Puddle Alley, Private Bag 50034,
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