



LCo New Zealand Limited

Annual Report for the year ended 31 December 2009

From the Chair



2009 was a year when the Board focused on both strengthening the project management and leadership that LCoNZ offers its customers and commenced planning for the replacement of the Voyager system in 2012. This was led by Jean Ballantyne, LCoNZ General Manager who yet again gave the consortia the benefit of her high standard of professionalism and financial and project management skills. Thank you Jean.

There were further Board and staff changes but very little, if any, momentum was lost and LCoNZ is firmly focused on providing leadership in the ever changing IT enterprise environment.

As the choices and delivery of IT solutions continues to evolve, the role of LCoNZ as a consortia is often questioned. Some see LCoNZ as purely a supplier of services to stakeholders and customers. Others see the consortia as providing leadership in sourcing and adopting new solutions. This is a debate that continues and like most organisations LCoNZ's future will be determined by it's ability to add value to it's stakeholders and customers.

People changes

2009 saw further changes in the make up of the Board and office staff.

We welcomed Alex Hall a new office administrator.

We said goodbye to the VUW Shareholder Director, Wayne Morgan in February. Wayne was our Financial Director. Sue Roberts, VUW University Librarian became the VUW Shareholder Director in June 2009. Sue had been on the Board as an independent director. Thank you Wayne for your contribution and ongoing interest in LCoNZ.

Lorraine Shepherd from AUT was appointed to the Board on 22 January 2009. Lorraine has had a long association with LCoNZ and it's great to have her in the shareholder representative role now. In May we recruited Lyle Williams from AUT as our Financial Director to replace Wayne Morgan from VUW. Lyle comes to LCoNZ with a wealth of experience in the commercial sector and brings, not only a strong grasp of financials, but a wonderful vitality to the board.

Projects

Managing projects that require dedicated resources is one of the major value-adds that LCoNZ offers it's customers and stakeholders. During

2009, the implementation of the IRR – Institutional Research Repository – was the major focus. This project was different from previous projects insofar as we selected one of our stakeholders as a service deliverer. It is great to be able to report that this has had a very successful outcome. The level of commitment of the people at Waikato IS department has been much appreciated.

Strategic Focus

From the Board strategic planning sessions, it was decided that we needed to strengthen our relationship with Consortia members IT people as some of the major decisions coming up will be around making good IT choices. This will be actioned in 2010.

The Board wishes to thank all of the folk who contribute to the success of the Consortia initiatives. Their contributions are usually in addition to already heavy workloads and we recognise and acknowledge this.

**Ruth Bruce
Chair
May, 10**

1. Introduction

LCo New Zealand Limited, the Library Consortium of New Zealand (LCoNZ), is a collaborative venture with four shareholders: AUT University, University of Otago Holdings Limited, The University of Waikato, and Victoria University of Wellington; to provide and operate common library systems and services. In addition to the shareholders, LCoNZ has two customers, Wintec and Unitec.

LCoNZ began operation on 1 June 2004. This is the sixth annual report.

A dividend of 7.91 cents per share was again paid to shareholders for the 2009 year.

Hexad were contracted to carry out an evaluation of LCoNZ costs to check that the value of being a member of the LCoNZ consortium for the four shareholding libraries met their cost expectations. The costs and benefits of the universities being part of LCoNZ were compared with operating separate in-house services for their library systems. The evaluation identified that the operation of separate systems is materially more expensive than the service provided by LCoNZ, with the additional costs ranging from 58% to 152%.

In order to commence planning for a future beyond the Voyager Library Management System, which will need to be replaced in 2012-2013, together with the implementation of a discovery layer application, LCoNZ commissioned John Truesdale to prepare an environmental scan of library management systems and associated applications in the context of library and ICT developments. The scan built on a similar British report and focused on a New Zealand perspective.

John Truesdale also prepared a Versions Toolkit for use with the LCoNZ Institutional Research Repositories.

An interlibrary loan application was selected and work continues on preparing for its implementation at AUT, Waikato and Otago universities. A new project commenced to evaluate discovery layer products and identify potential products leading to a tender process in 2010.

2. Governance

On 1 January 2009 the following were directors of LCoNZ.

- Ruth Bruce, Independent Chair;
- Lorraine Shepherd, University Librarian, AUT University (as Alternate Director);
- Sue Pharo, University Librarian, University of Otago;
- Wayne Morgan, Chief Financial Officer, Victoria University of Wellington.
- Ross Hallett, University Librarian, The University of Waikato.
- Derek Postlewaight, Independent Director;
- Sue Roberts, Independent Director.

Lorraine Shepherd was appointed AUT Shareholder Director in January 2009. Wayne Morgan resigned in February 2009 and was replaced by Sue Roberts as Victoria University of Wellington Shareholder's Director and by Lyle Williams of AUT University as Finance Director.

The Board met six times in 2009, in January, March, May, July, September and met over two days in November, one day of which was a combined meeting with

the Senior Management Group. The March and September meetings were held via videoconference.

3. Disclosures

Director's Interests

Directors' Interests Register was maintained and updated during the year. Directors provided updates (where necessary) at each Board meeting.

Use of Company Information

The Board received no notices during the year from directors requesting to use company information received in their capacity as directors which would not have been otherwise available to them.

Remuneration and Other Benefits

Remuneration and other benefits paid, or due and payable, to directors of LCo New Zealand Limited for services as directors during the year totalled \$20,770; being payment to the Chair.

Audit Fees

Audit fees for the Company were \$8,446.

Remuneration of Employees

No Employees' income fell within the specified band during 2009.

4. Management

General Manager is Jean Ballantyne, appointed by the Board in September 2006. Debbie Tovey was Office Coordinator and resigned with effect from 2 November 2009 to take up a full time position and was replaced by Alex Hall.

The Senior Management Group (SMG) met eleven times during 2009; nine meetings via videoconference and two face to face meetings, including a joint meeting with the Board. Barbara Taylor from University of Otago replaced Adrienne Ridley-Houlker (VUW) as SMG Chair in February 2009. Terms of reference for both the SMG and Operations Management Group were reviewed and updated in 2009.

The LCoNZ brand was reviewed in 2009. Audience Design prepared a new logo which was introduced onto LCoNZ stationery, websites and library catalogues. As part of the process a Māori name for LCoNZ was prepared – Te Ohu Auaha i ngā Hāngarau Hou mō ngā Whare Pukapuka.

5. Systems Management

LCoNZ coordinates the management and operation of the ExLibris Voyager library management system, hosting and the university libraries who deliver the services to their patrons.

In January 2009 LCoNZ implemented new hardware for Voyager and a new three year contract with Datacom Systems Ltd who provide facilities management and hosting services commenced. A business continuity environment was put in place at the same time to deliver levels of availability, reliability and performance expected by the participating universities.

A major Voyager upgrade took place in July 2009. This involved a completely new interface. A Māori language version of the new interface, as well as Help screens, was progressively introduced at most of the sites during 2009. Following the upgrade, performance of Voyager fell and we increased the memory at the end of the year to improve the speed.

LCoNZ also coordinates the management and operation of the LCoNZ Institutional Research Repositories for AUT University, Waikato University and University of Otago, hosted by Waikato University Information Technology Services.

The University of Otago Institutional Research Repository was launched in August 2009. All three repositories are now in production. The repositories were further developed with the preparation of a statistics package and development commenced on a simple self submission form for theses. Development of a repository for Unitec commenced at the end of the year.

6. Business Development

LCoNZ investigated a number of business development opportunities in 2009. Unitec joined LCoNZ for the purposes of hosting and management of their institutional research repository in 2009.

LCO NEW ZEALAND LIMITED (LCoNZ)
Report on Compliance with
STATEMENT OF CORPORATE INTENT
For year to 31 December 2009

1. The purpose and business objectives of the Company:

Vision:

- To use and develop the best enabling technologies in a collaboration which will enhance the innovative delivery of library and information resources and services to the New Zealand tertiary learning and research community

Mission and objectives:

- Provide leadership on library and information issues to the New Zealand tertiary learning and research community.
- Improve access to information resources fundamental to the advancement of teaching, learning and research
- Working together to allow members to achieve more by working collaboratively than each could achieve by working individually.

Specific Business Objectives:

- Maximise the intellectual investment involved in selecting and implementing shared systems and in creating and operating a management structure for the benefits of the members of the consortium.
- Provide a strong development group to work in partnership with Suppliers and Vendors.
- Assist institutions considering joining the consortium and then support their smooth implementation minimising risk to both the institution and the consortium.
- Generate sufficient profit to support these objectives and enhance the Company's development.
- Ensure that the consortium operates in a cost effective and financially competitive manner while providing an environment that is advantageous to the members.

Complied.

2. The operational and performance standards and guidelines that:

(a) the Company is to be subject to;

A Service Level Agreement with member Libraries for delivery of LCoNZ services to them.

(b) are to be implemented and maintained by the Company.

Suppliers and vendors will have SLA and agreements which are managed.

Complied.

3. The nature and scope of the trading activities to be undertaken by the Company are:

Delivery of library and information resources and services to the New Zealand tertiary learning and research community.

Complied.

4. Desirable skill sets and qualifications for:

(a) the chairperson and Directors of the Company, are:

Communication and interpersonal skills
Experience of working in a tertiary education environment
Financial literacy
Governance skills
Commercial experience
Knowledge of library operations and management
IT experience or knowledge
Analytical skills

Complied.

(b) director or trustee or representative appointees of the Company to third party entities in which the Company has an ownership interest, are :

As above, together with the ability to distinguish the needs of the entity and balance those with the responsibility to the parent company to safeguard its investment.

The company has no ownership interest in any third party entities.

5. The debt equity ratio sought to be attained by the Company is:

Debt will not exceed 20% of debt plus equity added together.

Complied.

6. The performance targets and other measures by which the actual performance of the Company is to be evaluated in relation to the SCI objectives are:

- Services objectives outlined in the various agreements are met or surpassed.
- Financial targets are achieved.
- Business plan objectives are achieved.
- Size of organisation shall remain at critical mass to enable services and financial targets to be met.

Targets achieved.

7. The profit distribution policy to the Shareholders and the means of compensating Shareholders for the cost of capital invested in the Company are:

As specified in Section 3.8 Dividend Policy, of the Shareholders Participation Agreement, as follows:

Dividend policy

The Parties agree that the general policy with respect to dividends will be that:

- (a) the Company will expect to retain from earnings sufficient sums for funding future capital and development expenditure approved by the Shareholders (if not met by external borrowing); and
- (b) the Parties expect that, from the surplus after the sums retained for the purposes in clause 3.8(a), the Company will pay dividends to Shareholders at the recommendation of the Directors.

Dividend of 4.31 cents per share declared for 2009.

8. The nature, extent and timeliness of management information that (subject to appropriate confidentiality safeguards) is to be provided to the Shareholders are:

As specified in Section 3.5 Supply of financial statements, and section 3.6 Content of financial statements, of the Shareholders Participation Agreement, as follows:

Supply of financial statements

The Company shall provide to the Shareholders:

- (a) Half yearly financial statements within 30 days after the end of each half year; and
- (b) Unaudited financial statements for each financial year, within 30 days

after the end of each financial year; and

Complied.

- (c) Unless the Shareholders have resolved otherwise, audited financial statements for each financial year within 60 days after the end of such financial year.

Audited financial statement received from auditors on 6 May 2009 and provided to shareholders on 13 May 2009.

Content of financial statements

The financial statements for each period shall include a statement of financial position, statement of financial performance, statement of cash flows and other reports as required by the Public Finance Act, which shall be prepared and presented in accordance with the Financial Reporting Act and with New Zealand generally accepted accounting practice consistently applied. The

annual financial statements shall be accompanied by the Company's
auditor's report unless no audit is required.

The auditors have agreed that in terms of NZIAS1 LCoNZ is not required to include a statement of cash flows in the financial statements. Apart from this the financial statements comply.

- 9. Such other matters as may be determined by the Board in consultation with the Shareholders.**

There are no other matters.

**AUDIT REPORT****TO THE READERS OF
LCo NEW ZEALAND LIMITED'S
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

The Auditor-General is the auditor of LCo New Zealand Limited (the Company). The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Company, on her behalf, for the year ended 31 December 2009.

Unqualified opinion

In our opinion:

- ▶ The financial statements of the Company on pages 5 to 18:
 - ▶ comply with generally accepted accounting practice in New Zealand; and
 - ▶ give a true and fair view of:
 - ▶ the Company's financial position as at 31 December 2009; and
 - ▶ the results of its operations for the year ended on that date.
- ▶ Based on our examination the Company kept proper accounting records.

The audit was completed on 24 March 2010, and is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

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

Audit procedures generally include:

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

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

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

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the Company as at 31 December 2009. They must also give a true and fair view of the results of its operations for the year ended on that date. The Board of Directors' responsibilities arise from the Financial Reporting Act 1993, the Education Act 1989 and the Crown Entities Act 2004.

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.

Independence

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

Other than the audit, we have no relationship with or interests in the Company.

A handwritten signature in blue ink, appearing to read 'Stuart Mutch'.

Stuart Mutch
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

LCo New Zealand Limited

**Annual Report
For the year ended
31 December 2009**

LCo New Zealand Limited
Annual Report
for the year ended 31 December 2009

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LCo New Zealand Limited

Directors' Review

For the year ended 31 December 2009.

The Board of Directors present their Annual Report including the financial statements of the Company for the year ended 31 December 2009 and the auditor's report thereon.

Principal Activities

The Company provides library solutions to four consortium universities within New Zealand.

Directors Holding Office during the year were:

R Bruce
R Hallett
S Pharo
D Postlewaight
S Roberts
L Shepherd
L Williams

Remuneration of Directors

Director fees amounted to \$20,770 which was paid to R Bruce (2008: \$15,000).

Entries in the Interest Register

R Bruce	Director Kinross Group Director Red Sky Film & TV Partner Relationship with Datacom
R Hallett	University Librarian, University of Waikato
S Pharo	University Librarian, University of Otago
D Postlewaight	Contractual arrangements with Datacom Systems on behalf of Environment Waikato
S Roberts	Employee of Victoria University of Wellington (University Librarian) Director of Vic Books
L Shepherd	University Librarian, AUT University
L Williams	Employee of AUT University Wife employee of Auditors Ernst & Young

Audit Fees

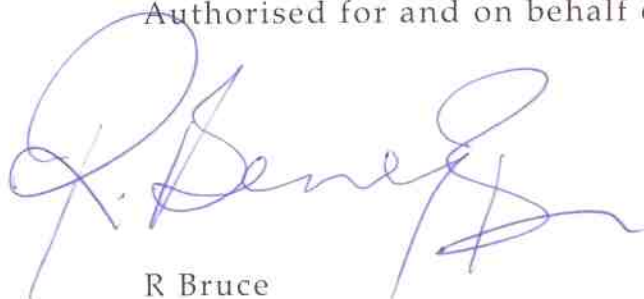
Audit fees for the Company are \$8,446 (2008: \$8,256).

Share Dealings

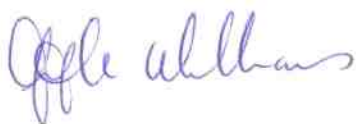
The share register for the Company as at 31 December 2009 was

University of Otago Holdings Limited	646,647 shares
Victoria University of Wellington	521,489 shares
The University of Waikato	500,629 shares
Auckland University of Technology	417,191 shares
Total	2,085,956 shares

Authorised for and on behalf of the Board on 24 March 2010:

A handwritten signature in blue ink, appearing to read 'R Bruce', written in a cursive style.

R Bruce
Director

A handwritten signature in blue ink, appearing to read 'Lyle Williams', written in a cursive style.

Lyle Williams
Director

LCo New Zealand Limited

Statement of Accounting Policies

for the year ended 31 December 2009

Corporate Information

The financial statements of LCo New Zealand Limited for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 26 March 2010.

LCo New Zealand Limited (the "Company") is incorporated in New Zealand under the Companies Act 1993. The Company is designated as a public benefit entity for financial reporting purposes. The Company is domiciled in New Zealand. Its registered office and principal place of business is in Wellington.

The Company primarily provides library solutions to the tertiary sector in New Zealand.

Basis of Preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993, the Crown Entities Act 2004 and Financial Reporting Act 1993.

Differential reporting.

The Company qualifies for differential reporting as:

- a) the Company does not have public accountability;
- b) the Company is not considered large, as defined by the Framework.

The Company has taken advantage of all available differential reporting exemptions as appropriate for non-profit oriented entities that qualify for and apply differential reporting concessions. The company is a public benefit entity for the purposes of complying with NZ GAAP and all available Public Benefit Entity exemptions have been adopted.

Measurement Base

The Financial Statements has been prepared on a historical cost basis.



Functional and Presentation Currency

The financial statements are presented in New Zealand Dollars and all values are rounded to the nearest dollar (\$). The functional currency of the Company is New Zealand Dollars.

Statement of compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for public benefit entities that qualify for and apply differential reporting concessions.

Capital Management Policy

The Company manage its exposure to key financial risks, including interest rate and credit risk in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets whilst protecting future financial security.

Significant Accounting Judgements and Estimates

In applying the Company's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions.

Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounts Payable are recognised upon receipt of the goods or when the services has been performed and are measured at the agreed purchase contract price, net of applicable trade and other discounts, being fair value of the transaction and then accounted for at amortised cost. Amounts owing are unsecured and are generally settled on 30 day terms.

Accounts receivable predominantly relate to related party receivables with 30 day payment term, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.



Capital work in progress represents the cost of major information technology (IT) systems such as software and networks projects that had not been implemented as at reporting date and is stated on the basis of expenditure incurred up to balance date. Capital work in progress is not depreciated. Costs cease to be capitalised when all activities substantially necessary to bring an asset to the location and condition for its intended use are complete.

Cash and cash equivalents include cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments. Financial instruments comprise of trade and other receivables, cash and cash equivalents, and trade and other payables and derivatives such as forward exchange contracts. These are classified in accordance with NZ IAS 39 as set out in Note 4 of the financial statements. Initial and subsequent measurement requirements for specific categories of financial instruments are outlined in these accounting policies.

All financial instruments are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled

Loans and receivables and financial liabilities

All purchases and sales of these financial assets are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these financial assets and liabilities are recognised at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Comprehensive Income when the assets and liabilities are derecognised or impaired.

Fair value through profit and loss

The Company enters into derivative financial instruments such as foreign currency forward exchange contracts to manage foreign exchange risk on committed expenditure nominated in foreign currencies and interest rate swaps to manage interest rate risk on borrowings. Derivates are initially recognised at fair value on the date a derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are re-measured to their fair value at each reporting date.



Foreign currency: Both the functional and presentation currency of the Company is New Zealand dollars (\$). Foreign currency transactions have been recorded in the functional currency at the exchange rate prevailing at the date of the transaction. Where these transactions are on-charged to the consortium universities, the same foreign exchange rate applies. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the Statement of Comprehensive Income.

Goods and Service Tax (GST). Revenue, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the IRD, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the IRD.

Intangible assets include both software and capitalised development assets.

- a) Software assets are recorded at cost less accumulated amortisation and any impairment losses. Amortisation is recorded in the Statement of Comprehensive Income on a straight line basis over their expected useful lives (not exceeding 4 years).
- b) Capitalised development assets are costs directly associated with development and implementation of products and services currently being utilised by the consortium members for which various fees are charged. These costs are recorded at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recorded in the Statement of Comprehensive Income on a straight line basis over their expected useful lives (not exceeding 4 years).

Plant & equipment assets are recognised at cost less aggregate depreciation and any impairment in value. Plant and equipment assets include computer hardware assets. Depreciation has been calculated for all plant and equipment assets on a straight-line basis for a four year period.



Provision for annual leave represents the Company's present legal obligation at balance date to employees as a result of their past employment, and is recognised if it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any movement in the provision is presented in the Statement of Comprehensive Income.

Recoverable amount of non-current assets. At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. To obtain an asset's value in use, the estimated future cash flows are discounted to their present value using a discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. If it is determined for an individual asset, that the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets, the recoverable amount is determined for the cash-generating unit to which the assets belong.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- a) Operational Revenue relates to the number of searches completed on the library solution. The revenue is accounted for when earned
- b) Interest revenue is recognised as the interest accrues using the effective interest rate when the cash is placed on short term deposit with a banking institution.
- c) Licence fees are reflected in the Statement of Financial Position as "Revenue in Advance" when an invoice is issued. It will be reflected in the Statement of Comprehensive Income as revenue is earned.

Taxation. The Inland Revenue Department treats the Company, for the purposes of income tax, as a charitable organisation. Accordingly no charges for income tax apply or have been provided for.

Changes in Accounting Policies

During the year, there have been no changes in accounting policies. All accounting policies were consistently applied over the two years presented.



LCo New Zealand Limited
Statement of Comprehensive Income
for the year ended 31 December 2009

	Notes	31-Dec-09 \$	31-Dec-08 \$
Revenue			
Operational revenue	1	1 051 987	1 090 359
Maintenance and licence revenue		286 060	338 163
Interest		76 071	192 418
Foregin exchange gains		3 377	8 543
Total revenue		1 417 495	1 629 483
Expenses			
Staff costs		115 285	118 656
Operating expenses	2	879 945	766 423
Impairment loss on intangible assets	8	7 501	20 479
Maintenance and software licence fee		196 684	429 892
Depreciation and amortisation	3	109 523	128 223
Total expenses		1 308 938	1 463 673
Total comprehensive income attributable to the shareholders		108 557	165 810



LCo New Zealand Limited
Statement of Movements in Equity
for the year ended 31 December 2009

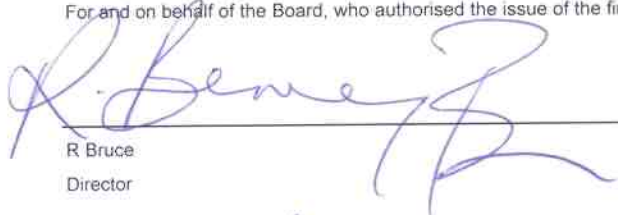
	Note	31-Dec-09 \$	31-Dec-08 \$
Equity at start of the year		2 584 430	2 538 562
Total comprehensive income attributable to the shareholders		108 557	165 810
Dividends paid		(164 986)	(119 942)
Equity at end of the year	10	2 528 001	2 584 430




LCo New Zealand Limited
Statement of Financial Position
as at 31 December 2009

	Notes	31-Dec-09 \$	31-Dec-08 \$
Current assets			
Cash and cash equivalents	5	1 957 619	2 204 890
Accounts receivable	6, 11	138 452	110 236
Interest receivable		10 538	8 092
Pre-payments		223 422	282 756
GST receivable		-	57 010
Total current assets		2 330 031	2 662 984
Non current assets			
Plant & equipment	7	331 628	9 242
Capital work in progress		-	424 049
Total non-current assets		331 628	433 291
Total assets		2 661 659	3 096 275
Current liabilities			
Accounts payable	9	5 220	481 892
Other payable accruals		15 752	26 233
GST payable		108 815	-
Provision for annual leave		3 871	3 720
Total liabilities		133 658	511 845
Total net assets		2 528 001	2 584 430
<i>Represented by:</i>			
Equity	10	2 528 001	2 584 430

For and on behalf of the Board, who authorised the issue of the financial statements on 24 March 2010:


R Bruce
Director


Lyle Williams
Director



LCo New Zealand Limited
Notes to the Financial Statements
For the year ended 31 December 2009

Note 1 Operational revenue

The Company is a consortium of four New Zealand universities. The Company provides library solutions to these universities (related parties) and non-related parties for which various fees are charged. The related party charges are outlined in note 11.

Note 2 Operating expenses

Operating expenses include:

	31-Dec-09 \$	31-Dec-08 \$
Auditors - audit fees	8 446	8 256
Directors fees	20 770	15 000
Premise rental and venue hire	8 039	20 360
Annual licence fees	108 072	111 030
Hosting fees	600 668	523 768
Other operating costs	133 950	88 009
	<u>879 945</u>	<u>766 423</u>

Note 3 Depreciation and amortisation

	31-Dec-09 \$	31-Dec-08 \$
Depreciation:		
Computer hardware	109 523	55 027
Amortisation:		
Computer software	-	3 551
Capitalised development costs	-	69 645
	<u>109 523</u>	<u>128 223</u>

Note 4 Financial instruments

	Note	Loans and receivables at amortised cost	Other liabilities at amortised cost
2009			
Cash and cash equivalents	5	1 957 619	-
Accounts receivables	6	138 452	-
Interest receivable		10 538	-
Accounts payable	9	-	(114 035)
Payables accruals		-	(15 752)
GST payable		-	(108 815)
2008			
Cash and cash equivalents	5	2 204 890	-
Accounts receivables	6	110 236	-
Interest receivable		8 092	-
GST receivable		57 010	-
Accounts payable	9	-	(481 892)
Payables accruals		-	(26 233)

All financial liabilities are expected to be paid in 0 to 6 months.

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the Summary of Accounting Policies.



LCo New Zealand Limited
Notes to the Financial Statements (cont'd.)
For the year ended 31 December 2009

Note 5 Cash and cash equivalents

	31-Dec-09 \$	31-Dec-08 \$
Cash at bank and in hand	107 619	139 890
Short term deposits	1 850 000	2 065 000
	<u>1 957 619</u>	<u>2 204 890</u>

From time to time during the year, cash which was surplus to immediate requirements was invested at call or on short term deposit. Short term deposits are invested for periods of up to three months. If required, these short term deposits can be converted to cash overnight. The carrying value of cash and cash equivalents represent fair value.

Note 6 Accounts receivables

		31-Dec-09 \$	31-Dec-08 \$
Trade receivables	(a)	26 886	1 489
		<u>26 886</u>	<u>1 489</u>
Related party receivables	(a)	111 766	108 747
		<u>138 452</u>	<u>110 236</u>

(a) Related party receivables

For terms and conditions relating to related party receivables refer to note 11.



LCo New Zealand Limited
Notes to the Financial Statements (cont'd.)
For the year ended 31 December 2009

Note 7 Plant & equipment

	Computer equipment	\$
At Cost		
As at 1 January 2008	508 851	
Additions	-	
Disposals	-	
As at 31 December 2008	<u>508 851</u>	
Additions	431 908	
Disposals *	(494 988)	
As at 31 December 2009	<u><u>445 771</u></u>	
Depreciation		
As at 1 January 2008	444 582	
Depreciation for the year	55 027	
Disposals	-	
As at 31 December 2008	<u>499 609</u>	
Depreciation for the year	109 523	
Disposals *	(494 989)	
As at 31 December 2009	<u><u>114 143</u></u>	
Carrying Amounts		
As at 1 January 2008	64 269	
As at 31 December 2008	9 242	
As at 31 December 2009	<u><u>331 628</u></u>	

* Computer assets were disposed of this year represent the retirement of fully depreciated and no longer in use assets.

Note 8 Intangible assets

	Capitalised development costs	Computer software	Total	\$
At Cost				
As at 1 January 2008	472 000	34 088	506 088	
Additions	-	-	-	
Disposals *	(163 830)	-	(163 830)	
As at 31 December 2008	<u>308 170</u>	<u>34 088</u>	<u>342 258</u>	
Additions	-	-	-	
Disposals *	(308 170)	(34 088)	(342 258)	
As at 31 December 2009	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	
Amortisation				
As at 1 January 2008	381 876	30 537	412 413	
Amortisation for the year	69 645	3 551	73 196	
Disposals *	(143 351)	-	(143 351)	
As at 31 December 2008	<u>308 170</u>	<u>34 088</u>	<u>342 258</u>	
Amortisation for the year	-	-	-	
Disposals *	(308 170)	(34 088)	(342 258)	
As at 31 December 2009	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	
Carrying Amounts				
As at 1 January 2008	90 124	3 551	93 675	
As at 31 December 2008	-	-	-	
As at 31 December 2009	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	

* Intangible assets were disposed of this year and the disposal amounts above represents the retirement of fully amortised assets that are no longer in use.



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Notes to the Financial Statements (cont'd.)
For the year ended 31 December 2009

Note 9 Accounts payables

	31-Dec-09	31-Dec-08
	\$	\$
Trade payables	5 220	435 536
	<u>5 220</u>	<u>435 536</u>
Related party payables (a)	-	46 356
	<u>5 220</u>	<u>481 892</u>

(a) Related party payables

For terms and conditions of related party payables refer to Note 11.

Note 10 Equity

	Issued Capital	Retained Earnings	Total Equity
	\$	\$	\$
As at 1 January 2008	2 085 956	452 606	2 538 562
Total comprehensive income attributable to the shareholders	-	165 810	165 810
Equity dividends @ 5.75 cents per share	-	(119 942)	(119 942)
As at 31 December 2008	<u>2 085 956</u>	<u>498 474</u>	<u>2 584 430</u>
Total comprehensive income attributable to the shareholders	-	108 557	108 557
Equity dividends @ 7.94 cents per share	-	(164 986)	(164 986)
As at 31 December 2009	<u>2 085 956</u>	<u>442 045</u>	<u>2 528 001</u>

2 085 956 ordinary shares have been issued. The Company does not have authorised share capital. Shares do not have a par value. Each shareholder has equal voting rights. However, each shareholder receives dividends and surplus on winding up according to the number of shares held.



LCo New Zealand Limited
Notes to the Financial Statements (cont'd.)
For the year ended 31 December 2009

Note 11 Related Parties

The Company is a consortium of 4 New Zealand universities - Auckland University of Technology ("AUT"), University of Otago, Victoria University of Wellington and University of Waikato.

(a) Shareholdings

Year	AUT %	Otago %	Victoria %	Waikato %	Total %
2009	22.02	30.22	24.37	23.39	100.00
2008	22.02	30.22	24.37	23.39	100.00

The Company provides library solutions to these universities for which various fees are charged. These fees are included in the company's operational revenue.

(b) Related party transactions

Year	AUT \$	Otago \$	Victoria \$	Waikato \$	Total \$
2009	283 400	380 893	350 817	238 381	1 253 491
2008	308 334	369 889	366 270	305 948	1 350 441

Included in accounts receivable and other receivables at balance date, the company had outstanding balances with the 4 consortium universities:

Year	AUT \$	Otago \$	Victoria \$	Waikato \$	Total \$
2009	22 720	37 815	32 949	18 282	111 766
2008	613	53 063	54 380	691	108 747
2009	-	-	-	-	-
2008	-	-	-	-	-
	<u>22 720</u>	<u>37 815</u>	<u>32 949</u>	<u>18 282</u>	<u>111 766</u>
	<u>613</u>	<u>53 063</u>	<u>54 380</u>	<u>691</u>	<u>108 747</u>

Included in accounts payable and accruals at balance date, the company had outstanding balances with the 4 consortium universities:

Year	AUT \$	Otago \$	Victoria \$	Waikato \$	Total \$
2009	-	-	-	-	-
2008	-	464	652	45 240	46 356
2009	-	-	-	-	-
2008	-	-	-	-	-
	<u>-</u>	<u>464</u>	<u>652</u>	<u>45 240</u>	<u>46 356</u>
	<u>-</u>	<u>464</u>	<u>652</u>	<u>45 240</u>	<u>46 356</u>

(c) Terms and conditions of transactions with related parties:

Sales to and purchases from related parties are made in arm's length transactions at both normal market prices and normal commercial terms. Outstanding balances at 31 December 2009 and 31 December 2008 are unsecured and settlement occurs in cash. For the year ended 31 December 2009, the Company has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2008: \$nil). This assessment is undertaken each financial year through examining the financial position and the market in which the related parties operates in.

Directors	Appointed	Resigned	Directors Fees	Transactions	Shareholdings
R Bruce (Chairperson)	Mar-05	-	20 770	-	-
S Pharo	May-04	-	-	-	-
W Morgan	Jun-07	Feb-09	-	-	-
D Postlewaight	Jul-07	-	-	-	-
S Roberts	Sep-07	-	-	-	-
A Dewe	May-04	Jul-08	-	-	-
R Hallett	Sep-08	-	-	-	-
L Shepherd	Jan-09	-	-	-	-
L Williams	May-09	-	-	-	-



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Notes to the Financial Statements (cont'd.)
For the year ended 31 December 2009

Note 12 Commitments and contingencies:

At balance date the company had no capital commitments or outstanding contingencies.

Other commitments:

	Network Hosting 31-Dec-09 \$	Network Hosting 31-Dec-08 \$
Due not later than one year	828 480	452 483
Due between one and two years	537 458	-
	<u>1 165 938</u>	<u>452 483</u>

Note 13 Events after balance date

On 24 March 2010, the directors of LCo New Zealand Limited declared a final dividend on ordinary shares in respect of the 2009 financial period. The total amount of the dividend is \$90,000 which represents a dividend of 4.31 cents per share (2008: \$164,986 representing a dividend of 7.91 cents per share). The dividend has not been provided for in the 31 December 2009 financial statements.

Note 14 Capital management

LCoNZ actively manages its capital position. Management's objective is to ensure the company continues as a going concern, has adequate funds for company expansion and obtain optimal returns to shareholders and benefits for other stakeholders. Additional capital will be sought where the opportunity arises to ensure the business continues to take up growth opportunities as they arise. Dividends are paid to shareholders when cash flows and business circumstances allow.

LCoNZ is not exposed to any externally imposed capital requirements.

