

**AGMARDT**  
**Financial Statements**  
**For the Year Ended 30th June 2010**

**Prepared by**

**Curtis McLean Limited**  
**Chartered Accountants**  
**Wellington                      NZ**

**AGMARDT**  
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**For the Year Ended 30th June 2010**

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**AGMARDT**  
**Statement of Responsibility**  
**For the Year Ended 30th June 2010**

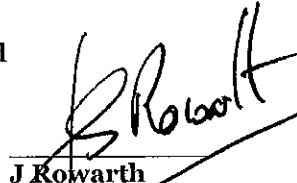
The Board of the Agricultural and Marketing Research and Development Trust (the Trust) accepts responsibility for the preparation of the Financial Statements and the judgements made in them.

The Board of the Trust has the responsibility for establishing, and has established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these Financial Statements fairly reflect the financial position and operations of the Trust for the year ended 30 June 2010.

For and on Behalf of the Board

  
J Grant  
Chairman

  
J Rowarth  
Trustee

22 October 2010 Date

**AGMARDT**  
**Audit Report**  
**For the Year Ended 30th June 2010**

TO BE SUPPLIED BY AUDIT NZ

**AGMARDT**  
**Statement of Comprehensive Income**  
**For the Year Ended 30th June 2010**

Budget	Note	2010	2009
	<b>Income</b>		
13,520	Interest Income	13,569	85,429
	Change in Fair Value of Investment		
1,600,000	Portfolio <span style="float: right;">2</span>	7,829,519	(3,391,721)
-	Settlement Payment Received	228,498	-
-	Investment Fee Rebates	286,670	270,387
1,613,520	<b>Total Income</b>	8,358,256	(3,035,905)
	<b>Less Expenses</b>		
176,167	Other Expenses <span style="float: right;">4</span>	174,340	278,089
19,000	Auditors Remuneration - Accounts	16,930	16,240
4,500	Depreciation	1,060	531
1,000	Electricity Expenses	1,052	798
38,000	Investment Advice	29,008	61,060
150,000	Personnel Costs <span style="float: right;">3</span>	148,785	130,254
10,000	Professional Fees	27,214	-
24,000	Rent & Accommodation	24,129	19,702
77,760	Trustees' Remuneration <span style="float: right;">16</span>	77,760	77,760
500,427		500,278	584,434
	<b>Surplus (Deficit) of Income over Expenditure before Allocation of Grants</b>	7,857,978	(3,620,339)
1,113,093			
850,000	Net grants allocated this year <span style="float: right;">8</span>	835,975	2,121,997
\$263,093	<b>Net Surplus (Deficit) for the year</b>	\$7,022,003	(\$5,742,336)
-	Other Comprehensive Income	-	-
\$263,093	<b>Total Comprehensive Income for the Year</b>	\$7,022,003	(\$5,742,336)

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**AGMARDT**  
**Statement of Changes in Equity**  
**For the Year Ended 30th June 2010**

	2010	2009
<b>Equity as at 1 July 2009</b>		
Capital	32,000,000	32,000,000
Capital Maintenance Fund	22,595,609	18,827,460
Income Fluctuation Reserve	5,699,712	9,467,861
Accumulated Income/(Deficit)	(5,015,974)	726,362
	<u>\$55,279,347</u>	<u>\$61,021,683</u>
<b>Transfers From Statement of Comprehensive Income</b>		
Capital Maintenance Fund	981,083	3,768,149
Income Fluctuation Reserve	1,024,946	(3,768,149)
Accumulated Income/(Deficit)	5,015,974	(5,742,336)
	<u>\$7,022,003</u>	<u>(\$5,742,336)</u>
<b>Equity as at 30 June 2010</b>		
Capital	32,000,000	32,000,000
Capital Maintenance Fund	23,576,692	22,595,609
Income Fluctuation Reserve	6,724,658	5,699,712
Accumulated Income/(Deficit)	-	(5,015,974)
	<u>\$62,301,350</u>	<u>\$55,279,347</u>

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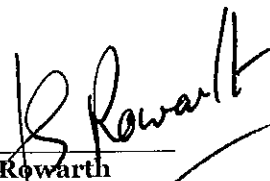
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**AGMARDT**  
**Statement of Financial Position**  
**As At 30th June 2010**

Budget	Note	2010	2009
	<b>6</b>		
			<b>Trust Funds</b>
32,000,000		32,000,000	32,000,000
22,595,609		23,576,692	22,595,609
54,595,609		55,576,692	54,595,609
	<b>7</b>		
946,831		-	(5,015,974)
-		6,724,658	5,699,712
946,831		6,724,658	683,738
<b>\$55,542,440</b>		<b>\$62,301,350</b>	<b>\$55,279,347</b>
<b>Represented By:</b>			
			<b>Current Assets</b>
452,881	<b>5</b>	501,882	275,535
-		-	616
452,881		501,882	276,151
24,245,334	<b>9</b>	26,774,988	24,445,334
			<b>Less Current Liabilities:</b>
112,554		313,068	398,917
2,694,936	<b>8</b>	1,970,340	2,694,936
2,807,490		2,283,408	3,093,853
21,890,725		24,993,462	21,627,632
34,680,671	<b>9</b>	37,715,218	34,680,671
3,438	<b>10</b>	3,263	3,438
1,032,394	<b>8</b>	410,593	1,032,394
<b>\$55,542,440</b>		<b>\$62,301,350</b>	<b>\$55,279,347</b>

For and on Behalf of the Board

  
 J Grant  
 Chairman

  
 J Rowarth  
 Trustee

22 October 2010 Date

**AGMARDT**  
**Statement of Cash Flows**  
**For the Year Ended 30th June 2010**

Budget	Note	2010	2009
<b>Cash Flows from Operating Activities</b>			
<b>Cash was Provided From:</b>			
14,136		13,569	85,429
-		228,498	-
-		286,670	270,387
<u>14,136</u>		<u>528,737</u>	<u>355,816</u>
<b>Cash was Applied To:</b>			
782,290		585,067	606,351
850,000		2,182,372	2,359,229
<u>1,632,290</u>		<u>2,767,439</u>	<u>2,965,580</u>
(1,618,154)	13	(2,238,702)	(2,609,764)
<b>Cash Flows from Investing Activities</b>			
<b>Cash was Provided from:</b>			
1,800,000		27,546,096	36,228,663
<u>1,800,000</u>		<u>27,546,096</u>	<u>36,228,663</u>
<b>Cash was applied to:</b>			
-		25,080,162	33,526,050
4,500		885	3,632
<u>1,795,500</u>		<u>2,465,049</u>	<u>2,698,981</u>
<b>Net Cash from Investing Activities</b>			
177,346		226,347	89,217
<u>275,535</u>		<u>275,535</u>	<u>186,318</u>
<u>\$452,881</u>		<u>\$501,882</u>	<u>\$275,535</u>

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**AGMARDT**  
**Statement of Accounting Policies**  
**As At 30th June 2010**

**The Agricultural and Marketing Research and Development Trust was established by a Deed of Trust dated 20 October 1987 and the financial statements have been prepared pursuant to Clause 17 of the said Deed and the Public Finance Act 1989.**

**1. Statement of Accounting Policies**

**Reporting Entity**

The Agricultural and Marketing Research and Development Trust (the Trust) is a fourth schedule entity in terms of the Public Finance Act 1989. These financial statements have been prepared in accordance with the Public Finance Act 1989 and the Crown Entities Act 2004.

The Trust's primary objective is to provide public services to the NZ public, as opposed to that of making a financial return.

Accordingly, the Trust has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements for the Trust are for the year ended 30 June 2010, and were approved by the Board on 22 October 2010

**Basis of Preparation**

**Statement of Compliance**

The financial statements of the Trust have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

**Measurement base**

The financial statements have been prepared on a historical cost basis, except for the measurement of equity investments and derivative financial instruments at fair value.

**Differential Reporting**

The Trust is a qualifying entity for Differential Reporting because it is not publicly accountable and does not qualify as a large entity as defined by the New Zealand Institute of Chartered Accountants framework for Differential Reporting. The Trust has not taken advantage of any of the Differential Reporting exemptions except for some components of NZ IFRS 7: Financial Instrument Disclosures.

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**AGMARDT**  
**Statement of Accounting Policies**  
**As At 30th June 2010**

**Changes in Accounting Policy**

NZ IAS 1 *Presentation of Financial Statements (Revised 2007)* replaces NZ IAS 1 *Presentation of Financial Statements (Issued 2004)*. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income enables readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The Trust has decided to prepare a single statement of comprehensive income for the year ended 30 June 2010 under the revised standard. Financial statement information for the year ended 30 June 2009 has been restated accordingly. Items of other comprehensive income presented in the statement of comprehensive income were previously recognised directly in the statement of changes in equity.

NZ IAS 24 *Related Party Disclosures (Revised 2009)* replaces NZ IAS 24 *Related Party Disclosures (Issued 2004)* and is effective for reporting periods commencing on or after 1 January 2011. The revised standard:

Removes the previous disclosure concessions applied by the Trust for arms-length transactions between the Trust and entities controlled or significantly influenced by the Crown. The effect of the revised standard is that more information is required to be disclosed about transactions between the Trust and entities controlled or significantly influenced by the Crown.

Provides clarity on the disclosure of related party transactions with Ministers of the Crown. Further, with the exception of the Minister of Accountability, the Trust will be provided with an exemption from certain disclosure requirements relating to transactions with other Ministers of the Crown. The clarification could result in additional disclosures should there be any related party transactions with Ministers of the Crown.

Clarifies that related party transactions include commitments with related parties.

The Trust expects it will early adopt the revised standard for the year ended 30 June 2011.

NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. The Trust has not yet assessed the effect of the new standard and expects it will not be early adopted.

**AGMARDT**  
**Statement of Accounting Policies**  
**As At 30th June 2010**

***Functional and presentation currency***

The financial statements are presented in New Zealand dollars, to the nearest dollar.  
The functional currency of the Trust is New Zealand dollars.

**Significant Accounting Policies**

**1.01 Revenue**

Revenue is measured at the fair value of consideration received or receivable.

*Interest*

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

**1.02 Grant Expenditure**

The Trust only awards discretionary grants.

Discretionary grants are those grants where the Trust has no obligation to award on receipt of the grant application and are recognised as expenditure when the grant has been approved by the Trustees and the approval has been communicated to the applicant.

Any grants approved by the Trustees and subject to any unfulfilled requirements or agreements have been accounted for within the classification of Current Liabilities and Non-Current Liabilities. Future benefits may accrue to the Trust as a result of certain grants made. These benefits are not able to be quantified with any certainty and therefore have not been recognised in these financial statements.

**1.03 Leases**

*Finance leases*

Leases that transfer to the Trust substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred, are classified as finance leases.

As at 30 June 2010 the Trust had no finance leases (2009: Nil).

*Operating leases*

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Trust are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the statement of comprehensive income.

Lease incentives received are recognised in the net surplus or deficit for the year over the lease term as an integral part of the total lease expense.

**AGMARDT**  
**Statement of Accounting Policies**  
**As At 30th June 2010**

**1.04 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks both domestic and international, other short-term, highly liquid investments, with original maturities of three months or less and bank overdrafts.

**1.05 Debtors and other receivables**

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

**1.06 Financial Instruments**

At each balance sheet date the Trust assesses whether there is any objective evidence that an investment is impaired.

*Investments*

The Trust is party to investments as part of its normal operations. These investments include bank accounts, short-term deposits, investment portfolio (including equities, bonds and cash). All investments are recognised in the Statement of Comprehensive Income and all revenues and expenses in relation to investments are recognised in the statement of comprehensive income managed by ING and Russell Investment Group.

*Bank deposits*

Investments in bank deposits are initially measured at fair value plus transaction costs. After initial recognition investments in bank deposits are measured using fair value through profit and loss.

For bank deposits, impairment is established when there is objective evidence that the Trust will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability that the bank will enter into bankruptcy, and default in payments are considered indicators that the deposit is impaired.

*Equity investments*

The Trust holds no direct equity investments.

*Other investments*

Other Investments are valued at fair value through profit and loss with any resultant increase or decrease over cost or previous market value being reflected in the Statement of Comprehensive Income.

**AGMARDT**  
**Statement of Accounting Policies**  
**As At 30th June 2010**

**1.07 Property, plant and equipment**

The only property, plant and equipment asset class is office equipment. Property, plant and equipment are shown at cost less any accumulated depreciation and impairment losses.

*Additions*

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

*Disposals*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive income.

*Subsequent costs*

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as they are incurred.

*Depreciation*

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:  
Office Equipment 5 years (20%)

**1.08 Intangible assets**

The Trust holds no intangible assets.

Costs associated with the development and maintenance of the Trust's website are recognised as an expense when incurred.

**1.09 Impairment of non-financial assets**

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of comprehensive income. For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the statement of comprehensive income.

**AGMARDT**  
**Statement of Accounting Policies**  
**As At 30th June 2010**

**1.10 Employee entitlements**

*Short-term employee entitlements*

Employee entitlements that the Trust expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

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

The Trust recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

*Long-term employee entitlements*

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave have been calculated on an actuarial basis.

The calculations are based on:

- a. likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- b. the present value of the estimated future cash flows.

**1.11 Provisions**

The Trust recognises a provision for grants when an application has been approved by the Trustees.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

**1.12 Goods and Services Tax**

The Trust is not a "registered person" in terms of the Goods and Services Tax Act 1985. Consequently, all expenses and capital acquisitions are shown inclusive of GST.

**1.13 Income Tax**

The Trust is a public authority as defined by the Income Tax Act 2007 and consequently is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

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**AGMARDT**  
**Statement of Accounting Policies**  
**As At 30th June 2010**

**1.14 Critical accounting estimates and assumptions**

In preparing these financial statements the Trust has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

**1.15 Critical judgements in applying the Trust's accounting policies**

Management has exercised the following critical judgements in applying the Trust's accounting policies for the year ended 30 June 2010:

*Investments classification*

The Trust has made judgements that the portfolio investments made are not direct equity investments.

*Grant expenditure*

The Trust must exercise judgement when recognising grant expenditure to determine if conditions of the grant application and approval process have been satisfied. This judgement is based on the facts and circumstances that are evident for each grant contract.

**1.16 Hedging Instruments**

The Trust, through its Fund Manager, enters into hedging instruments such as futures, options and forward exchange contracts. These are converted at the New Zealand Dollar rate at balance date with all realised and unrealised gains and losses being recognised in the net surplus or deficit for the year.

**1.17 Gain (Loss) on Investment Portfolio**

The gain or loss on the Investment Portfolio in the statement of comprehensive income includes all realised and unrealised gains and losses.

**AGMARDT**  
**Notes to the Financial Statements**  
**As At 30th June 2010**

**2. Changes in Fair Value of Investment Portfolio**

	2010	2009
NZ Fixed Interest (ING)	909,579	1,060,563
Global Bonds Fund (Russell)	4,496,491	2,204,672
Alternative Strategies Fund (Russell)	(190,702)	(829,815)
World Equity Strategy Fund (Russell)	<u>2,614,151</u>	<u>(5,827,139)</u>
	<u>\$7,829,519</u>	<u>(\$3,391,719)</u>

**3. Personnel Costs**

	2010	2009
	\$	\$
Staff Remuneration	135,563	130,254
Staff Training & Development	13,222	-
Increase/(Decrease) in Employee Entitlements	-	-
Employer Contributions to Defined Contribution Plans	-	-
<b>Total Personnel Costs</b>	<u>148,785</u>	<u>130,254</u>

**4. Other Expenses**

The balance of Other Expenses comprises the following items:

	2010	2009
	\$	\$
Accountancy Fees	21,692	40,694
Administration Expenses	10,721	10,743
Advertising	4,112	11,073
Annual Report	6,640	22,372
Board Secretary	3,635	6,945
Computer & Website Costs	15,034	14,409
Conference Costs	5,080	16,648
General Expenses	3,912	24,545
Grant Reviews	3,713	3,000
Insurance & ACC	1,534	1,874
Interest	3	189
Legal Expenses	8,539	13,000
Meeting Expenses	4,706	-
Postage & Stationery	8,615	11,043
Public Relations	1,969	7,973
Subscriptions	2,313	-
Technical Advisory	17,200	40,210
Telecommunications	4,478	6,412
Travelling Expenses	<u>50,444</u>	<u>46,959</u>
<b>Total Other Expenses</b>	<u>174,340</u>	<u>278,089</u>

**5. Cash and Cash Equivalents**

	2010	2009
	\$	\$
Cash at bank	<u>501,882</u>	<u>275,535</u>
<b>Total Cash and Cash Equivalents</b>	<u>501,882</u>	<u>275,535</u>

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**AGMARDT**  
**Notes to the Financial Statements**  
**As At 30th June 2010**

**6. Capital Management**

The Capital of the Trust was set by Clause 1(b) of the Deed of Trust to be \$32,000,000. This capital was settled in April 1988 and is to be retained in perpetuity and used to generate income for the Trust.

The Capital Fund Maintenance Reserve represents the additional amount necessary to preserve the real value of the capital after allowing for inflation as measured by the Consumer Price Index. A transfer to the Capital Fund Maintenance Reserve of \$981,083 has been provided for in the 2010 year (2009: \$3,768,149).

	2010	2009
Balance 1 July	22,595,609	18,827,460
Transfer from/(to) Accumulated Funds	981,083	3,768,149
Balance 30 June	\$23,576,692	\$22,595,609

**7. Income Fluctuation Reserve**

The Trust has a reserving policy to enable it to meet its investment objectives and manage the fluctuations in investments earnings.

	2010	2009
Balance 1 July	5,699,712	9,467,861
Transfer from/(to) Accumulated Funds	1,024,946	(3,768,149)
Balance 30 June	\$6,724,658	\$5,699,712

**8. Provision for Grants**

A provision is made when grants are approved. An assessment is made each year on the likelihood of payment and an adjustment made to if it is determined that a grant previously approved will not be paid.

	2010	2009
Balance 1 July	3,727,330	4,288,840
Plus: Net Grants		
Grant applications approved	985,227	3,160,920
Grants relinquished	<u>(149,252)</u>	<u>(1,038,923)</u>
	835,975	2,121,997
	4,563,305	6,410,837
Less grants paid/payable	<u>(2,182,372)</u>	<u>(2,683,507)</u>
Balance 30 June (Note (a))	\$2,380,933	\$3,727,330

Comprising grants made in the following years which have not yet been paid out:

	2010	2009
2004		500
2005	8,613	8,613
2006	52,757	60,451
2007	424,401	900,604
2008	357,114	635,612
2009	1,110,931	2,121,550
2010	<u>427,117</u>	
	\$2,380,933	\$3,727,330
Note (a): Provision for Grants comprising:		
Current	1,970,340	2,694,936
Non-Current	<u>410,593</u>	<u>1,032,394</u>
Total Provision for Grants	\$2,380,933	\$3,727,330

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**AGMARDT**  
**Notes to the Financial Statements**  
**As At 30th June 2010**

**9. Investments**

Investments are stated at fair value through profit and loss. The Trust's investments are as follows:

Managed Funds		2010	2009
Fixed Interest:	Domestic	10,254,704	10,345,125
	Offshore	30,987,464	28,757,335
Equities:	Offshore (Note (a))	<u>23,248,038</u>	<u>20,023,545</u>
Total Investments		<u>\$64,490,206</u>	<u>\$59,126,005</u>

Note (a). Equities:

With effect from 1 July 2003 the mandates for New Zealand and global equities were implemented via a single unit-holding in the Russell World Shares Fund. As from 1 August 2007 the World Share Fund was restructured into the World Equity Strategies Fund. Fifteen percent of the World Equity Strategies Fund is allocated to managers that focus on New Zealand shares.

Current Investments		2010	2009
Fixed Interest:	Domestic	738,079	1,252,731
	Offshore	2,788,871	3,169,058
Equities:	Offshore	<u>23,248,038</u>	<u>20,023,545</u>
Total Current Investments		<u>\$26,774,988</u>	<u>\$24,445,334</u>

Non-Current Investments		2010	2009
Equities:	Offshore (Note (a))	-	-
Fixed Interest:	Domestic	9,516,626	9,092,394
	Offshore	<u>28,198,592</u>	<u>25,588,277</u>
Total Non-Current Investments		<u>\$37,715,218</u>	<u>\$34,680,671</u>
Total Investments		<u>\$64,490,206</u>	<u>\$59,126,005</u>

**10. Property, Plant and Equipment**

Office equipment		2010	2009
Cost		15,522	14,637
Less accumulated depreciation		<u>(12,259)</u>	<u>(11,199)</u>
Net Book Value of Fixed Assets		<u>\$3,263</u>	<u>\$3,438</u>

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**AGMARDT**  
**Notes to the Financial Statements**  
**As At 30th June 2010**

**11. Commitments**

AGMARDT leases office accommodation for the activities of the Trust.

	2010	2009
Office Lease		
0 - 1 Year	23,881	23,881
1 - 2 Years	23,881	23,881
2 - 5 Years	71,644	71,643
5 + Years	<u>41,793</u>	<u>65,676</u>
Total Office Lease Commitment	\$161,199	\$185,081

**12. Contingent Liabilities and Financial Commitments**

The Trust had no performance guarantee with its bank, the ASB Bank Limited, as at 30 June 2010 (2009: Nil). There were no financial commitments as at 30 June 2010 other than those referred to in Note 8 (2009: Nil). There were no contingent assets or liabilities at 30 June 2010 (2009: Nil)

**13. Reconciliation of Net Surplus/(Deficit) for the year with Net Cash Flows from Operating Activities**

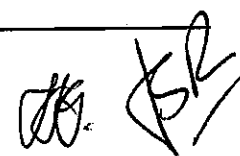
	2010 Actual	2009 Actual
Net Surplus/(Deficit) for the year	7,022,003	(5,742,336)
Add (less) non-cash items:		
Change in market value of investments	(8,345,303)	2,223,424
Depreciation	<u>1,060</u>	<u>531</u>
	(1,342,240)	(3,518,381)
Add (less) movements in working capital items:		
Accounts payable and accruals	(85,234)	302,446
Accounts receivable	-	897,294
Provision for Grants made this year	<u>(1,346,396)</u>	<u>(561,510)</u>
Net cash from operating activities	<u>(\$2,753,870)</u>	<u>(\$2,880,151)</u>

**14. Financial Instruments**

The financial instruments are subject to the normal market risks associated with markets in which they are traded. However there is limited credit risk relating to the Fund Managers or the Custodians and because of the diversification of investments, there are no significant concentrations of credit risk within the investment portfolios.

The maximum credit risk is the full value of the investment held. Investments in managed funds are held in New Zealand dollars. Foreign currency hedges are taken out by the Fund Managers to minimise their exposure to exchange fluctuations. Both the Offshore Fixed Interest Portfolio and the Offshore Equities Portfolio are fully hedged back to the New Zealand dollar. The maximum deviation from the neutral exposure for both portfolios is +/- 5%. The face value of foreign exchange hedges are not disclosed in the financial statements as they are held in the name of the fund manager and not the Trust.

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**AGMARDT**  
**Notes to the Financial Statements**  
**As At 30th June 2010**

**Financial Instrument Risks**

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

**Fair Value interest rate risk**

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Trust's exposure to fair value interest rate risk is limited to its deposits which are held at fixed interest rates and overseas funds held which contain assets at fixed interest rates. The maximum exposure is \$41,609,042 (2009: \$39,102,460).

The Trust's fixed interest investments constitute investments in both NZ Fixed Interest and Global Fixed Interest.

**Price Risk**

This is the risk that the fair value of a financial instrument held in the portfolio will fluctuate as a result of changes in market prices. The Trust is exposed to equity market risk on its equity investments, which constitute around 35% of its total investment assets. This price risk is managed by diversifying the portfolio across a wide range of New Zealand and international shares and global real estate securities. The Trust's maximum exposure is \$22,881,164 (2009: \$20,023,545).

**Currency Risk**

Currency risk is the risk that the fair value of a financial instrument held in the portfolio will fluctuate due to changes in foreign exchange rates. The Trust's maximum exposure is limited to its holdings in foreign currency of \$54,235,502 (2009: \$48,780,880).

Most of the Trust's foreign currency denominated equities and fixed interest securities are 100% hedged to New Zealand dollars. In practical terms this means that the risk associated with the foreign currency exposure of these assets is minimised.

**Credit Risk**

This is the risk that a third party will default on its obligation to the Trust, causing it to incur a loss. In its New Zealand Fixed Interest portfolio the Trust's credit risk is controlled by the imposition of credit limits in the investment guidelines agreed with its fixed interest manager. These credit limits control the credit quality of the portfolio by restricting holdings of securities of various credit ratings on a graduated scale. Securities with a Standard and Poors credit rating of below A- are not permitted in the portfolio.

In respect of the Global Fixed Interest assets, held via a holding in the Global Bond Fund, credit limits are placed on each of the four underlying managers.

**AGMARDT**  
**Notes to the Financial Statements**  
**As At 30th June 2010**

**Liquidity Risk**

Liquidity risk is the risk that the Trust will encounter difficulty raising liquid funds to meet commitments as they fall due. With one exception, all of the Trust's investments are liquid such they can be readily converted to cash. In particular:

1. The Trust's investments in the Russell World Equity Securities Fund and the Global Bond Fund can normally be redeemed to cash within five business days, although the terms of the constitution and prospectus allows for 30 and 14 business days respectively.
2. The NZ Fixed Interest portfolio comprises almost entirely marketable debt and cash securities. Credit securities and certain derivatives that are less liquid may be held in the portfolio, but the exposure to such securities is limited by provisions in the manager's guidelines.

The only investment in the Trust's portfolio which has impaired liquidity is its holding in the Russell Alternative Strategies Fund. This comprises about 1% of the total investment fund. This investment is in the process of being gradually liquidated.

The Trust is exposed to liquidity risk to the extent of its creditors and payables and grants payable. The maximum exposure is \$2,694,005 (2009: \$3,820,708).

**15. Related Parties**

**Key Management Personnel**

The Trust's key management personnel are the General Manager and the Trustees. There are no other related parties.

	2010	2009
	\$	\$
Salaries and other short-term employee benefits	135,563	130,254
Trustee's Remuneration	77,760	77,760
Post-employment Benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
	213,323	208,014
<b>Total Key Management Personnel Compensation</b>	<b>213,323</b>	<b>208,014</b>

**16. Trustee Remuneration**

	2010	2009
Trustee	<u>23,760</u>	<u>23,760</u>
Dr W Kain	18,000	18,000
Mr M Purnell	18,000	18,000
Mr J Grant	18,000	18,000
Prof J Rowarth	<u>18,000</u>	<u>18,000</u>
Total Trustee Remuneration	<u>\$77,760</u>	<u>\$77,760</u>

**17. Employee Remuneration**

The Trust's one employee received remuneration in excess of \$100,000 during the year.

**18. Post Balance Date Events**

There were no post balance date events.

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**AGMARDT**  
**Trust Directory**

**DIRECTORY**

**BOARD OF TRUSTEES**

Dr William Kain (Chairman)  
Mr Jeff Grant  
Mr Max Purnell  
Prof. Jacqueline Rowarth

**MANAGEMENT**

Stephen Macaulay  
(General Manager)

**TRUST OFFICE**

5th Floor  
Axon House  
1 Willeston Street  
Wellington

PO Box 25207  
Panama Street  
Wellington 6146

Tel (04) 499 6173

Fax (04) 472 8620

**INVESTMENT ADVISER**

Russell Investment Group Ltd

**AUDITOR**

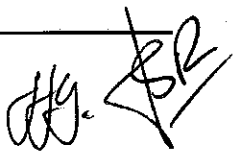
Audit New Zealand  
on behalf of the Auditor-General

**BANKERS**

ASB Bank limited

**SOLICITORS**

Bruce Corkill QC  
Tim Cleary Barrister  
Macalister Mazengarb



**Audit Report****To the readers of the  
Agricultural and Marketing Research and Development Trust's  
financial statements  
for the year ended 30 June 2010**

The Auditor-General is the auditor of the Agricultural and Marketing Research and Development Trust (the Trust). The Auditor-General has appointed me, Phil Kennerley, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust, on her behalf, for the year ended 30 June 2010.

**Unqualified opinion**

In our opinion, the financial statements of the Trust on pages 3 to 19:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the Trust's financial position as at 30 June 2010; and
  - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 22 October 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 Trustees 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 Trustees;
- 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 Trustees and the Auditor**

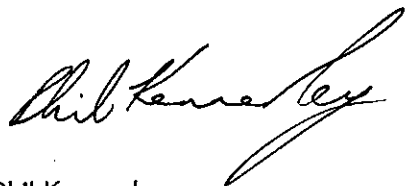
The Trustees are responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Trust as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date. The Trustees' responsibilities arise from the Public Finance Act 1989.

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 Public Finance Act 1989.

### **Independence**

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

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



Phil Kennerley  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand