

THE AGRICULTURAL AND MARKETING
RESEARCH AND DEVELOPMENT TRUST



ANNUAL REPORT 2006/07

CONTENTS

| | |
|------------------------------------|----|
| Trustees' Report | 03 |
| Financial Results | 09 |
| Operating Practices | 10 |
| Programmes Budgeted for 2007/08 | 11 |
| Grants Made in 2006/07 | 12 |
| Financial Statements | 14 |
| Audit Report | 15 |
| Statement of Financial Performance | 16 |
| Statement of Movements in Equity | 16 |
| Statement of Financial Position | 17 |
| Statement of Cash Flows | 18 |
| Statement of Accounting Policies | 19 |
| Notes to the Financial Statements | 20 |
| Directory | 25 |





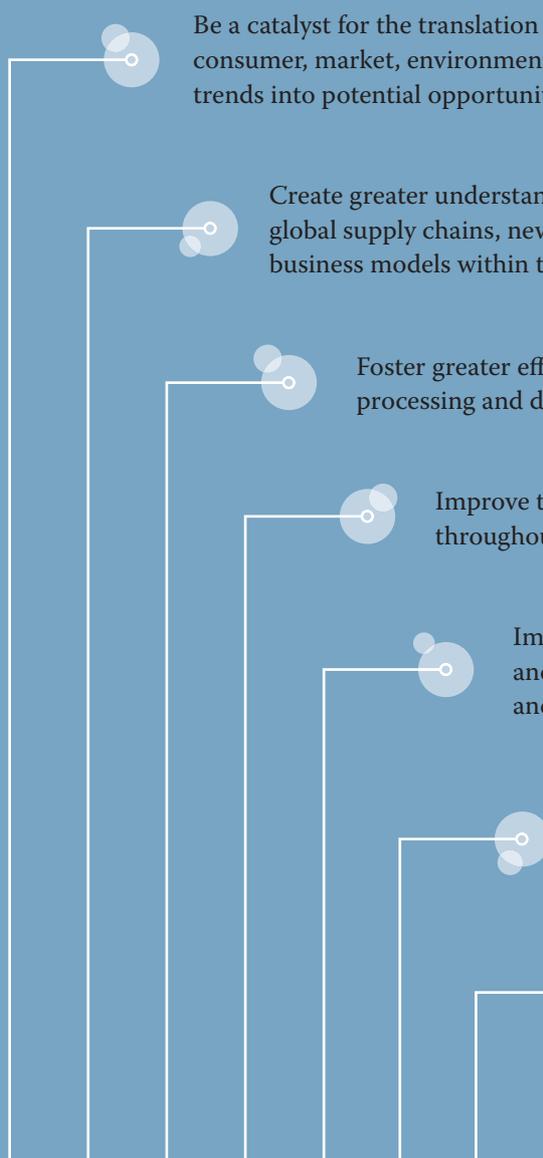
AGMARDT was set up by the Government in 1987 as a not-for-profit Trust with funds of \$32 million from the wind-up of the British, Christmas Island and New Zealand Phosphate commissions.

The Trust Deed defines our purpose as the promotion and encouragement of New Zealand's interest in the agricultural, pastoral, horticultural and forestry industries. We stay true to this purpose in everything we do as an independent, innovative organisation that supports and encourages the next generation of leaders.

Under strict guidelines and professional management, we continue to maximise our support for our annual programmes. Our funding has grown from \$32 million in 1987 to about \$68 million in 2007, and we've made grants of \$46 million since our inception.

Our mission is to foster leadership, capability and capacity to successfully and sustainably meet the challenges of tomorrow's markets for products of the agriculture, horticulture and forestry sectors.

Our strategic intent is to:

- 
- Be a catalyst for the translation of international consumer, market, environmental and trade policy trends into potential opportunities
 - Create greater understanding of world-class marketing, global supply chains, new products and technologies, and business models within the agribusiness community
 - Foster greater efficiency and sustainability in production, processing and distribution
 - Improve the speed of innovation and application throughout the production and marketing systems
 - Improve the understanding of business-science linkages and thereby enhance the effectiveness of the application and commercialisation of technology
 - Facilitate a better understanding of the business-education interface and thereby create more effective provider relationships that meet the Trust's mission
 - Foster capability development in research and training towards advanced expertise
 - Enhance the understanding of a range of issues associated with environmental sustainability.

We are always open to new ideas

TRUSTEES' REPORT

We are pleased to present AGMARDT's 2006/07 Annual Report.

This year we successfully met our obligations to our beneficiaries and other stakeholder groups, with the specific activities and achievements for the year being reported in more detail under the individual programmes in this report. The reporting period for our activities covers the calendar year, while the financial report is for the 12-month period ending 30 June 2007.

COMINGS AND GOINGS

We were saddened by the departure of Chairman **Sam Robinson** and Trustee **Dr Sandra Martin**, whose terms with the Trust have ended. We are, however, grateful and indebted to these Trustees for their outstanding contribution to the development of the Trust during their respective tenures.

Sam Robinson, who was our Chairman from 2004 and a Board member from 2001, left at the end of July. Sam played a key role in initiating and developing the Food and Agribusiness Market Experience (FAME) course and was an enthusiastic supporter of young New Zealand farmers and particularly the National Bank Young Farmer of the Year contest. He also fostered a close relationship with the meat and wool sector, an achievement highlighted by Neil Taylor, former CEO of the Meat Board. Another milestone reached under Sam's Chairmanship was the successful relocation of our head office, from Auckland to Wellington, to better align it with its stakeholder and strategic alliance partners.

Sandra Martin left the Board at the end of 2007 to concentrate on other activities. The Trustees recognised the significant contribution she made in a number of areas, including the development and implementation of our Market Innovation project. This project is integrated with the National Bank Young Farmer of the Year contest and, more recently, has been associated with the young Horticulturist of the Year contest, which Sandra also led. Of the four projects presented at the recent Young Horticulturist of the Year contest, all have been accepted for commercialisation, either by the business the contestants were working for, or by external interests. This achievement shows the extremely high standards reached by the contestants.

NEW CHAIRMAN ELECTED

Dr Bill Kain was elected Chairman of AGMARDT at the Trustees' meeting on 5 September 2007. Bill, who has been a Trustee for six years, has held many key positions within the New Zealand agricultural science scene over the past four decades – including being founding Chief Executive of AgResearch. In recent years he has been heavily involved in the dairy industry as

a Trustee and Director of research and development organisations operated by government, universities and industry, as well as a number of start-up companies. He has also been a champion of FAME.

NEW TRUSTEES WELCOMED

Jeff Grant was welcomed as a Trustee at the beginning of August. Jeff is the immediate Past-Chairman of Meat & Wool New Zealand and remains on that Board as well as the New Zealand Meat Board, Ovita, the Wool Industry Network Trust and the Massey Lincoln Trust.

Professor Jacqueline Rowarth was appointed Trustee at the end of 2007 and started with us in January 2008. Jacqueline holds the Foundation Chair of Pastoral Agriculture at Massey University, is the Director of Massey Agriculture and also a Board member of the Crown Research Institute Crop and Food Research. She served as President of the New Zealand Institute of Agricultural Science Council from 2000 to 2003, was a member of the Council of the Royal Society of New Zealand (2000–2004), and Chaired the Primary Resources Committee.

STAFF CHANGES

Dr Peter Kettle, our inaugural General Manager, advised the Trustees he would be stepping down from his position in early 2008. We are particularly grateful for Peter's leadership and involvement in establishing our office in Wellington after it was transferred from Auckland in 2005. We also recognise the major contribution Peter made to the development and management of our operating systems and stakeholder networks, as well as the organisation of the doctoral scholarship and post-doctoral fellowship selection and referee panels. Although Peter has held the position of General Manager for two years, his service to AGMARDT as a referee and adviser to the Trust extends well over a decade. During this time he held various senior positions in the Ministry of Agriculture and Forestry and has been a passionate supporter of our activities. Peter will have an ongoing relationship as an adviser to the Trust.

At the end of 2007 we announced the appointment of a new General Manager, **Stephen Macaulay**, who will take up his appointment on 8 March 2008. Stephen was previously the General Manager of Retail Meat Ltd and is a Director of the New Zealand Beef and Lamb Marketing Bureau. He brings to the Trust an understanding of international trade policy, market access and representing the interests of meat companies with government agencies, technical personnel and the media. He is a graduate of Lincoln University's commerce and management school, where he was president of the student association and

received two awards for services to the student body during this time.

Carol Linehan was contracted in November 2007 to undertake the new role of Board Secretary/Contracts Manager. Together with the Board secretarial function, Carol is responsible for ensuring that a rigorous process is followed for all grant applications – from initial enquiry to contract requirements and payments. Carol has a business studies qualification and runs her own business in human resources and administration services. She has previously worked as an association officer at both the local and national executive levels.

HIGHLIGHTS

We are proud to be involved in the ongoing development of the following projects.

FOOD AND AGRIBUSINESS MARKET EXPERIENCE (FAME)

The FAME programme, a four-module immersion course for agribusiness executives that focuses on best-practice supply chain development and management, has secured its second full intake.

The Trustees were most impressed with the overwhelmingly positive feedback they received from the participants in the FAME programme and the establishment of an enthusiastic alumni association for the promotion of professional development and networking of participants.

Representatives from the first intake, the FAME Alumni, welcomed the new students to the programme and provided an insight into the course and their offshore experiences in Asia, Europe and North America – an experience the new students will enjoy over the coming 18 months.

Betty Jones, Head of the Centre for Food and Agriculture Business of Purdue University in the United States, wrote about the participants from the first intake:

“ In our 20 years in this business, you represented one of the very best groups we have had. Your energy, enthusiasm, expertise and experience totally exceeded our expectations! Not to mention your capacity to ask questions and eke out any piece of relevant information that you could from every speaker, session and experience. And you were a lot of fun! ”

The Alumni are represented on FAME's governance and reference group and their main objectives are to facilitate members' professional development and enhance their domestic and global networks. The

venue for 2006/07's successful annual meeting was Hastings, where discussions with business owners and senior management covered topics such as new food enterprises, exporting into high-value supermarkets, and issues around strategy, risk and innovation.

The programme is offered by Otago, Massey and Lincoln universities and is sponsored by us and the ASB Bank (the major supporter).

AGRIBUSINESS RESEARCH AND EDUCATION NETWORK (AREN)

AREN is a collaborative agreement between AgResearch and Waikato, Lincoln and Massey universities that helps its members to better harness their complementary research capabilities, resulting in cross-organisation research teams. The first research output of this collaboration – which focuses on indepth case studies of the structure, conduct and performance of four key agribusiness industries – is almost complete.

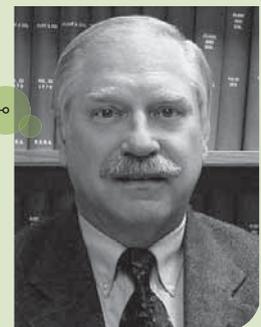
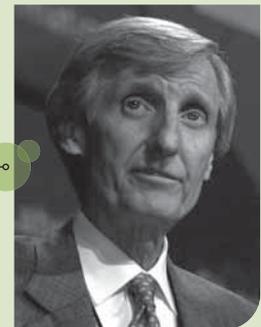
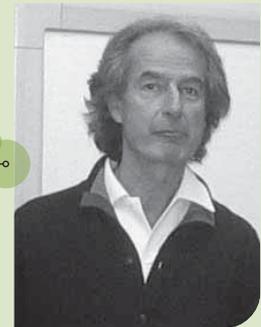
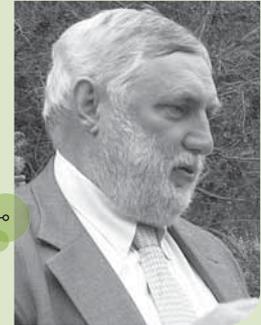
Sponsored and developed by us, this project has also led to wider industry involvement through the research itself, interaction with the reference group, and better access to the combined network capability of participating institutions.

The Trustees believe that excellence in executive training is essential to enhancing New Zealand's competitive advantage in agribusiness. Finding the depth and breadth of expertise necessary to deliver this training to the required standard means networking of capabilities is required across organisations. The value of this approach is demonstrated in the structure of the AGMARDT-supported FAME and AREN programmes.

CONFERENCE SUPPORT

Every year, as part of its conferencing programme, we support sector groups to bring international keynote speakers to New Zealand for major conferences. In 2006/07, this activity generated much attention due to the high quality of the speakers brought here. Speakers included:

- **Dr Franz Fischler**, a former Agriculture Commissioner for the European Union (EU), who spoke at the 13th World Corriedale Conference. Dr Fischler explained how the EU works and specifically what it means to sheep breeders. He predicts that within the next eight years, the EU will no longer be an aggressive exporter of agricultural products but will be a net importer of a range of agricultural goods.
- **Raymond Cesca**, a keynote speaker at the 2007 Horticulture New Zealand Conference. Mr Cesca is the founder, President and Chief Executive of GAEA International, a market development, trade and strategic planning organisation that works with small to medium-sized enterprises in support of economic advancement in developing countries. He is also the former Managing Director of McDonald's World Trade. In his address, Mr Cesca pointed out that a surge in sales of organic products is a key food trend, driven by the consumer perception that organic food is healthier. Organic products also attract up to a 30 per cent price premium. Another important recent trend he highlighted was increasing salad consumption in the United States.
- **Dr Robert Sojka**, a keynote speaker at the Fertiliser and Lime Research Centre Conference, Designing Sustainable Farms: Critical Aspects of Soil and Water Management. Dr Sojka, former President of the Soil Science Society of America and currently Laboratory Director and Research Leader of the United States Department of Agriculture, Agricultural Research Service in Kimberly, Idaho, spoke on experimental matrix-based fertilisers formulated to reduce nitrogen and phosphorus leaching. These formulations are expected to provide a new and effective approach for ground water protection, especially in easily drained soils.
- **Roberto Zecca**, who came to New Zealand for the Olives New Zealand Annual Conference. Mr Zecca has grown olives in Italy and the United States and served for 10 years on the Board of the California Olive Oil Council, five of those as Chairman. He was also Chairman of the Los Angeles County Fair Olive Oils of the World competition, which is the largest event of its kind in the world. While in New Zealand, Mr Zecca spoke about extra virgin olive oil, its future and what New Zealand olive growers can do to compete.



LEADERSHIP AND CAPABILITY DEVELOPMENT

Network for Women in Dairying

For the fourth time in a row, we funded leaders of the Network for Women in Dairying to attend Institute of Directors in New Zealand courses. This five-year programme assists in the personal development of the individuals concerned and further strengthens the Network. Our congratulations to the Network on its achievements and development during 2006/07.



Young Horticulturist of the Year contestants hard at work



Ben Alomes – National President of New Zealand Young Farmers



Richard Fowler – 2007 winner of the AGMARDT Market Innovation Challenge of the National Bank Young Farmer of the Year contest (a FAME scholarship)

New Zealand Young Farmers

We are a supporter of both New Zealand Young Farmers and the National Bank Young Farmer of the Year contest.

For young New Zealand farmers, this support helps leaders in their personal development via Institute of Directors in New Zealand courses and strengthens the organisation through increased membership.

A highlight of the National Bank Young Farmer of the Year contest is the AGMARDT Market Innovation Challenge. This is a discrete component of the overall contest and we provide the winner with a FAME scholarship worth \$28,130. Regional prizes are also provided as well as support for promotional and marketing activities.

Another highlight of the contest is the Agribusiness breakfast, held on the Friday of finals week. This year a number of speakers addressed the issue of whether a cooperative business model best meets the requirements of New Zealand farmers, with divergent views both expressed and challenged.

Young Horticulturist of the Year Contest

We continue to be a major supporter of this contest and provide prizes for the Market Innovation Challenge contestants. The project is run in association with the main contest but marks do not contribute to the overall contest score.

New Zealand Leadership Pathway

The New Zealand Leadership Pathway is a leadership development resource that is based on video-audio interviews with technology-based business leaders – developed by the New Zealand Royal Society of Science. As New Zealand agribusiness has achieved international recognition in cost-efficient production and processing of food and fibre, we have supported this initiative and extended it to agribusiness.

The programme involves interviewing agribusiness leaders and developing an online video-audio training resource. The interviews are now complete and will be evaluated with focus groups of emerging leaders to assess how valuable such a resource may be and how it can be used most effectively. We are grateful to all leaders involved in this initiative.

New Zealand Institute of Agricultural and Horticultural Science (NZIAHS)

We continue to be a strong supporter of NZIAHS's activities in furthering agricultural and horticultural science in New Zealand, and we are now a corporate member.

Increased Emphasis on Sustainability

This year we increased our emphasis on activities that help the agricultural, horticultural and forestry sectors to achieve sustainability. This is why a new objective was added to our strategic intent – the objective is to 'enhance the understanding of a range of issues associated with environmental sustainability'.

There is a wide gap between soil management best practice and scientific understanding, so we have commissioned a scoping study to identify the requirements for bridging this gap in order to enhance the development and productivity of soils. We also plan to address the area of technology development and application, which is critically important for sustainability and will involve scientists working in collaboration with practitioners in this area.

FELLOWSHIPS AND SCHOLARSHIPS

Visiting Fellowship

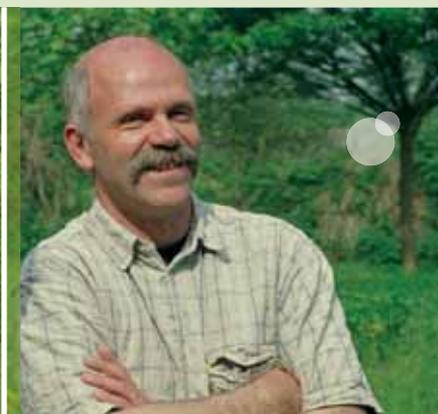
Our visiting fellowship programme supports visits by international experts to New Zealand to provide advice,



Shaun Vickers – 2006 winner of the AGMARDT Market Innovation Challenge of the Young Horticulturist of the Year contest



Young Horticulturist of the Year Contest finalists, 2006



Professor Ton Baars from the Department of Biodynamic Agriculture, University of Kassel

information and direction to providers and beneficiaries of the agriculture sector.

This year we supported the successful visit of **Professor Ton Baars** from the Department of Biodynamic Agriculture, University of Kassel. Professor Baars visited New Zealand in August and spoke at a number of venues around the country, including at the Organics Aotearoa New Zealand Conference at Lincoln University. He talked about farmer-led experimentation and experiential learning in the context of organic agriculture, with his keynote address being Our Organic Future – Cottage or Corporate.

Research Fellowship

AgResearch reported on the Clover Root Weevil project, which focuses on managing pasture damage caused by the clover root weevil.

The research evaluates the damage the clover root weevil causes to pasture and how it can be minimised by using nitrogen fertiliser and grazing management. This work, which is nearing completion, has guided farmers on the losses that can be incurred by the pest. It has also identified methods for minimising its damage to pasture and looked at the pest's effect on milk production. Biological control agents are also being evaluated and deployed, including a parasitic wasp that is being released over an increasing area of New Zealand and a fungal disease that is currently being developed.

AGMARDT Scholars and Fellows Day

A successful post-doctoral fellowship and doctoral scholarship seminar was held at Massey University, which included 12 oral and eight poster presentations from the Trust's fellowship and scholarship holders. The standard of presentation was exceptionally high

and research projects were innovative, with several offering exciting prospects for use within our sustainable biological production systems.

Doctoral Scholarships

The number of doctoral scholarships granted since we began operating in 1987 now stands at 103. Of these, 72 have been completed, 25 are still in progress (four of which are well over time and may not be completed), and six have withdrawn. The projects cover a wide range of subjects including soil, plant and livestock, as well as research on health and production and production systems, with every New Zealand university having been involved at some time. Five scholarships were awarded this year.

Post-Doctoral Fellowships

Six post-doctoral fellowships were offered this year, with four of these well underway.

A new category of post-doctoral fellowship was introduced this year – the AGMARDT Expatriate Post-Doctoral Fellowship. The aim of this new fellowship is to enable New Zealand institutions to employ, for a trial period of two years, New Zealanders (citizens or those with residency) who are at the post-doctoral stage of their careers and have returned home unexpectedly. This fellowship is available throughout the year and selection is based on individual merit.

Post-doctoral fellowships are a major contributor to achieving our strategic intent and we intend to put more focus on them in the future. We are particularly fortunate to have robust advisory panels, which we rely heavily upon for advice.



Callum Thomsen (foreground) – 2007 winner of the National Bank Young Farmer of the Year contest



Lincoln University FAME scholars, 2007

AGRIBUSINESS INNOVATION GRANTS

Pilot Plant Trial – Fruit and Vegetable Powders from Waste Streams

The objective of this project is to trial a fruit and leaf processing plant capable of producing up to 200 kilograms of spray-dried highly soluble powder a day as well as flake frozen concentrate. These commercial sample runs will prove the process and give potential customers a realistic quantity to test an end market.

Identification of the Cause of Hydrophobic Soils in Hawke's Bay

This project aims to investigate soil water repellency by quantifying soil hydrophobicity, carbon quality and microbiological activity in the soil and characterising the water content dependency of hydrophobicity.

Dry Patch Syndrome and Localised Dry Spot have been found to be the same thing. Soil water repellency is largely plant induced. The condition occurs in aged pastures where the breakdown of organic matter to organic compounds provides soil particles/aggregates with a 'waxy' coat. Soils affected in this way are called 'hydrophobic' soils. The reason for the occurrence of this condition in some and not other old pastures is not known.

Farming Today

This project produced 20 regionally specific episodes of the popular television series, Farming Today. This programme helps build communication capability in the rural sector and bridges the rural-urban divide through an increased awareness of issues faced by farmers and growers and the innovative solutions being created to address these.

Topics covered by the programme include best-practice human resource management, recruitment, retention and mentoring of young farm staff, and the development and recognition of young achievers within the rural community. The series also covered technical developments in shearing, pasture renewal, fertiliser usage, environmental management and Leptospirosis – a workplace disease affecting sheep farmers and meat processors.

Soil Science

We also launched a soil science initiative, championed by Max Purnell, that focused on the mechanisms and practices to enable New Zealand farmers to grow, improve and retain more soil than they lose. Of particular interest is the potential role of soil in capturing and retaining carbon to mitigate climate change and increase sustainable production.



Charlie Graham, Sam Robinson (Chairman of AGMARDT until August 2007) and Dean Nakora listening to Kyle Thorburn (standing) give his Market Innovation Challenge presentation

FINANCIAL RESULTS

At balance date our capital and reserves total \$71 million, and our initial capital of \$32 million (set in 1987) has continued to be protected against inflation by setting aside a reserve.

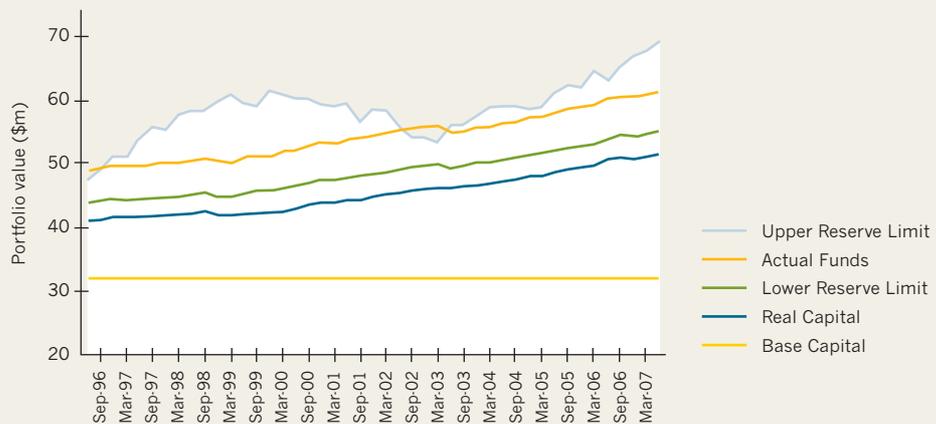
Our equity investments returned 21% but the returns on other investments were not so favourable.

During the year adjustments were made to our investment portfolio, based on advice from Russell Investments Ltd. The new investments involved reallocating funds of \$15.1 million held by ING as New Zealand bonds and deposits: \$6 million was added to our existing investment in Russell Global Bonds, \$3.3 million was invested in Russell Alternative Strategies, \$2.5 million was added to our existing investment in the Russell World Shares Fund, and \$3.3 million was invested with State Street Global Advisers in SSgA Enhanced Dow Jones – AIG Commodities Futures CTF.

The aim of these investments was to place 15% of funds in alternative investments (5% each in global property, hedge funds and commodity futures) and to capitalise our excess reserve of \$6 million.

The investment in the SSgA Enhanced Dow Jones – AIG Commodities Futures CTF proved to be unsound. The indications at the end of the financial year (a 7.16% loss between 30 April and 30 June) were cause for some concern, but the value of the investment plummeted and on 22 November 2007, State Street Global Advisers decided to close and liquidate the Enhanced Dow Jones – AIG Commodities Futures CTF strategy. It is unclear what the extent of our loss through this investment will be, and the value of our other investments has also declined since balance date in line with global market volatility.

**FUND VERSUS RESERVES FOR THE PERIOD
1 JUNE 1996 TO 30 JUNE 2007**



OPERATING PRACTICES

In line with the requirements of our deed, we embrace best practice in the management of our financial portfolio, the distribution of our funds and associated programmes, and the achievement of our mission.

The principles that provide the operational direction and management of our activities include:

- Focusing on tomorrow's global markets and the capability needs for success
- Recognising that ultimately it is the market place where value creation is realised
- Providing a bridge in capability development spanning the market place, producers and technological innovation
- Recognising that user innovation has a rapid rate of adoption
- Appreciating that ideas and creative opportunities come from individuals as well as groups and organisations
- Appreciating that we are a small, virtual and largely outsourced organisation that requires the support of our key stakeholders to operate effectively and efficiently
- Recognising that the independence resulting from our not-for-profit nature allows us to network with agribusiness stakeholders effectively in a unique and productive way
- Acknowledging that providing seed investment with clearly defined entry and leveraged strategies that link to strategic partners is key to making a difference
- Appreciating that appropriately focused programmes well aligned to our strategic objectives (and strategic partners) will have the most significant impact
- Making sound funding decisions that are guided by:
 - Strategic fit and compliance with operating principles, as judged by our Trustees
 - Relevance and quality, as judged by independent expert advisers drawn from stakeholding groups
 - Innovation, as judged by independent expert advisers and our Trustees
- Reviewing the performance of our programmes:
 - Annually in terms of:
 - The funding environment and stakeholder perception of needs
 - The balance and effectiveness of the portfolio
 - Every three years in terms of the strategic direction of the Trust.



PROGRAMMES BUDGETED FOR 2007/08

To deliver our major outcomes of contributing to leadership, capability development and innovation within New Zealand agribusiness, we have eight strategic objectives and six programmes in the coming year. The programmes are outlined here.

AGRIBUSINESS INNOVATION GRANTS (\$1.3 MILLION)

These grants enable groups such as farmers, growers, farm consultants, vets, and research and technology providers to develop and evaluate innovative ideas to a stage where they can be applied or attract other funding for further development or commercialisation.

LEADERSHIP AND CAPABILITY DEVELOPMENT (\$300,000)

This category includes sponsorship of FAME, the National Bank Young Farmer of the Year contest (primarily through a FAME scholarship), the Young Horticulturist of the Year contest and the Network for Women in Dairying. New initiatives are currently being sought in this area.

DOCTORAL SCHOLARSHIPS (\$364,000)

The aim of these scholarships is to enhance New Zealand's capability and capacity in key scientific areas. Four or five PhD candidates will receive a doctoral scholarship to enable them to undertake studies in fields related to agriculture, horticulture or forestry. The term of each grant is three years.

POST-DOCTORAL FELLOWSHIPS (\$1.6 MILLION)

Unlike other fellowships, these allow research supervisors or mentors to apply for funding. If they're successful, the supervisors or mentors can then identify

suitable candidates to do the work – and funding will be provided to the host institution as long as it's clear that fellows will be treated within the spirit of the fellowships.

RESEARCH FELLOWSHIPS (\$200,000)

Up to two fellowships will be granted to researchers in universities or Crown research institutes as a rapid response to emerging issues of national importance.

VISITING FELLOWSHIPS (\$200,000)

Funding will be available for two types of visiting fellowships:

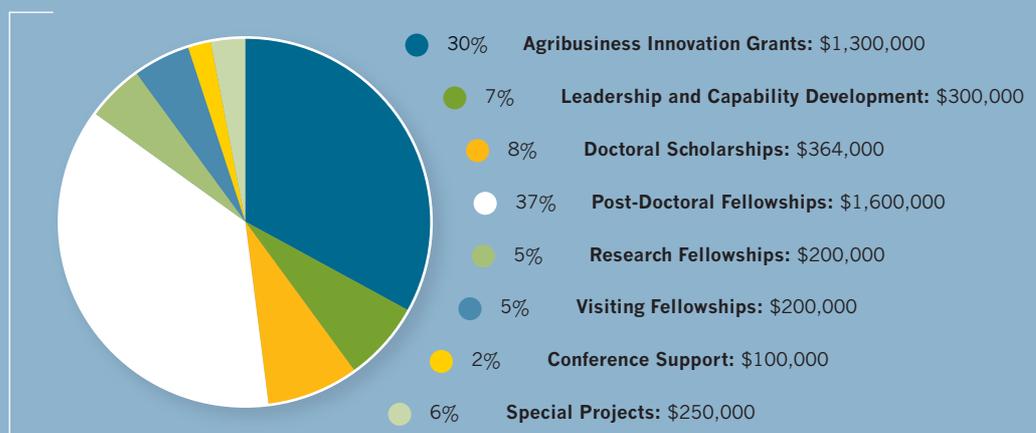
- Distinguished fellowships for internationally renowned experts who are invited to speak at a particular event or for a particular purpose
- Visiting fellowships for those who conduct two or three short visits to New Zealand over 12 to 18 months to look at specific areas of strategic interest to agribusiness.

CONFERENCE SUPPORT (\$100,000)

Conferences are recognised as key forums for industry groups and societies to exchange information and ideas. To enhance their effectiveness, we can provide travel assistance to allow keynote speakers to come to New Zealand for conferences that focus on creating and realising value for domestic food and agribusiness.

SUMMARY OF PROJECTED GRANTS FOR 2007/08

TOTAL GRANTS
\$4,305,000



GRANTS MADE IN 2006/07

We are pleased to present the grants that were awarded in 2006/07.

AGRIBUSINESS INNOVATION GRANTS

- **Organic Dairy Producers Group: \$25,000** (*Grant 20702*). Organic dairy educational courses.
- **High Fecundity High Ewe Loss Group: \$15,000** (*Grant 20704*). Defining links between pasture constituents and ewe flock performance.
- **Gwyneth Verkerk, Dexcel and NEWTEK Agri: \$2,106** (*Grant 20707*). Investigating dairy cow response to stimulation by the NEWTEK pacifier device.
- **Poukawa Research Foundation: \$92,250** (*Grant 20706*). Reducing lamb losses in the New Zealand sheep industry by artificial rearing of at-risk lambs.
- **Tolaga Bay Walnut Company: \$12,181** (*Grant 20711*). Maximising an exotic food opportunity on the East Coast.
- **Kream Ltd: \$120,380** (*Grant 20724*). Trialling fruit and vegetable powders and concentrates from waste streams.
- **New Zealand KiwiBerry Growers Inc: \$54,563** (*Grant 20713*). Kiwiberry crop protection and market access.
- **Wahine Whanau Whenua: \$54,000** (*Grant 20714*). Growing Puha for commercial purposes.
- **New Zealand Nerine Growers Inc: \$42,525** (*Grant 20715*). Establishing innovative breeding techniques for the introduction of novel nerines to industry.
- **New Zealand Export Growers of Orchids: \$34,744** (*Grant 20716*). Improving the quality of cymbidium flowers for export.
- **New Zealand Merino Company, Classer Select (now Fibre Select): \$58,812** (*Grant 20717*). Optimising wool production preparation and classing to maximise wool clip value and farm gate returns.
- **Hawke's Bay Mealy Bug Group: \$14,000** (*Grant 20718*). Identifying the cause of hydrophobic soils in the Hawke's Bay.
- **New Zealand Walnut Industry Group: \$24,750** (*Grant 20727*). Benchmarking the walnut industry for higher profitability.
- **Waihi Farm Unit Research Group: \$17,108** (*Grant 20728*). Investigating low dry-matter in Waihi Hayward kiwifruit orchards.
- **Farming Today: \$60,000** (*Grant 20729*). Producing 20 episodes of the Farming Today television series.
- **Olive Industry: \$6,960** (*Grant 20725*). Assisting the drawing-up of a commodity levy order.
- **AGMARDT Soil Science Initiative: \$300,000** (*Grant 20735*). Investigating ways of building and storing more carbon in agricultural soils as a contribution to mitigating global warming.

LEADERSHIP DEVELOPMENT

- **Waipaoa Station Farm Cadet Training Trust: \$105,000** (*Grant 20731*). Contribution of \$35,000 a year for three years to bridge a gap in funding.
- **FAME (Food and Agribusiness Market Experience) Scholarships: \$84,375** (*Grant 20732*). Debbie Hewitt, Ken Hames, Dean Astill (jointly with Delica Ltd), Te Horipo Karaitiana (jointly with Wairarapa Moana Inc).
- **FAME joint venture with Lincoln, Massey and Otago universities: \$1,200,000** (*Grant 20733*).
- **New Zealand Young Farmers leadership training: \$34,000** (*Grant 20734*).
- **New Zealand Leadership Pathway: \$110,000** (*Grant 20709*).
- **New Zealand Young Farmers Institute of Directors courses: \$3,937** (*Grant 20710*).
- **Network for Women in Dairying Institute of Directors courses: \$51,062** (*Grant 20721*).
- **The National Bank Young Farmer of the Year contest: \$46,750** (*Grant 20712*). Includes a FAME scholarship for the winner of the Market Innovation Challenge.
- **Young Horticulturist of the Year contest: \$40,000** (*Grant 20720*). Contribution to running the contest and provision of prizes for the AGMARDT Market Innovation Challenge competition.
- **James Williams: \$3,000** (*Grant 20730*). Contribution towards his MBA study, Challenging the Status Quo of the Meat Industry.

DOCTORAL SCHOLARSHIPS

- **Lap Ming (Andy) Law** (*Grant 20780*). Characterisation of the odorant binding site of a *Drosophila melanogaster* odorant receptor, University of Auckland.
- **Nicole Woutersen** (*Grant 20781*). Index of soil quality using invertebrates for New Zealand pastoral soils, Massey University.

- **Janice Asing** (*Grant 20782*). Molecular aspects of nitrogen transformation in grazed pastures, Massey University.
- **Natalie Parlane** (*Grant 20783*). Bionanoparticles for delivery of biocontrol agents to possums and vaccines against bovine tuberculosis, AgResearch and Massey University.
- **Mark Robinson** (*Grant 20784*). Investigating the immune response of red deer to Johne's disease, University of Otago.

POST-DOCTORAL FELLOWSHIPS

- **Dr Carolyn Mander** (*Grant 20790*). Improvement of phosphorus availability in pasture by soil inoculation with P solubilising microbes, AgResearch Ltd. Mentor: Dr Maureen O'Callaghan.
- **Dr Sathiyamoorthy Meiyalaghan** (*Grant 20791*). Transfer of late blight resistance genes to potato, Crop and Food Research Ltd. Mentor: Professor Tony Connor.
- **Dr Tehseen Aslam** (*Grant 20792*). Impact of soil organic matter loss on the filtering and buffering capacity of New Zealand soils, HortResearch Ltd. Mentor: Dr Markus Deurer.
- **Dr Jessica Ray** (*Grant 20793*). Soil microbial dynamics and function under urine patches in pasture systems, Lincoln University. This is a one-year fellowship continuing the work started by Dr Kate Orwin who also had a fellowship from us. Mentor: Professor Leo Condron.

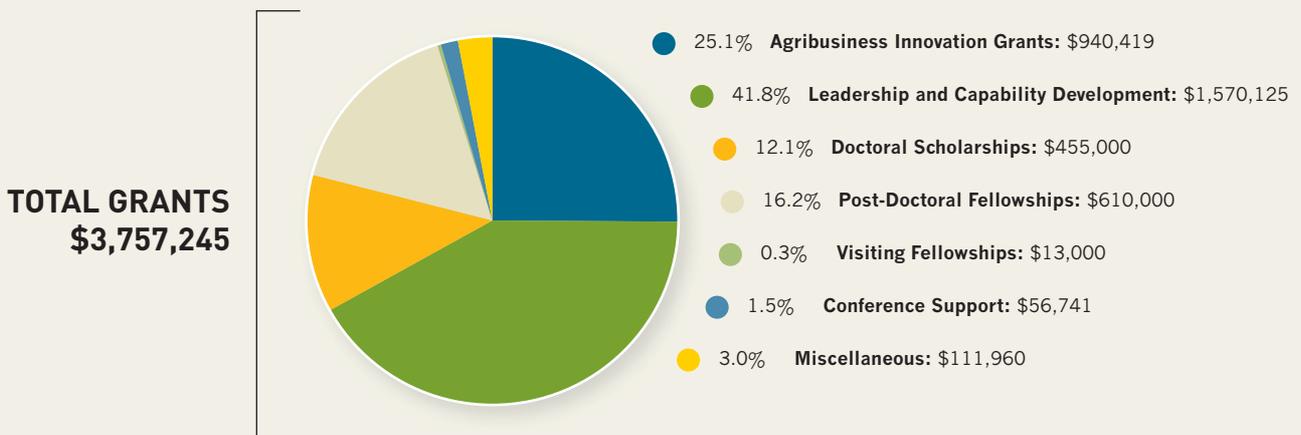
VISITING FELLOWSHIP

- **Professor Ton Baars: \$13,000** (*Grant 20722*). Keynote speaker at the Organics Aotearoa New Zealand Conference.

CONFERENCE SUPPORT

- **Dr Franz Fischler: \$8,500** (*Grant 20701*). Keynote speaker at 13th World Corriedale Conference, Lincoln University.
- **Dr Robert Sojka: \$2,250** (*Grant 20708*). Keynote speaker at the Fertiliser and Lime Research Centre Conference on the topic Designing Sustainable Farms: Critical Aspects of Soil and Water Management.
- **Drs Giovanni Anaia and David Vanzetti: \$6,492** (*Grant 20705*). Keynote speakers at the 2007 Australian Agricultural and Resource Economics Society Conference.
- **Raymond Cesca: \$8,000** (*Grant 20719*). Keynote speaker at the 2007 Horticulture New Zealand Conference.
- **Roger Hitchings: \$6,187** (*Grant 20726*). Keynote speaker at the Organics Aotearoa New Zealand Conference.
- **Roberto Zecca: \$8,437** (*Grant 20723*). Keynote speaker at the Olives New Zealand Annual Conference.
- **Advancing Sheep and Beef Society Annual Conference: \$16,875** (*Grant 20703*). General sponsorship arrangement.

SUMMARY OF GRANTS MADE IN 2006/07



FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Prepared by Curtis McLean Limited
Chartered Accountants
Wellington, New Zealand

| | |
|------------------------------------|----|
| Audit Report | 15 |
| Statement of Financial Performance | 16 |
| Statement of Movements in Equity | 16 |
| Statement of Financial Position | 17 |
| Statement of Cash Flows | 18 |
| Statement of Accounting Policies | 19 |
| Notes to the Financial Statements | 20 |
| Directory | 25 |

AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2007

To readers of AGMARDT's financial statements

The Auditor-General is the auditor of the Agricultural and Marketing Research and Development Trust (the Trust). The Auditor-General has appointed me, JR Smaill, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements included in the annual report of the Trust for the year ended 30 June 2007.

Unqualified Opinion

In our opinion:

- The financial statements of the Trust on pages 16 to 24:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Trust's financial position as at 30 June 2007; and
 - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 23 October 2007, 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 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 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 Board of Trustees and the Auditor

The Board of Trustees is responsible for preparing 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 2007 and the results of its operations and cash flows for the year ended on that date. The Board of Trustees' responsibilities arise from the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance 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 Institute of Chartered Accountants of New Zealand.

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



Jo Smaill

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

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2007

| | Note | 2007 | 2006 |
|---|----------|--------------------|--------------------|
| Income | | | |
| Interest received | | 161,665 | 222,713 |
| Profit on investment portfolio | | 6,176,635 | 5,662,299 |
| Total Income | | 6,338,300 | 5,885,012 |
| Less Expenses | | | |
| Administration costs | | 289,768 | 296,376 |
| Auditor's remuneration | | 15,697 | 16,813 |
| Depreciation | | 1,521 | 981 |
| Investment advice | | 87,120 | 90,579 |
| Programme support and strategy | | – | 5,000 |
| Rent | | 7,428 | 9,614 |
| Trustees' remuneration | 4 | 77,760 | 77,760 |
| | | 479,294 | 497,123 |
| Surplus of income over expenditure before allocation of grants | | 5,859,006 | 5,387,889 |
| Allocation of grants | | | |
| Grants made this year (Accounting Policy 2.4) | 5 | 2,923,827 | 3,144,646 |
| Grants relinquished this year (Accounting Policy 2.4) | 5 | – | (52,212) |
| | | 2,923,827 | 3,092,434 |
| Net surplus for the year | | 2,935,179 | 2,295,455 |
| Accumulated funds | | | |
| Balance of accumulated income at beginning of year | | 3,812,872 | 4,394,050 |
| Transfer to income fluctuation reserve | 3 | – | (820,617) |
| Transfer to capital fund maintenance reserve | 2 | (996,617) | (2,056,016) |
| Accumulated Funds as at 30 June 2007 | | \$5,751,434 | \$3,812,872 |

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

| | Note | 2007 | 2006 |
|----------------------------------|------|---------------------|---------------------|
| Equity as at 1 July | | 63,111,576 | 60,816,121 |
| Net surplus for the year | | 2,935,179 | 2,295,455 |
| Equity as at 30 June 2007 | | \$66,046,755 | \$63,111,576 |

The notes form part of these financial statements and should be read in conjunction with them.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2007

| | Note | 2007 | 2006 |
|------------------------------------|------|---------------------|---------------------|
| Trust funds | | | |
| Capital | | 32,000,000 | 32,000,000 |
| Capital reserves | | | |
| Capital fund maintenance reserve | 2 | 18,827,460 | 17,830,843 |
| Income fluctuation reserve | 3 | 9,467,861 | 9,467,861 |
| Revenue reserves | | | |
| Accumulated income | | 5,751,434 | 3,812,872 |
| Total trust funds | | 66,046,755 | 63,111,576 |
| Cash at bank and call deposit | | 229,404 | 338,448 |
| Total current assets | | 229,404 | 338,448 |
| Less current liabilities | | | |
| Accounts payable and accruals | | 43,811 | 59,614 |
| Provision for grants – current | 5 | 3,542,618 | 2,124,411 |
| Total current liabilities | | 3,586,429 | 2,184,025 |
| | | (3,357,025) | (1,845,577) |
| Investments | 6 | 70,988,339 | 67,396,522 |
| Fixed assets | 7 | 7,052 | 1,935 |
| Provision for grants – non-current | 5 | (1,591,611) | (2,441,304) |
| | | \$66,046,755 | \$63,111,576 |

FOR AND ON BEHALF OF THE BOARD



B Kain
CHAIRMAN



P R Kettle
GENERAL MANAGER

Date: 23 October 2007

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2007

| | Note | 2007 | 2006 |
|---|-----------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Cash was provided from: | | | |
| Interest and dividends received | | 88,298 | 2,055,210 |
| Cash was applied to: | | | |
| Payments to suppliers and employees | | 505,937 | 481,801 |
| Payments for grants | 5 | 2,355,313 | 1,974,836 |
| | | 2,861,250 | 2,456,637 |
| Net cash flows from operating activities | 10 | (2,772,952) | (401,427) |
| Cash flows from investing activities | | | |
| Cash was provided from: | | | |
| Maturity and sale of investments | | 296,891,239 | 145,421,034 |
| Cash was applied to: | | | |
| Purchase of investments | | 305,020,794 | 146,652,722 |
| Purchase of fixed assets | | 6,638 | 372 |
| Net cash flows from investing activities | | (8,136,193) | (1,232,060) |
| Net increase (decrease) in cash held | | (10,909,144) | (1,633,487) |
| Plus opening cash | | 11,155,690 | 12,789,177 |
| Closing cash balance | | \$246,546 | \$11,155,690 |
| Closing cash balance represented by: | | | |
| Cash at bank and call deposit | | 229,405 | 338,448 |
| Fund manager's cash deposits | | 17,141 | – |
| Provision for non-current grants | 5 | – | 10,817,242 |
| | | \$246,546 | \$11,155,690 |

The notes form part of these financial statements and should be read in conjunction with them.

STATEMENT OF ACCOUNTING POLICIES

AS AT 30 JUNE 2007

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. MEASUREMENT SYSTEM

The measurement base adopted for investments is the closing market value for equities and closing market yields for fixed interest investments at balance date. Other assets are recorded at historical cost. Reliance is placed on the fact that the Trust is a going concern.

2. ACCOUNTING POLICIES

The following accounting policies which materially affect the measurement of financial performance and financial position have been applied:

2.1 Asset Valuation

Investments are valued at market value with any resultant increase or decrease over cost or previous market value being reflected in the Statement of Financial Performance. The difference between the capital cost and market value of the investments at balance date is separately disclosed in the Notes to the Financial Statements (Note 6). Physical assets, which comprise office equipment, are recorded at cost less accumulated depreciation. Depreciation is provided on a straight line basis at rates calculated to allocate the cost of an asset, less any estimated residual value, over its estimated useful life. The estimated useful lives of the office equipment and website development are five and two years respectively.

2.2 Income Tax

There is no provision for income tax in these financial statements. Under current legislation, income derived by the Trust, being a registered Charitable Trust, is exempt in terms of section 61 (25) and 61 (27) of the Income Tax Act 2004.

2.3 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.

2.4 Grants

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.

2.5 Allocation of Income

Provisions are included in the Statement of Financial Performance to allocate sufficient income to maintain the real value of the Trust Capital and to account for the transfer to or from the Income Fluctuation Reserve in terms of Note 3.

2.6 Hedging Instruments

The Trust, through its Fund Manager, enters into hedging instruments such as futures, options and forward exchange contracts. These are converted to the New Zealand Dollar rate at balance date with all realised and unrealised gains and losses being recognised in the Statement of Financial Performance.

2.7 Foreign Currencies

Transactions recognised in foreign currencies are translated to New Zealand Dollars at the exchange rate prevailing at the transaction date. All amounts denominated in foreign currencies are converted to New Zealand Dollars at balance date and all realised and unrealised gains and losses are recognised in the Statement of Financial Performance.

2.8 Profit on Investment Portfolio

The profit on the Investment Portfolio in the Statement of Financial Performance includes all realised and unrealised gains and losses. Unrealised gains and losses, being the difference between the capital cost and market value of the assets at balance date, are separately disclosed in the Notes to the Financial Statements (Note 6). The Trust's reserving policy ensures that unrealised gains and losses are excluded from any distribution of income.

2.9 Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Trust invests as part of its day-to-day cash management.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

AS AT 30 JUNE 2007

Operating activities include cash received from all income sources of the Trust and cash payments made for the supply of goods and services.

Investing activities are those activities relating to the Managed Funds and the acquisition and disposal of non-current assets.

2.10 Financial Instruments

The Trust is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, investment portfolio (including equities, bonds and cash), debtors

and creditors. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

3. CHANGES IN ACCOUNTING POLICIES

There have been no changes in the accounting policies since the date of the last audited financial statements. The policies have been applied on a basis consistent with other years.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2007

1. CAPITAL

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. In terms of Clause 4(b), only with the approval of the Minister of Agriculture may any of the capital be applied towards the objects of the Trust.

2. CAPITAL FUND MAINTENANCE RESERVE

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. The policy was changed in the 2007 income year to use the Consumer Price Index rather than the Producer Price Index as this was deemed to be a better reflection of the inflation adjusted position. An amount of \$996,617 (2006: \$2,056,016) has been provided for in the current year.

| | 2007 | 2006 |
|---------------------------------------|---------------------|---------------------|
| Balance 1 July | 17,830,843 | 15,774,827 |
| Transfer from/(to) Accumulated Income | 996,617 | 2,056,016 |
| Balance as at 30 June 2007 | \$18,827,460 | \$17,830,843 |

The notes form part of these financial statements and should be read in conjunction with them.

3. INCOME FLUCTUATION RESERVE

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

| | 2007 | 2006 |
|---------------------------------------|--------------------|--------------------|
| Balance 1 July | 9,467,861 | 8,647,244 |
| Transfer from/(to) accumulated income | | 820,617 |
| Balance as at 30 June 2007 | \$9,467,861 | \$9,467,861 |

4. TRUSTEE REMUNERATION

| Trustee | 2007 | 2006 |
|-----------------------------------|-----------------|-----------------|
| Mr S Robinson | 23,760 | 23,760 |
| Dr W Kain | 18,000 | 18,000 |
| Dr S Martin | 18,000 | 18,000 |
| Mr M Purnell | 18,000 | 18,000 |
| Total trustee remuneration | \$77,760 | \$77,760 |

5. PROVISION FOR GRANTS

| | 2007 | 2006 |
|---|--------------------|--------------------|
| Balance 1 July | 4,565,715 | 3,448,117 |
| Add grant applications approved | 2,923,827 | 3,144,646 |
| | 7,489,542 | 6,592,763 |
| Less grants relinquished | – | (52,212) |
| Less grants paid | (2,355,312) | (1,974,836) |
| Balance as at 30 June 2007 (Note (a)) | \$5,134,230 | \$4,565,715 |
| Comprising grants made in the following years which have not yet been paid out: | | |
| 1997 | 0 | 0 |
| 1999 | 4,000 | 4,000 |
| 2000 | 5,315 | 5,315 |
| 2001 | 12,160 | 31,257 |
| 2002 | 53,893 | 104,259 |
| 2003 | – | 21,700 |
| 2004 | 54,844 | 170,694 |
| 2005 | 722,853 | 1,387,407 |
| 2006 | 1,408,177 | 2,841,083 |
| 2007 | 2,872,988 | – |
| | \$5,134,230 | \$4,565,715 |

5. PROVISION FOR GRANTS (CONTINUED)

| | 2007 | 2006 |
|--|--------------------|--------------------|
| Note (a): Provision for grants comprising: | | |
| Current | 3,542,619 | 2,124,411 |
| Non-current | 1,591,611 | 2,441,304 |
| Total provision for grants | \$5,134,230 | \$4,565,715 |

6. INVESTMENTS

| Managed funds | 2007 | 2006 |
|--|---------------------|---------------------|
| Fixed interest: Domestic | 9,753,723 | 17,488,533 |
| Offshore | 30,604,404 | 17,155,379 |
| Equities: Offshore (Note (a)) | 28,582,692 | 21,874,362 |
| Short term deposits (Note (b)) | 2,047,519 | 10,878,248 |
| Total investments | \$70,988,338 | \$67,396,522 |
| <i>Note (a). Equities:</i> 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. Twenty per cent of the total fund is allocated to managers that focus on New Zealand and Australian shares. | | |
| <i>Note (b). Short term deposits comprising:</i> | | |
| Accrued income | – | 73,367 |
| Outstanding settlements | – | – |
| Management fees | (6,735) | (12,361) |
| Cash on deposit | 2,054,254 | 10,817,242 |
| Total short term deposit | \$2,047,519 | \$10,878,248 |
| <i>Note (c). Unrealised gains/(losses):</i> | | |
| Total investments (market value) | 70,988,338 | 67,396,522 |
| Total investments (capital cost) | 66,177,884 | 64,913,866 |
| Unrealised gains/(losses) | \$4,810,454 | \$2,482,656 |

7. FIXED ASSETS

| | 2007 | 2006 |
|---------------------------------------|----------------|----------------|
| Office equipment | | |
| Cost | 17,081 | 14,042 |
| Less accumulated depreciation | (10,564) | (12,107) |
| Net book value of fixed assets | \$6,517 | \$1,935 |

8. LEASE COMMITMENT

| | 2007 | 2006 |
|--------------------------------------|----------------|-----------------|
| Office lease | | |
| One year | 5,571 | 7,428 |
| One to two years | – | 5,571 |
| Total office lease commitment | \$5,571 | \$12,999 |

9. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

The Trust had a performance guarantee of \$5,000 with the Bank of New Zealand as at 30 June 2007 (2006: \$5,000). There were no financial commitments as at 30 June 2007 other than those referred to in Note 6 (2006: Nil).

10. RECONCILIATION OF NET SURPLUS/(DEFICIT) FOR THE YEAR

With net cash flows from operating activities

| | 2007 | 2006 |
|---|----------------------|--------------------|
| Net surplus/(deficit) for the year | 2,935,179 | 2,295,455 |
| Add (less) non-cash items: | | |
| Change in market value of investments | (6,176,636) | (3,851,266) |
| Depreciation | 1,521 | 981 |
| | (3,075,433) | (3,850,285) |
| | (3,239,936) | (1,554,830) |
| Add (less) movements in working capital items: | | |
| Accounts payable and accruals | (28,163) | 17,421 |
| Accounts receivable | – | 329 |
| Interest receivable | (73,367) | 1,479 |
| Payments in advance | – | 8,540 |
| Managed funds working capital | – | 8,036 |
| Provision for grants made this year | 568,514 | 1,117,598 |
| | 466,984 | 1,153,403 |
| Net cash flows from operating activities | (\$2,772,952) | (\$401,427) |

11. 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. Foreign currency hedges are taken out by the Fund Managers to minimise the 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 values of foreign exchange hedges are not disclosed in the financial statements as they are held in the name of the fund manager and not AGMARDT.

No comparison is provided between the carrying value and estimated fair value of financial instruments due to the carrying value reflecting market price.

| | 2007 | 2006 |
|-----------------------|---------------------|---------------------|
| New Zealand | | |
| Bonds and deposits | 11,801,242 | 28,366,781 |
| Global | | |
| Bonds and deposits | 30,604,404 | 17,155,379 |
| Equities (Note 6 (a)) | 28,582,692 | 21,874,362 |
| Total | 59,187,096 | 39,029,741 |
| Bonds and deposits | 42,405,648 | 45,522,160 |
| Equities | 28,582,692 | 21,874,362 |
| Total | \$70,988,338 | \$67,396,522 |

12. EMPLOYEE REMUNERATION

The number of employees whose total remuneration including benefits was in excess of \$100,000, in \$10,000 bands, is:

| Remuneration band | 2007 | 2006 |
|-------------------|------|------|
| 120 – 129 | 1 | 0 |

13. POST BALANCE DATE EVENTS

There were no post balance date events.



DIRECTORY

BOARD OF TRUSTEES

Mr Samuel Robinson (Chairman)

Dr William Kain

Dr Sandra Martin

Mr Max Purnell

MANAGEMENT

Dr Peter Kettle

General Manager

TRUST OFFICE

5th Floor, Axon House

1 Willeston Street

Wellington

Tel (04) 499 6173

PO Box 25207

Panama Street

Wellington

Fax (04) 472 8620

INVESTMENT ADVISER

Russell Investment Group Ltd

AUDITOR

Audit New Zealand

on behalf of the Auditor-General

BANKERS

Bank of New Zealand

SOLICITORS

Izard Weston



AGMARDT

THE AGRICULTURAL AND MARKETING
RESEARCH AND DEVELOPMENT TRUST