



THE AGRICULTURAL AND MARKETING
RESEARCH AND DEVELOPMENT TRUST

2011/2012

Annual Report



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ABOUT AGMARDT

Our role in Agribusiness

The Agricultural and Marketing Research and Development Trust (AGMARDT) invests around \$2.5 million per year towards developing world-class capacity and capability within the agricultural, horticultural and forestry sectors of New Zealand.

AGMARDT has three strategic priorities which include:

1. Enabling agribusiness to integrate with customers in the marketplace;
2. Encouraging and supporting innovative solutions in agribusiness value chains; and
3. Supporting future leaders and governance programmes for agribusiness

AGMARDT is independent

AGMARDT is an independent, not-for-profit trust that was established by the Government in 1987 with funds of \$32 million, which came from the wind-up of the British, Christmas Island and New Zealand Phosphate Commissions.

Since its inception, AGMARDT has provided grants and funding to the New Zealand agribusiness sectors of more than \$60 million.

For the financial year under review, AGMARDT's total asset base stands at \$70.36 million.

THE CHAIRMAN AND GENERAL MANAGER'S REPORT

During the 2011/2012 Financial Year, the Trustees developed and launched their new funding programmes increasing the range of grants available to New Zealand agribusiness.

Strategic Priorities

AGMARDT's three year strategic plan came into effect on 1 July 2011. Under the plan our three key strategic priorities include:

1. Encouraging agribusiness to integrate with customers in the marketplace;
2. Encouraging and supporting innovative solutions in agribusiness value chains; and
3. Supporting future leaders and governance programmes for agribusiness.

During the year the Trustees reviewed the funding programmes. This resulted in the development and the launch of the In-Market Grant programme aimed at supporting businesses and industry groups to expand their market knowledge and integrate more closely with key markets. The In-Market Grant programme expands upon AGMARDT's existing suite of programmes by focusing further up the supply chain into the marketplace.

AGMARDT Investments

An important part of the Trustees' role is to maintain responsibility for AGMARDT's funds and to ensure we can continue to fund programmes that benefit the New Zealand agribusiness community.

Last year the Trustees appointed JANA Investment Advisers as its implemented investment consultant. In February 2012 we completed transition arrangements of our global assets from Russell Investments to JANA Investment Advisers and Harbour Asset Management.

Following the appointment of JANA Investment Advisers, the Trustees completed a review of AGMARDT's investment objectives and agreed to shift its strategic asset allocation to 60% growth assets, from 40%. While this move may result in increased volatility of returns, it is expected to result in higher returns in the longer term.

As of 30 June 2012, AGMARDT's net asset base increased to \$68.5 million from \$67.4 million reported for the same period last year. Our investment return at the end of June was 4.6%, marginally behind the benchmark indices of 4.9% which is a reasonable result given all of the uncertainty in world financial markets during the year.

In the year ahead we expect volatility in international financial markets to continue on concerns over European and the United States fiscal issues and slowing economic growth in China.

AGMARDT's investments are well diversified across a range of asset classes and regions. In addition, the fund maintains a sufficient level of liquidity and current investments to ensure the fund has flexibility to respond to market volatility and to take advantage of opportunities that become available. The Trustees current strategy is to follow fundamental investment principles and not position the portfolio for particular policy developments which are highly uncertain in nature.

Funding programmes

During the year AGMARDT made 40 grants worth \$1.54 million, down from \$2.04 million made across 42 grants awarded in the previous year. Some of the highlights follow.

AGMARDT's In-Market Grant programme was launched in April 2012 and is designed to support businesses and industry groups to gain a deeper understanding of their customers and to exploit potential opportunities in the marketplace. We are pleased to report that the New Zealand Primary Sector Boot Camp was the first project to receive an In-Market Grant. We expect the uptake of grants under this programme to increase as it becomes more widely known within the agribusiness community.

AGMARDT made eight grants worth \$201,998 under its Leadership Awards programme during the year. This year AGMARDT sponsored the Nuffield Scholarship Trust for the first time. We are also very encouraged with the development of Federated Farmers leadership programmes, and have agreed to fund a newly developed level 3 programme called 'Advocacy and Influence in Action'. We also continue to sponsor the National Bank

Young Farmers Contest, and the Young Horticulturist of the Year Competition in the development of the leadership capabilities of young people in the agricultural and horticultural sectors respectively.

Our Agribusiness Innovation Grant programme continues to be well received by applicants in providing opportunities to pursue 'on the edge' ideas that can help transform a business or industry. During the year we made grants of \$1.21 million across four activities including Agribusiness Innovation Grants, Postdoctoral Fellowships, Visiting Fellowships and Conference Support.

More information on AGMARDT's programmes and the grants made for the year under review are included in the following sections of this Annual Report.

Trust Deed

During the year the Trustees reviewed AGMARDT's Trust Deed. A number of amendments were made based on recommendations from the Charities Commission and to bring the deed in line with best practice.

Acknowledgements

We would like to thank the Trustees for their guidance over the year. We also wish to congratulate our Associate Board Member, Nathan Flowerday, on being elected to the Zespri Board of Directors.

On behalf of the Trustees and management we have great pleasure in presenting our 2011/12 Annual Report.



Jeff Grant
Chairman



Stephen Macaulay
General Manager

Special note

Our General Manager Stephen Macaulay resigned from AGMARDT in October 2012 after four and a half years in the role. Stephen was instrumental in establishing operational and management policies for the organisation following the financial crisis in 2008. He also greatly assisted the Trustees in the development and implementation of AGMARDT's new strategic plan in expanding the range of grants available to applicants further up the value chain. On behalf of the AGMARDT Board of Trustees, we wish to thank Stephen for his contribution to AGMARDT and wish him well in the future.

Jeff Grant



PROGRAMMES



IN-MARKET GRANTS

Objective: Encouraging agribusiness to integrate with customers in the marketplace

The future of New Zealand agribusiness needs to be based on companies being forward integrated into customer markets. AGMARDT's In-Market Grants have been designed to support businesses and industry groups to:

- Gain greater knowledge and understanding of the marketplace;
- Develop deeper relationships with their customers;

- Successfully integrate into key markets; and
- Undertake market research and development

To enable businesses and industry groups to gain a deeper understanding of their markets and exploit potential opportunities that may exist, grants of up to \$250,000 are available on a matching cash basis to successful applicants.

Project title: the New Zealand Primary Sector Boot Camp (Grant 1280)

The first recipient of an In-Market Grant was made to facilitate the New Zealand Primary Sector Boot Camp.

The week-long Boot Camp was held in August 2012 at Stanford University's campus in Silicon Valley, California. This private sector-led chief executive forum was designed to unlock the global potential of New Zealand's primary sector through collaboration and stronger strategic alignment in order to leverage the country's competitive advantage on a global scale.

The Boot Camp was run by Stanford University faculty members and external global business leaders providing their unparalleled experience in the fields of business strategy, business execution and leadership. This included presentations by Kevin Roberts (CEO Worldwide, Saatchi and Saatchi), Tim Brown (CEO and President of IDEO) and Jeremy Moon (CEO Icebreaker).

The Boot Camp was attended by 24 chief executives from the New Zealand primary sector. Key outcomes identified by participants were to look at greater collaboration to enable enterprises to move up the value chain, to develop talent and technology, and creating brand New Zealand strategy.



Kevin Roberts presents to Boot Camp participants



AGRIBUSINESS INNOVATION GRANTS

Objective: Encourage and support innovative solutions in agribusiness value chains

AGMARDT Agribusiness Innovation Grants encourage and support industry sectors and businesses to develop and implement innovative solutions to transform agribusiness value chains. Under this programme grants are awarded under the following activities: Agribusiness Innovation Grants; Postdoctoral Fellowships; Visiting Fellowships; and Conference Support.

ACTIVITIES

Agribusiness Innovation Grants

AGMARDT provides seed funding for businesses and industry groups of up to \$150,000 to develop and evaluate innovative ideas to a stage where they can attract other funding for further development through to commercialisation. AGMARDT awarded sixteen Agribusiness Innovation Grants totalling \$557,888 in the year.

Agribusiness Innovation Grants provide applicants an opportunity to pursue 'on the edge' ideas that can help transform a business or industry, and speed up

innovation to respond quickly to opportunities that are driven by new ideas or insight arising from the marketplace.

AGMARDT also considers areas where funding support could help address capability gaps or issues impacting upon industry sectors.

During the year the Trustees decided to actively invest in the bee industry given its critical importance to the agricultural, horticultural and arable sectors of New Zealand. We held two forums to develop an understanding of the challenges and opportunities that exist within the bee industry to determine whether there was a role for AGMARDT to help facilitate positive change within that industry. From these forums, AGMARDT funded four projects worth \$146,136 in the current year, and have committed funding of around \$65,000 in the next financial year.

In the 2011/12 year we invested in sixteen projects covering a diverse range of stakeholder groups and industries. A full list of funded projects is contained on page 10.



Project title: Better Betta Bees (Grant 1221)

Honeybees are among the most economically important insects on earth, yet are suffering in New Zealand from a variety of pests and diseases. To ensure that selective breeding programmes for honeybees are able to produce bees better able to cope with these challenges, the University of Otago, with AGMARDT support, has been developing new genetic tools to manage inbreeding and to find genetic markers that help increase resistance to disease.

The team has developed a genetic test that allows breeders to monitor and manage inbreeding. The test has been used to assess inbreeding in a selective breeding programme managed by Betta Bees Research Ltd. Betta Bees is a commercial selective breeder of bees aiming to produce high value breeding stock for New Zealand's conditions. The test has enabled Betta Bees to minimise inbreeding in its operations and is now available to other bee breeders.

Project leader, Associate Professor Peter Dearden, comments "As Betta Bees stock has been extensively examined for commercial and disease resistance traits, it is a fantastic resource for geneticists. This project is a unique combination of the synergies between the bee industry and the skills of geneticists at the University of Otago. By working together we hope to develop the tools that the whole industry can use to ensure the honeybee continues to play an important part in our economy well into the future."

The AGMARDT project has provided a platform from which the University of Otago team has been able to also search for genes associated with hygienic behaviour, a trait associated with Varroa mite tolerance, and for bees demonstrating superior pollination performance. Associate Professor Dearden notes "AGMARDT support has been fantastic to enable the team to deliver practical tools that will help future proof the honeybee industry and the pollination-dependent industries that are so reliant on it"

Project Title: Why is NZ honey failing sugar adulteration test? (Grant 1234)

New Zealand export honey has been failing a commonly used international test to detect C4 sugar adulteration (with cane sugar and corn syrup), even though the honey is genuine. This has significantly reduced market access for honey exported to key markets such as China, Europe and USA as any products which fail this test are refused entry. Of greater concern is that honey exporters with genuine product which has 'failed' this test have been black-listed and publically named and shamed for selling 'adulterated' honey.

Dr Karyne Rogers, a senior scientist from GNS Science has responded to the challenge of understanding why unadulterated honey is failing the sugar test. She is investigating how widespread the problem is and seeks to recommend alternative testing methods which can reliably detect C4 sugar in New Zealand honey to international testing authorities. With the support of AGMARDT and key honey industry members, Dr Rogers is working through the issue of false positive fails to determine which honeys typically fail and why.

Initial results show that up to one third of honey destined for export markets gives a false positive fail, which equates to around \$30-40 million of honey that can be needlessly rejected from the international market. Although there have historically been false positive C4 sugar fails occurring in honey, more rigorous testing of foodstuffs now occurs in international markets due to increasing global food fraud.

Dr Rogers is making good progress with her investigation, identifying the honeys affected and issues behind the false positive fails thanks to the AGMARDT funding. Combined with industry support, AGMARDT funding will enable her not only to solve the testing issues in the laboratory, but also take time to communicate the problem and solutions back to the honey industry and bee keepers, as well as the international testing and regulatory community to gain acceptance and understanding of the false positive fails and retain market access.

Research programmes

AGMARDT provides funding to New Zealand based research providers and agribusiness entities to explore opportunities to undertake leading edge research that can transform New Zealand agribusiness.

Postdoctoral Fellowships

AGMARDT's Postdoctoral Fellowships build research capabilities within New Zealand's science community in new and expanding areas of research. During the year we received 16 applications for two Postdoctoral Fellowship positions. All applications were of a very high standard, making the decision to award fellowships very difficult. Postdoctoral Fellowships were awarded in:

- Novel approaches to enhance the value of New Zealand beef – optimising proteolytic enzyme activities to maximise ageing potential of intermediate pH bull beef; and
- Lowering glycaemic impact and improving bowel health through dietary fibre – the role of cell wall structures in potato.

Visiting Fellowships

AGMARDT's Visiting Fellowships enable visits by recognised international experts to New Zealand to share their global expertise with researchers, farmers, industry groups and commercial entities involved in agribusiness.

Visiting Fellows usually come to New Zealand for two to three short visits over 12-18 months to look at a specific area of strategic interest to agribusiness and the scientific community.

During the year AGMARDT funded Visiting Fellows provided advice and direction on:

- Innovative and sustainable tools for pest management of horticultural pests established in New Zealand;
- Psyllid taxonomy and biology to assist in diagnostic capability of native and introduced psyllids species in New Zealand during a weeklong workshop;
- Innovation and sustainable tools for management of European canker in New Zealand apple orchards; and
- Utilisation of dairy complex lipids by the intestinal microbiota using SIP (stable isotope probing) technology.

Conference Support

AGMARDT provides funding assistance for businesses or industry groups to bring international keynote speakers and experts to New Zealand to facilitate the early adoption of innovative ideas and improved business practices.

AGMARDT provided funding of \$55,937 under our conference support programme. This programme helped industry groups and other organisations bring 12 international speakers to New Zealand during the year.

This year we funded a diverse range of speakers across different sectors within the agribusiness community. A full list of Conference Support Grants is contained on page 11.



LEADERSHIP AWARDS

Objective: Supporting future leaders and governance programmes for agribusiness

AGMARDT investments under its Leadership Awards programme totalled \$201,998 during the 2011/12 year.

The Trustees support initiatives that develop future leaders and improve the leadership and governance skills of individuals involved in New Zealand agribusiness under the following activities:

1. **AGMARDT Leadership Awards:** Provides individuals funding assistance to participate in leadership programmes that enhance their leadership or governance skills and assist them to realise their potential.
2. **Leadership development and governance programmes:** Provides funding assistance to organisations to develop and deliver leadership and governance programmes to participants involved in New Zealand agribusiness.

During the year, AGMARDT made eight grants under its Leadership Awards programme which include some of the following.

Nuffield Scholarship Trust

AGMARDT became a sponsor of the Nuffield Scholarship Trust for the first time this year. The Nuffield Scholarship Trust has an outstanding record in developing future leaders within the agribusiness community with over 130 scholarships awarded over the past 60 years.

We are very supportive of the Nuffield Scholarship Trust's new strategic direction and their aspirations to increase the number of scholarships available to motivated and talented individuals, with five scholarships being awarded in 2013. This presents a great opportunity for emerging leaders to develop their understanding of agribusiness in a global context and be involved in a dynamic and extensive network group of past scholars.



[L-R: Richard Fitzgerald, Michael Tayler, Sandra Faulkner (2012 scholars) & Stuart Wright (Nuffield International Chairman)]

The 2012 National Bank Young Farmer Contest

The Trustees congratulate Michael Lilley from the Tasman Region on winning the 2012 National Bank Young Farmer Contest. Michael also won the AGMARDT Agribusiness Challenge in which he received a career development package worth \$15,000 in addition to his first place prize package.

We continue to be impressed with the professionalism of those involved in organising one of New Zealand's iconic events.



AGMARDT Chairman Jeff Grant with Young Farmer Contest winner Michael Lilley.

AGMARDT Agribusiness Breakfast

As part of our involvement in the National Bank Young Farmer Contest, we sponsored the AGMARDT Agribusiness Breakfast. This year the theme was '*License to Operate: a regulatory barrier or market opportunity?*'. In setting the theme we wanted to raise awareness within the farming community of an issue that is going to attract increasing attention in the years ahead.

Our guest speakers included Dr Andrew West the Vice-Chancellor of Lincoln University, Bryce Johnson, Chief Executive of Fish & Game New Zealand, Federated Farmers Dairy Chairperson Willy Leferink, and Sealord's Chief Executive Graham Stuart.

Young Horticulturist of the Year Competition



The 2011 Young Horticulturist of the Year Winner, Ben Smith of Turners and Growers.

The Young Horticulturist of the Year Competition has an important role in developing future young leaders across the spectrum of the horticultural sectors involved in the competition. Our sponsorship is directed to the AGMARDT Market Innovation Challenge in which all contestants complete a comprehensive business plan for a product or service within the horticultural sector. The Trustees wish to congratulate the 2011 Young Horticulturist of the Year Winner, Ben Smith of Turners and Growers.

Federated Farmers of New Zealand

AGMARDT has funded a number of leadership programmes delivered by Federated Farmers for developing the leadership capability of its members in recent years. During the year the Trustees awarded a grant for a new level 3 leadership programme being developed by Federated Farmers called 'Advocacy and Influence in Action'.

We are very supportive of this new programme which will help provide participants with the tools to deal with the regulatory agencies and other stakeholders on the wide range of issues impacting upon the farming community.

AGMARDT Awards

AGMARDT sponsored the following awards recognising excellence in communication and science within the agribusiness community:

- The *AGMARDT Agribusiness Award*, coordinated through the New Zealand Guild of Agricultural Journalists and Communicators, recognises high quality information and effective analysis of national, global and other external agribusiness factors. The 2012 Award was won by Hugh Stringleman of the Farmers Weekly for the second year running.
- The *AGMARDT Technology Transfer Award* is organised through the New Zealand Institute of Agricultural and Horticultural Science Inc and recognises achievement and excellence in technology transfer in agriculture. The 2012 AGMARDT Technology Transfer Award was presented to Mr Shane Max, Orchard Productivity Manager – Global Supply and Kiwifruit Vine Health Technical Advisor – Spray Products at Zespri for his outstanding work on PSA.

Grants made for the year ending June 2012

IN-MARKET GRANTS

The Merino New Zealand Company: \$132,650
(Grant 1280) The New Zealand Primary Sector Boot Camp

AGRIBUSINESS INNOVATION GRANTS

Pipfruit New Zealand: \$35,000
(Grant 1220) Assessing the impact of R&D: The case for Apple Futures

Betta Bees Interest Group: \$47,000
(Grant 1221) Better Betta Bees

Federated Farmers of New Zealand: \$6,000
(Grant 1222) Bruce Wills and Conor English attendance at international forums

Farmer Leptospirosis Action Group: \$60,000
(Grant 1223) Economic effect of leptospirosis in sheep and cattle

Bee Forums: \$5,000
(Grant 1224) AGMARDT initiated meeting of bee industry representatives at two forums

NZ Farm Forestry Association: \$12,000
(Grant 1225) Testing of structural properties for specialty timber species

Farmour: \$17,500
(Grant 1226) Stockmans Armour Technology

FMR Group Ltd/NZ Winegrowers: \$61,252
(Grant 1227) Recycling vineyard sprayer benefit verification program

NZ Avocado Industry Council: \$25,000
(Grant 1229) Reaching out to Europe

NZ Citrus Growers: \$10,000
(Grant 1230) International Citrus Conference

AgResearch: \$20,000
(Grant 1231) Anti-fungal milk proteins for plant disease control

Neal Wallace: \$60,000
(Grant 1232) Social History Book on the impact of Rogernomics on NZ Agriculture

National Beekeeper Association: \$5,000
(Grant 1233) Survey of varroa resistance to synthetic controls

Honey Adulteration Testing Team: \$89,136
(Grant 1234) Why is NZ honey failing sugar adulteration test?

NZ Alpine & Ag Encounter Centre: \$20,000
(Grant 1235) Development of Education Materials

Loan granted during the year

Inventory Applications Limited: \$85,000
(Loan 1228) iFarmer - EID/RFID

POSTDOCTORAL FELLOWSHIPS

Dr Prabhu Balan: \$285,000
(Grant 1290) Topic: Novel approaches to enhance the value of New Zealand beef – optimising proteolytic enzyme activities to maximise ageing potential of intermediate pH bull beef.
Mentor: Dr Brad Kim of AgResearch Ltd

Dr Jovyn Kye Tyng Ng: \$285,000
(Grant 1291) Topic: Lowering glycaemic impact and improving bowel health through dietary fibre – the role of cell wall structures in potato.
Mentor: Dr John Munro of New Zealand Institute for Plant and Food Research Ltd

VISITING FELLOWSHIPS

Dr Willem Jan de Kogel: \$4,700
(Grant 1270) Plant Research International, Netherlands.
Area: Innovative and sustainable tools for pest management of horticultural pests established in New Zealand.
Host: John Reid, Etec Crop Solutions

Dr Daniel Burckhardt: \$5,000
(Grant 1271) Naturhistorisches Museum, Switzerland.
Area: Week long workshop in psyllid taxonomy and biology to assist in diagnostic capability of native and introduced psyllids species in New Zealand
Host: Declan Graham, The New Zealand Institute for Plant and Food Research Ltd

Dr Bart Heijne: \$6,300
 (Grant 1272) Wageningen, Netherlands.
 Area: Innovation and sustainable tools for management of European canker in New Zealand apple orchards.
 Host: Declan Graham, The New Zealand Institute for Plant and Food Research Ltd

Prof Dr Markus Egert: \$10,580
 (Grant 1273) Furtwangen University, Germany
 Area: Utilisation of dairy complex lipids by the intestinal microbiota using SIP (stable isotope probing) technology.
 Host: Rodrigo Bibiloni, AgResearch Limited

CONFERENCE SUPPORT

Prof Richard Glennon: \$6,600
 (Grant 1200) Lecture tour organised by the New Zealand Institute for Plant and Food Research Ltd

Dr Dale Walters: \$3,870
 (Grant 1201) 64th Annual Conference for the New Zealand Plant Protection Society (Inc)

Twyford Irrigators Workshops: \$5,000
 (Grant 1202) Organised by the Hawkes Bay Regional Council

Dr Raphael Viscarra Rossel: \$2,300
 (Grant 1203) 25th Annual Workshop held by the Fertilizer and Lime Research Centre

Dr Robert Nielsen: \$8,000
 (Grant 1204) Foundation for Arable Research 2012 Conference

Dr Richard Baker: \$7,091
 (Grant 1205) Assessing and managing risk of biosecurity threats associated with entry pathway workshops organised by the New Zealand Institute for Plant and Food Research Ltd

Torkil Clausen, Eduardo Araral and Isobel van der Stoep: \$9,580
 (Grant 1206) 2012 Irrigation New Zealand Conference

Jack Wilkinson: \$3,700
 (Grant 1207) NZ Association for the Study of Co-operatives and Mutuals 2012 Conference

Dr Charlie Rush & Dr Jim Crosslin: \$7,800
 (Grant 1208) Psyllid 2012: Tomato Potato Psyllid in New Zealand Conference organised by Potatoes New Zealand

Dr Rob Bramley: \$1,996
 (Grant 1209) 2012 Annual LandWISE Conference

LEADERSHIP AWARDS

Nuffield Scholarship Trust: \$97,750
 (Grant 1250) Sponsorship of Nuffield Scholarship 2012

AGMARDT Awards \$4,498
 (Grant 1251) Includes AGMARDT Agribusiness Award, coordinated through the New Zealand Guild of Agricultural Journalists and Communicators, and the AGMARDT Technology Transfer Award organised by the New Zealand Institute of Agricultural & Horticultural Science Inc

FAME Scholarships: \$15,000
 (Grant 1252) Jessie Chan and Hilton Collier

Agri-Women's Development Trust: \$17,250
 (Grant 1253) Escalator Programme

Royal NZ Institute of Horticulture Education Trust: \$33,000
 (Grant 1254) Sponsorship of the 2012 Young Horticulturist of the Year Competition

Federated Famers of New Zealand: \$34,500
 (Grant 1255) Sponsorship of Federated Famers Leadership Development Programmes 'Shinning under the spotlight' and 'Advocacy and Influence in Action'

Summary of Grants made 2010/12	Grant amount
Agribusiness Innovation Grants	\$557,888
Leadership and Capability Development	\$201,998
In-Market Grants	\$132,650
Postdoctoral fellowships	\$570,000
Visiting Fellowships	\$26,580
Conference Support	\$55,937
Total	1,545,053

Funds Performance for the year ending 30 June 2012

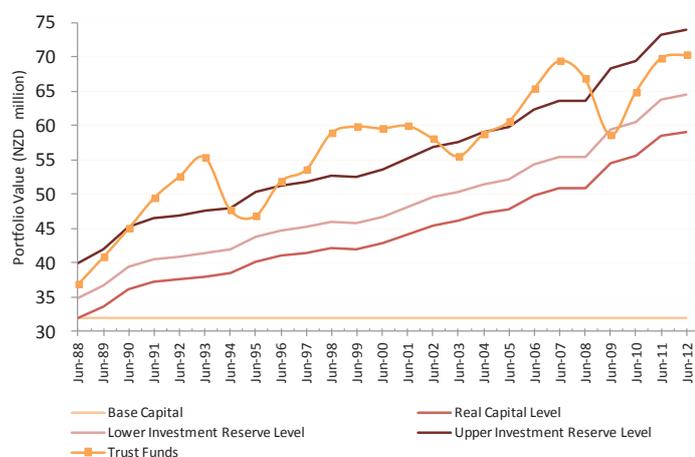
AGMARDT's investment fund enjoyed a further year of growth for the financial year ending June 2012. The fund returned 4.6% for the year against a benchmark performance of 4.9% over the same period. This is a reasonable result given all of the uncertainty in world markets caused by the European banking crisis.

Asset class contribution was mixed during the period. Fixed interest and property investments performed well, while equities performed poorly on a relative basis for the year. The portfolio benefitted from allocating away from equities in favour of property toward the end of the financial year. The ability for active managers to generate returns in the equity market was hampered by the elevated level of policy uncertainty and the resulting volatile nature of equity market performance.

Despite the elevated level of market volatility and the mixed asset class contribution over the year, AGMARDT's Funds remain in excess of the Real Capital level of \$59.0 million (\$32 million base capital adjusted by inflation) and the lower Reserving Limit of \$64 million.

The chart below illustrates that the total Capital and Reserves (represented in the chart below as AGMARDT's Funds) totalled \$70.4 million as at 30 June 2012, up from \$69.8 million at the end of June 2011.

AGMARDT's Real Capital Level and Trust Funds



While returns on investments over the last three years have helped to restore reserves to positive levels, the uncertain economic backdrop continues to be a feature in how the Trustees determine its future investment strategy in the short to medium term.

Investment Strategy

Following an extensive review of the investment strategy, the Trustees approved the following Investment Objective for AGMARDT in July 2011.

"grow the capital of the Trust in real terms over a seven year period, after providing for a minimum return of [CPI] + 4% per annum (after fees, and measured over the seven-year period), with moderate volatility of returns."

Following the review, the Trustees adopted a long term target Strategic Asset Allocation (SAA) of 60% to growth assets and 40% allocation to income assets. In response to the increased volatility in markets, the Trustees also adopted an interim SAA of 50% to each of growth and income assets. Strategic Asset Allocation and Asset Weightings Summary as at 30 June 2012 is highlighted in the following table.

Asset Allocation as at June 2012	Interim Asset Allocation %	Actual Allocation %
Growth Assets		
• Global equities	30	32.8
• New Zealand equities	10	9.7
• Property	<u>10</u>	<u>10</u>
	50	53
Income Assets		
• International fixed interest (hedged to NZD)	30	26.4
• New Zealand fixed interest	15	15.5
• Defensive Alternative assets	<u>5</u>	<u>5</u>
	50	47

AGMARDT's investment managers at the end of the year were JANA Investment Advisers, Harbour Asset Management and OnePath.

Over recent months, global growth expectations have again been revised lower as European austerity programmes and problems in the banking sectors of several Eurozone countries flow through to weaker demand and increased investor risk aversion. Emerging world growth is also decelerating as weaker European demand for exports combines with slowing Chinese demand.

Given this backdrop, Trustees have adopted an approach of cautiously increasing exposure to growth assets, as opportunities arise and in a cost efficient way.

SUMMARY FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2012

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Prepared by
Curtis McLean Limited
Chartered Accountants
Wellington NZ

The following are summary financial statements. For full audited financial statements see www.agmardt.org.nz

STATEMENT OF RESPONSIBILITY

For the Year Ended 30th June 2012

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.

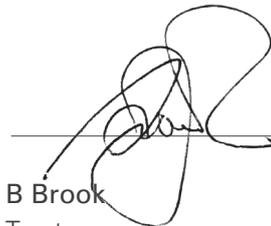
The Board of the Trust has the responsibility for establishing, and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these Financial Statements fairly reflect the financial position and operations of the Trust for the year ended 30 June 2012.

For and on Behalf of the Board



J Grant
Chairman



B Brook
Trustee

Date 31 October 2012

The Notes form part of these Financial Statements and should be read in conjunction with them.

Agricultural and Marketing Research and Development Trust's summary financial statements for the year ended 30 June 2012

We have audited the summary financial statements as set out on pages 16 to 20, which were derived from the audited financial statements of the Agricultural and Marketing Research and Development Trust (the Trust) for the year ended 30 June 2012 on which we expressed an unmodified audit opinion in our report dated 31 October 2012.

The summary financial statements comprise the summary statement of financial position as at 30 June 2012, and summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended 30 June 2012.

Opinion

In our opinion, the information reported in the summary financial statements complies with FRS-43: *Summary Financial Statements* and is consistent in all material respects with the audited financial statements from which they have been derived.

Basis of opinion

The audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand).

The summary financial statements and the audited financial statements from which they were derived do not reflect the effects of events that occurred subsequent to our report dated 31 October 2012 on the audited financial statements.

The summary financial statements do not contain all the disclosures required for audited financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Trust.

Responsibilities of the Trustees and the Auditor

The Trustees are responsible for preparing the summary financial statements in accordance with FRS-43: *Summary Financial Statements*. We are responsible for expressing an opinion on those statements, based on the procedures required by the Auditor-General's auditing standards including International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Trust.



Phil Kennerley
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
31 October 2012

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30th June 2012

	2012	2011
Income		
Interest Income	19,686	12,530
Changes in Fair Value of Investment Portfolio	3,330,390	7,022,888
Investment Rebates	157,107	331,103
Foreign Currency Gain (Loss)	(541,261)	-
Total Income	<u>2,965,922</u>	<u>7,366,521</u>
Less Expenses		
Other Expenses	181,101	119,811
Auditors Remuneration -Accounts	18,860	20,102
Depreciation	2,186	1,130
Electricity Expenses	1,083	1,009
Investment Advice	74,030	89,424
Personnel Costs	149,112	150,251
Professional Fees	2,241	9,286
Rent & Accommodation	24,572	24,589
Trustees' Remuneration	77,760	77,760
	<u>530,945</u>	<u>493,362</u>
Surplus (Deficit) of Income over Expenditure before Allocation of Grants	2,434,977	6,873,159
Net grants allocated this year	1,420,038	1,687,689
Net Surplus (Deficit) for the year	<u>\$1,014,939</u>	<u>\$5,185,470</u>
Other Comprehensive Income	-	-
Total Comprehensive Income for the Year	<u>\$1,014,939</u>	<u>\$5,185,470</u>

The Notes form part of these Financial Statements and should be read in conjunction with them.

SUMMARY STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30th June 2012

	2012	2011
Equity as at 1 July 2011		
Capital	32,000,000	32,000,000
Capital Maintenance Fund	26,522,257	23,576,692
Income Fluctuation Reserve	-	6,724,658
Accumulated Income /(Deficit)	8,964,563	-
	\$67,486,820	\$62,301,350
Transfers From Statement of Comprehensive Income		
Capital Maintenance Fund	585,223	2,945,565
Income Fluctuation Reserve	-	(6,724,658)
Accumulated Income/(Deficit)	429,716	8,964,563
Total Comprehensive Income	\$1,014,939	\$5,185,470
Equity as at 30 June 2012		
Capital	32,000,000	32,000,000
Capital Maintenance Fund	27,107,480	26,522,257
Accumulated Income/(Deficit)	9,394,279	8,964,563
	\$68,501,759	\$67,486,820

The Notes form part of these Financial Statements and should be read in conjunction with them.

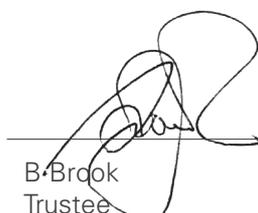
SUMMARY STATEMENT OF FINANCIAL POSITION

As at 30th June 2012

	2012	2011
Trust Funds		
Capital	32,000,000	32,000,000
Capital Maintenance Fund	<u>27,107,480</u>	<u>26,522,257</u>
	59,107,480	58,522,257
Revenue Reserves		
Accumulated Income (Deficit)	<u>9,394,279</u>	<u>8,964,563</u>
	9,394,279	8,964,563
Total Trust Funds	<u>\$68,501,759</u>	<u>\$67,486,820</u>
Represented By:		
Current Assets		
Cash and cash equivalents	490,131	66,657
Debtors and Other Receivables	<u>108,745</u>	<u>41,491</u>
Total Current Assets	598,876	108,148
Investments - Current	60,180,039	31,481,087
Less Current Liabilities:		
Creditors and other payables	194,478	196,742
Employee Entitlements	16,999	11,885
Grants Provision - Current	<u>1,709,461</u>	<u>1,538,441</u>
Total Current Liabilities	<u>1,920,938</u>	<u>1,747,068</u>
	58,857,977	29,842,167
Grant Loans Asset - Non - Current	60,710	82,730
Investments - Non - Current	10,181,855	38,326,537
Property, Plant and Equipment	6,876	2,173
Less Grants Provision-Non Current	<u>605,659</u>	<u>766,787</u>
	\$68,501,759	\$67,486,820

For and on Behalf of the Board


 J Grant
 Chairman


 B Brook
 Trustee

31 October 2012
 Date

The Notes form part of these Financial Statements and should be read in conjunction with them.

SUMMARY STATEMENT OF CASH FLOWS

For the Year Ended 30th June 2012

	2012	2011
Cash Flows from Operating Activities		
Cash was provided from:		
Interest Income	19,686	12,530
Realised Gain on Investment	69,472	-
Investment Rebate	157,107	331,103
	246,265	343,633
Cash was Applied To:		
Payments to Suppliers and Employees	527,504	596,364
Foreign Exchange Loss	2,109,451	-
Payments for Grants	1,410,146	1,763,395
	4,047,101	2,359,759
Net Cash from Operating Activities	(3,800,836)	(2,016,126)
Cash Flows from Investing Activities		
Cash was Provided from:		
Maturity and sale of investments	60,049,055	3,536,575
Loans repaid	41,365	-
Sale of Fixed Assets	-	169
	60,090,420	3,536,744
Cash was applied to:		
Loaned issues	85,000	124,221
Purchase of Investments	55,774,221	1,831,103
Purchase of Fixed Assets	6,889	519
	55,866,110	1,955,843
Net Cash from Investing Activities	4,224,310	1,580,901
Net Increase (Decrease) in Cash and Cash Equivalents	423,474	(435,225)
Cash and cash equivalents at beginning of year	66,657	501,882
Closing Cash Balance	\$490,131	\$66,657

The Notes form part of these Financial Statements and should be read in conjunction with them.

SUMMARY OF ACCOUNTING POLICIES

As at 30th June 2012

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 ultimate parent is the New Zealand Crown.

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 2012, and were approved by the Board on 31 October 2012

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).

These financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities and they comply with NZ IFRS.

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.

Full Financial Statements

This summary has been extracted from the full financial statements that received an unqualified audit opinion.

This summary cannot be expected to provide as complete an understanding of the Trust's financial performance and position as the complete financial statements.

A copy of the full audited financial statements for the Trust is available from the Trust's Wellington Office - see the directory on page 8 or visit www.agmardt.org.nz.

AGMARDT TRUST DIRECTORY

BOARD OF TRUSTEES

Mr Jeff Grant (Chairman)
Prof. Jacqueline Rowarth
Mr Barry Brook
Mr Dean Nikora

MANAGEMENT

Stephen Macaulay
(General Manager)

TRUST OFFICE

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Wellington

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Wellington 6146

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Fax (04) 472 8620

INVESTMENT ADVISER

Jana Investment Advisers Pty Limited

AUDITOR

Audit New Zealand
on behalf of the Auditor-General

BANKERS

ASB Bank limited
Bank of New Zealand limited

SOLICITORS

Bruce Corkill QC
Macalister Mazengarb

CHARITABLE NUMBER

CC20167

www.agmardt.org.nz