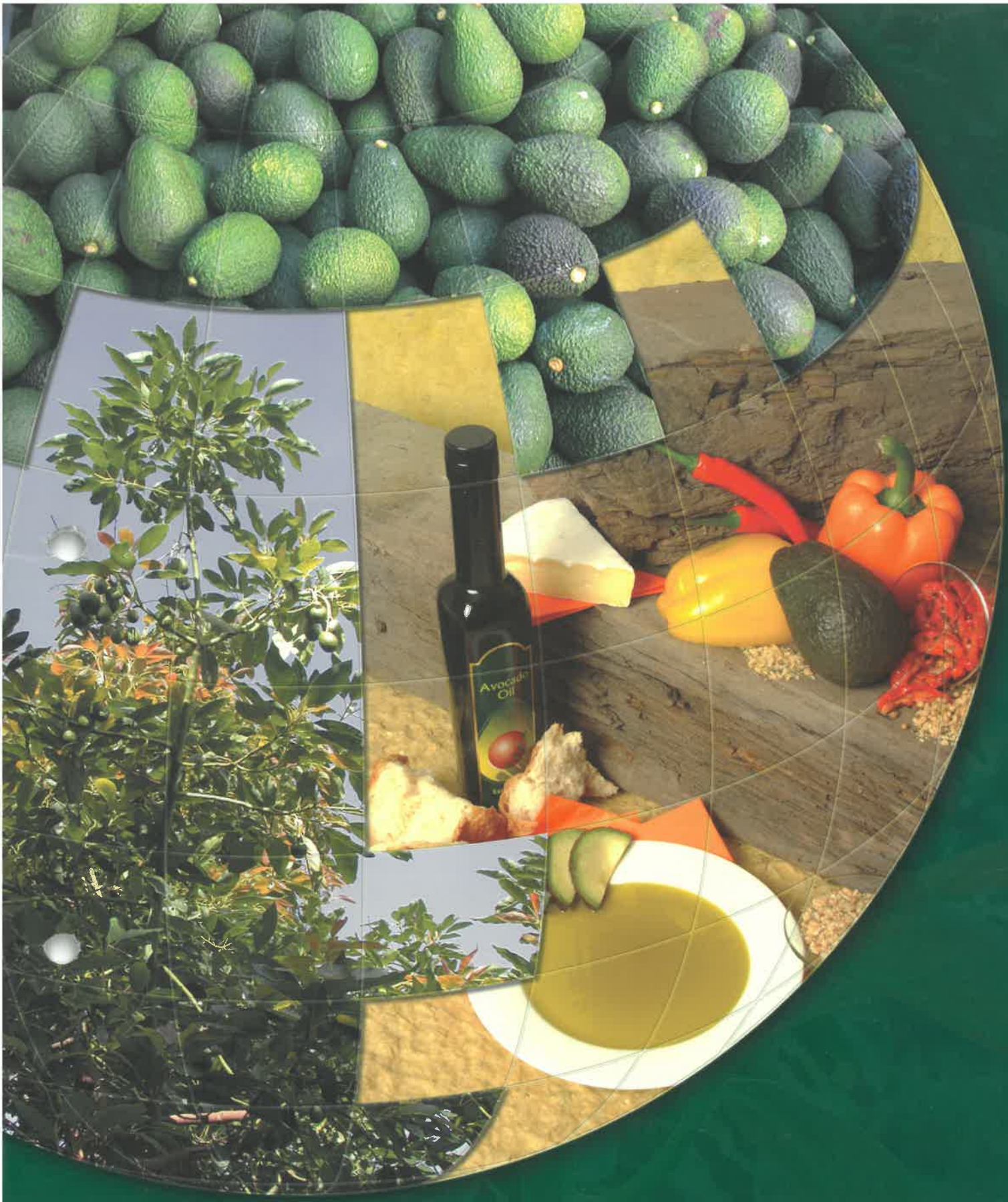

2003
Annual Report

AGMARDT

The Agricultural and Marketing
Research and Development Trust

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Annual Report 2003

The Minister of Agriculture
Parliament Buildings
WELLINGTON

Dear Sir

We have the honour to transmit to you the Annual Report of The Agricultural and Marketing Research and Development Trust for the year ended 30 June 2003.

This Annual Report has been prepared pursuant to Clause 17 of the Deed of Trust dated 20 October 1987.

Yours faithfully

A D Betts
For the Board of Trustees

Statement of Objectives

The Trust was settled by the Crown in terms of a Trust Deed dated 20 October 1987, which sets out the objects of the Trust. The Trustees, having considered the Trust Deed and the role of the Trust, have determined the following Statement of Objectives:

To promote and encourage in New Zealand's interest the agricultural, pastoral, horticultural and forestry industries through:

- Improved marketing and, where there are market opportunities, increased production;
- Development of existing and new products;
- Greater efficiency in production, processing and distribution;
- Research in relation to these objectives;
- The training of individuals towards appropriate advanced expertise in these industries;
- The collection and dissemination of information arising from any research undertaken in pursuance of the foregoing objectives.

Trustees' Report

The Board of Trustees is pleased to report on the activities of AGMARDT for the year ended 30 June 2003.

Financial Results:

The Trustees in consultation with their investment advisers, Russell Investment Group Ltd, have closely managed the fund's investments through the past 24 months of share market turmoil. After sustaining a negative return in the prior year, the Trustees are pleased to report that AGMARDT generated a positive return of 3.5% for the financial year, with strong returns from fixed interest markets dampened by a further fall in global equity markets. The Trust generated returns of 12% and 14.7% from its New Zealand and global fixed interest investments respectively, but was affected by the almost 20% fall in global equity markets (in New Zealand dollar terms).

Throughout the year over 65% of the Trust's assets were invested in the low risk fixed interest and cash sectors. In addition 100% of the Trust's global fixed interest assets and 50% of its global equities were hedged against currency movements so that the 18% rise in the New Zealand dollar versus the US dollar over the year had relatively little impact. During the year the Trustees slightly reduced the risk profile of the portfolio in response to a decline in the reserves.

The portfolio remains well diversified across all asset classes and continues to be structured to achieve the best returns given the Trust's risk constraints. A prudent level of reserves is held to allow AGMARDT to continue the provision of grants when investment returns are low.

Since the Trust's inception in 1987 the real value of the initial capital of $32m has been maintained by adjusting for inflation so that at current year-end trust capital and reserves total $56m. In the intervening period the fund has dispersed between $2m and $3m per year into appropriate programmes and initiatives aligned to the objectives of the Trust Deed.

Programmes:

In recognition of the difficult investment conditions and in an endeavour to maintain the fund's base, the Trustees have acted prudently in allocating grants to various qualifying activities.

For the year under review actual grant expenditure was $1.7m. This was distributed by way of grants through the following programmes:

- Fellowships and Scholarships 82%
- Progressive Farming Grants 11%
- Industry Support 5%
- Conferences and Sponsorships 2%

The programmes are reviewed in September each year and any suggested modifications from the agriculture sector, or initiatives from the Trustees and their expert advisers are considered at that time.

Education Programmes:
During the course of the year AGMARDT awarded five doctoral scholarships and three postdoctoral fellowships. The quality of applicants for these was extremely high which, whilst encouraging for New Zealand agricultural science, presented the Trustees and advisers with a difficult selection choice.

In the current year AGMARDT established its first Visiting Professorial Fellow, Dr Steven Sonka, a renowned agribusiness academic from Illinois University. Since an earlier visit, both Dr Sonka and AGMARDT Trustees have been networking with appropriate agribusiness companies and institutes to establish some new programme initiatives, particularly in the supply chain area, that can be developed either through or in conjunction with the visiting fellow.

Young Farmer Contest:
After six years as a principal co-sponsor along with Wrightson, AGMARDT has withdrawn from this position within the competition. The contribution that AGMARDT provided in terms of the enhancement of the theoretical content of the competition will be taken up and continued under a new format. AGMARDT will be looking to link some of its initiatives in agribusiness supply chain studies back into the theory content of the contest.

Progressive Farming:
In the year under review the drop off in number and quality of applications has demonstrated to Trustees that the Ministry of Agriculture and Forestry Sustainable Farming Fund initiative has replaced this earlier AGMARDT programme. In the coming year the Trustees will consider merging this area with Industry Support into a new programme that links market-driven innovation back to on-farm initiatives.

Trustees:
There have been no changes in Trustees over the last year.

Outlook:
Trustees have perceived that there is a growing gap in New Zealand agribusiness' understanding of the downstream end of the international supply chain. Further, as funding for many of the AGMARDT programmes is also available from other sources, a refocusing of the AGMARDT grants criteria and areas of activity is warranted.

To this end, new programme initiatives will be published in the coming months. The focus of these will be responding to the opportunity to enhance New Zealand agribusiness' understanding and participation in the downstream area of the international supply chain.

Appendix to the Trustees' Report

Grants 2002-2003

Grant No.	*Grantee*	*Project Title*	*Grant $*
20301	Postdoctoral Fellowship Extension: Dr Stephanie Bluett	The effect of a novel endophyte on dairy cow health and performance	70,000
20302	Taupo Lake Care	The development of an economic model for the Lake Taupo Catchment	33,750
20303	Hawke's Bay Chilean Needle Grass Group	An integrated weed management approach to the control of Chilean needle grass in Hawke's Bay	3,000
20304	New Zealand Farm Forestry Association	New Zealand Farm Forestry Association Conference 2003	5,000
20305	Ms Nichola Harcourt	Overseas Conference Support: Annual Scientific Meeting of the Australasian Society for Immunology	2,222
20306	Ms Anna Fitzgerald	Overseas Conference Support: 8th International Congress of Plant Pathology	1,845
20307	Auckland Vegetable & Produce Growers Society	An information bank for Auckland region greenhouse growers	17,850
20308	Foundation for Arable Research	2nd New Zealand Maize Conference - Breaking the Yield Barrier	3,000
20309	Network for Women in Dairying	Network for Women in Dairying - the next steps	60,000
20310	Ms Lorna McNaughton	Overseas Conference Support: British Society of Animal Science Annual Meeting	3,000
20311	Velexco Limited	To establish a grower company to increase velvet antler profitability	24,300
20312	LandWISE	Integration of GPS technologies into cropping practices	13,030
20313	Blackcurrants New Zealand Limited	Control of currant clearwing	20,000
20314	Life Sciences Network	Biopharming Symposium	1,900
20315	Canterbury Organic Onion Growers	Integrated weed management in onion	51,000
20316	Hawke's Bay Climate Change Adaptation Group	Adapting to climate change in eastern New Zealand	25,000
20317	Ms Sarah Hunger	Overseas Conference Support: 7th International Congress of Plant Molecular Biology	3,000
20318	Dr Steven Sonka	Visiting Professorial Fellowship in Food, Marketing and Agribusiness	111,933
20319	Lincoln University	Visiting Professorial Fellowship Support	119,498
20320	Agribusiness New Zealand	Agribusiness New Zealand Foundation Action Plan	5,000
20321	Australia and New Zealand Council for the Care of Animals in Research and Teaching	ANZCCART 2003 Conference	1,688
20322	Sciarid Fly Control Project Group	Biological control of sciarid flies for the nursery industry	17,513
20323	Mr Matthew Galbraith	Overseas Conference Support: XIX International Congress of Genetics	2,500

Grant No.	*Grantee*	*Project Title*	*Grant $*
20324	Mr Timothy Carlton	Overseas Conference Support: 14th International Congress for Nitrogen Fixation	3,000
20325	Mr Ryan Sherriff	Overseas Conference Support: INFORMS Annual Meeting	3,000
20326	New Zealand Institute of Agricultural Science and Society for Horticultural Science	Forum 2003 - Fifty Years On	6,500
20380	Doctorate: Catia Delmiglio	The role of native grasses as a source of cereal viruses and their vectors	91,000
20381	Doctorate: Moyra Komen	The biochemistry of GIGANTEA: a circadian clock-controlled regulator of photoperiodic flowering in plants	91,000
20382	Doctorate: Annamaria Mills	Water use and extraction of established perennial species in monocultures and mixed pastures	91,000
20383	Doctorate: Solis Norton	Aerosol vaccination of wild brushtail possums	91,000
20384	Doctorate: Kara Swanson	Investigation into the innate immune response in the bovine mammary gland	91,000
20390	Postdoctoral Fellowship: Dr Rainer Hofmann	Improvement of stress tolerance in white clover using comprehensive metabolite analysis	140,000
20391	Postdoctoral Fellowship: Dr John Scott	Fertiliser use efficiency and the influence of soil type and management on the relationship between soil P and C dynamics	140,000
20392	Postdoctoral Fellowship: Dr Anne Dooley	Multiple criteria decision making: assisting decision makers to resolve conflicting goals	140,000
	Increase in stipend for current Postdoctoral Fellows		25,834
	Increase in stipend for current Doctoral Scholars		161,000
Total Grants made and provided			**$1,670,363**

Statement of Responsibility

for the year ended 30 June 2003

In terms of Section 42 of the Public Finance Act 1989, we certify that:

1. We have been responsible for the preparation of these financial statements and the judgement used therein; and,

2. We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and,

3. We are of the opinion that these financial statements fairly reflect the financial position as at 30 June 2003 and the results of operations for the year ended on that date.

On behalf of the Trust

A D Betts
Chairman

S M Christie
Secretary Manager

15 October 2003

Report of the Auditor-General

to the readers of the financial statements of The Agricultural and Marketing Research and Development Trust for the year ended 30 June 2003

We have audited the financial statements on pages 8 to 17. The financial statements provide information about the past financial performance of The Agricultural and Marketing Research and Development Trust and its financial position as at 30 June 2003. This information is stated in accordance with the accounting policies set out on pages 12 to 13.

Responsibilities of the Board of Trustees

The Public Finance Act 1989 requires the Board to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of The Agricultural and Marketing Research and Development Trust as at 30 June 2003 and the results of its operations and cash flows for the year ended on that date.

Auditor's Responsibilities

Section 15 of the Public Audit Act 2001 and Section 43(1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Board. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed J R Smaill, of Audit New Zealand, to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial statements; and
- whether the accounting policies are appropriate to The Agricultural and Marketing Research and Development Trust's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in The Agricultural and Marketing Research and Development Trust.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of The Agricultural and Marketing Research and Development Trust on pages 8 to 17:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - The Agricultural and Marketing Research and Development Trust's financial position as at 30 June 2003; and
  - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 15 October 2003 and our unqualified opinion is expressed as at that date.

J R Smaill
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Audit New Zealand
AUDIT AND ASSURANCE SERVICES

Statement of Financial Performance

for the year ended 30 June 2003

	2003 Actual	2003 Budget	2002 Actual
Income			
Interest earned on short term investments	**217,591**	**234,000**	251,865
Profit/(Loss) on Investment Portfolio *(Note 4)*	**2,091,850**	**3,310,000**	(1,417,999)
	2,309,441	**3,544,000**	(1,166,134)
Less Expenses			
Administration costs	**249,640**	**259,500**	201,371
Audit fee	**10,125**	**10,000**	10,124
Depreciation - office equipment	**4,147**	**5,000**	4,303
Portfolio investment advice	**40,343**	**42,000**	41,242
Portfolio management fees	**150,308**	**155,000**	159,544
Rental of premises	**13,300**	**13,500**	13,301
Trustees' remuneration *(Note 5)*	**77,760**	**78,000**	77,760
	545,623	**563,000**	507,645
Surplus/(Deficit) of Income over Expenditure before Allocation of Grants	**1,763,818**	**2,981,000**	(1,673,779)
Allocation of Grants			
Grants made this year *(Accounting policy 2.4, Notes 4 and 6)*	**1,670,363**	**1,920,000**	2,027,923
Grants relinquished this year *(Accounting policy 2.4, Note 6)*	**(176,125)**	**-**	(165,435)
	1,494,238	**1,920,000**	1,862,488
Net Surplus/(Deficit) for the year	**269,580**	**1,061,000**	(3,536,267)
Balance of Accumulated Income at beginning of year	**-**	**-**	2,277,032
Transfer to Income Fluctuation Reserve *(Note 3)*	**(269,580)**	**(161,000)**	2,333,351
Transfer to Capital Fund Maintenance Reserve *(Note 2)*	**-**	**(900,000)**	(1,074,116)
Balance of Accumulated Income at end of year	**$0**	**$0**	$0

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

Statement of Movements in Equity

for the year ended 30 June 2003

	2003 Actual	**2003 Budget**	2002 Actual
Equity as at 1 July	**55,622,231**	**55,622,231**	59,158,498
Net Surplus/(Deficit) for the year	**269,580**	**1,061,000**	(3,536,267)
Total recognised revenues and expenses	**269,580**	**1,061,000**	(3,536,267)
Equity as at 30 June	**$55,891,811**	**$56,683,231**	$55,622,231

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

Statement of Financial Position

as at 30 June 2003

	2003 Actual	2003 Budget	2002 Actual
Trust Funds			
Capital *(Note 1)*	**32,000,000**	**32,000,000**	32,000,000
Capital Reserves			
Capital Fund Maintenance Reserve *(Note 2)*	**15,774,827**	**16,674,827**	15,774,827
Income Fluctuation Reserve *(Note 3)*	**8,116,984**	**8,008,404**	7,847,404
Revenue Reserves			
Accumulated Income	**-**	**-**	-
Total Trust Funds	**$55,891,811**	**$56,683,231**	$55,622,231
Represented by:			
Current Assets			
Cash at bank and call deposit	**375,406**	**359,525**	360,028
Interest receivable	**48**	**-**	148
Government advance	**16,318**	**-**	18,839
Payments in advance	**3,223**	**-**	-
Total Current Assets	**394,995**	**359,525**	379,015
Less Current Liabilities			
Accounts payable and accruals	**45,687**	**30,000**	31,057
Provision for Current Grants *(Notes 4 and 6)*	**2,445,401**	**2,318,572**	2,796,508
Provision for Water Studies Grants *(Note 7)*	**110,954**	**-**	413,433
Total Current Liabilities	**2,602,042**	**2,348,572**	3,240,998
Working Capital	**(2,207,047)**	**(1,989,047)**	(2,861,983)
Investments *(Notes 4 and 8)*	**59,026,011**	**59,825,598**	59,740,598
Fixed Assets *(Note 9)*	**5,261**	**5,966**	4,966
Non-Current Liabilities			
Provision for Non-Current Grants *(Notes 4 and 6)*	**(932,414)**	**(1,159,286)**	(1,261,350)
Net Assets	**$55,891,811**	**$56,683,231**	$55,622,231

On behalf of the Trust Board

A D Betts
Chairman
15 October 2003

S M Christie
Secretary Manager

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

Statement of Cash Flows

for the year ended 30 June 2003

	2003 Actual	2003 Budget	2002 Actual
Cash Flows from Operating Activities			
Cash was provided from:			
Interest and dividends received	**1,635,476**	**2,136,000**	2,154,207
Cash was applied to:			
Payments to suppliers and employees	**536,580**	**558,908**	511,943
Payments for Grants *(Notes 6 and 7)*	**2,476,760**	**2,913,434**	3,069,412
	3,013,340	**3,472,342**	3,581,355
Net cash flows from operating activities *(Note 12)*	**(1,377,864)**	**(1,336,342)**	(1,427,148)
Cash Flows from Investing Activities			
Cash was provided from:			
Maturity and sale of investments	**41,823,409**	**40,149,000**	17,912,470
Cash was applied to:			
Purchase of investments	**46,370,469**	**45,400,000**	21,790,173
Reimbursable grant payment	**(2,521)**	**(18,839)**	9,012
Purchase of fixed assets	**4,443**	**6,000**	-
	46,372,391	**45,387,161**	21,799,185
Net cash flows from investing activities	**(4,548,982)**	**(5,238,161)**	(3,886,715)
Net increase/(decrease) in cash held	**(5,926,846)**	**(6,574,503)**	(5,313,863)
Plus opening cash	**20,636,005**	**20,636,005**	25,949,868
Closing cash balance	**$14,709,159**	**$14,061,502**	$20,636,005
Closing cash balance represented by:			
Cash at bank and call deposit	**375,406**	**359,525**	360,028
Fund Manager's cash deposits *(Note 8 (a))*	**14,333,753**	**13,701,977**	20,275,977
	$14,709,159	**$14,061,502**	$20,636,005

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

Statement of Accounting Policies

for the year ended 30 June 2003

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 Section 41 of 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 30 June 2003. 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 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 8). 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 life of the office equipment is 5 years.

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 1976.

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 Allocations 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 8). The Trust's Reserving Policy ensures that unrealised gains and losses are excluded from any distributions 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.

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.

2.11 Budget Figures
The budget figures are those approved by the Trustees at the beginning of the financial year.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Trustees for the preparation of the financial statements.

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

for the year ended 30 June 2003

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 Producers Price Index. Due to a change in policy in the 2000 income year to use the Producers Price Index rather than the Consumers Price Index, the Trust Capital has been maintained by more than the inflation rate to the extent of approximately $2.6m. At their meeting in April 2003 the Trustees resolved that no further transfers will be made to the Capital Fund Maintenance Reserve until the inflation-adjusted position based on using the Producers Price Index since the inception of the Trust has been attained. Accordingly an amount of $Nil (2002: $1,074,116) has been provided for in the current year.

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. The net surplus for the year has been transferred from the Accumulated Income Reserve to the Income Fluctuation Reserve. In terms of the Trust's reserving policy, the Income Fluctuation Reserve is approaching the Upper Reserving Limit.

	2003	2002
Balance 1 July 2002	**7,847,404**	10,180,755
Transfer from/(to) Accumulated Income	**269,580**	(2,333,351)
Balance 30 June 2003	**$8,116,984**	$7,847,404

4. Profit on Investment Portfolio

The strong returns from fixed interest markets were dampened by a further fall in global equity markets which resulted in actual income being below that budgeted for the year. Because of the downturn in investment income, the Trustees acted prudently in the allocation of grants and approved less than budgeted.

5. Trustee Remuneration

Trustee		
Mr A Betts	**23,760**	23,760
Dr W Kain	**18,000**	18,000
Dr S Martin	**18,000**	18,000
Mr S Robinson	**18,000**	18,000
Total Trustee Remuneration	**$77,760**	$77,760

6. Provision for Grants

Balance 1 July 2002	**4,057,858**	4,810,769
Add grant applications approved	**1,670,363**	2,027,923
	5,728,221	6,838,692
Less grants relinquished	**(176,125)**	(165,434)
Less grants paid and accrued	**(2,174,281)**	(2,615,400)
Balance 30 June 2003 *(Note (a))*	**$3,377,815**	$4,057,858

	2003	2002
Comprising grants made in the following years which have not yet been paid out:		
1997	**1,034**	13,534
1998	**-**	67,171
1999	**102,040**	154,222
2000	**366,446**	1,127,141
2001	**608,945**	1,102,585
2002	**997,335**	1,593,205
2003	**1,302,015**	-
	$3,377,815	$4,057,858

Note (a): Provision for Grants comprising:		
Current	**2,445,401**	2,796,508
Non-Current	**932,414**	1,261,350
Total Provision for Grants	**$3,377,815**	$4,057,858

7. Provision for Water Studies Grants

Balance 1 July 2002	**413,433**	867,445
Less grants paid	**(302,479)**	(454,012)
Balance 30 June 2003	**$110,954**	$413,433

The Provision for Water Studies Grants reflects the Trust's share of the joint programme funded equally by Government and the Trust.

8. Investments

Managed Funds			
Fixed Interest:	Domestic	**15,089,218**	10,344,544
	Offshore	**12,370,420**	10,297,141
Equities:	Domestic	**4,273,720**	4,473,075
	Offshore	**12,906,639**	14,211,105
Short Term Deposits (Note (a))		**14,386,014**	20,414,733
Total Investments		**$59,026,011**	$59,740,598

Note (a). Short Term Deposits comprising:		
Debtors	**89,668**	179,797
Creditors	**(37,407)**	(41,041)
Cash	**14,333,753**	20,275,977
Total Short Term Deposits	**$14,386,014**	$20,414,733

Note (b). Unrealised Gains/(Losses):		
Total Investments (Market Value)	**59,026,011**	59,740,598
Total Investments (Capital Cost)	**63,674,503**	62,512,088
Unrealised Gains/(Losses)	**($4,648,492)**	($2,771,490)

Note (c). Face Value of Financial Instruments:

The face value of financial instruments entered into in relation to offshore equities and bonds not recognised in the financial statements is $18,593,602 (2002: $16,810,529).

	2003	2002
9. *Fixed Assets*		
Office equipment		
Cost	**34,407**	33,332
Less accumulated depreciation	**(29,146)**	(28,366)
Net Book Value of Fixed Assets	**$5,261**	$4,966

10. Lease Commitment

There were no lease commitments under operating leases as at 30 June 2003 (2002: Nil).

11. Contingent Liabilities and Financial Commitments

The Trust had a performance guarantee of $5,000 with the Bank of New Zealand as at 30 June 2003 (2002: $5,000). There were no financial commitments as at 30 June 2003 other than those referred to in Notes 6 and 7 (2002: Nil).

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

	2003 Actual	2003 Budget	2002 Actual
Net Surplus/(Deficit) for the year	**269,580**	**1,061,000**	(3,536,267)
Add (less) non-cash items:			
Change in market value of investments	**(577,375)**	**(1,408,000)**	3,134,827
Depreciation	**4,147**	**5,000**	4,303
	(573,228)	**(1,403,000)**	3,139,130
	(303,648)	**(342,000)**	(397,137)
Add (less) movements in working capital items:			
Accounts payable and accruals	**14,630**	**(1,057)**	2,785
Interest receivable	**100**	**148**	4
Payments in advance	**(3,223)**	**-**	4,743
Managed Funds working capital	**(103,201)**	**-**	169,380
Provision for Grants made this year	**(982,522)**	**(993,433)**	(1,206,923)
	(1,074,216)	**(994,342)**	(1,030,011)
Net cash flow from operating activities	**($1,377,864)**	**($1,336,342)**	($1,427,148)

13. Financial Instruments

The financial instruments are subject to the normal market risks associated with markets in which they are traded. However there is no credit risk relating to the Fund Manager or the Custodian 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 Manager to minimise the exposure to exchange fluctuations. The Offshore Fixed Interest Portfolio is fully hedged back to the New Zealand dollar and the Offshore Equities Portfolio is 50% hedged. The maximum deviation from the neutral exposure for both portfolios is +/- 5%.

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

	2003	2002
New Zealand		
Bonds and Deposits	**29,475,232**	30,759,277
Equities	**4,273,720**	4,473,075
	33,748,952	35,232,352

	2003	2002
Global		
Bonds and Deposits	**12,370,420**	10,297,141
Equities	**12,906,639**	14,211,105
	25,277,059	24,508,246
Total		
Bonds and Deposits	**41,845,652**	41,056,418
Equities	**17,180,359**	18,684,180
	$59,026,011	$59,740,598

14. Employee Remuneration

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

Remuneration Band	2003	2002
110 - 119	**1**	1

15. Post Balance Date Events

There were no post balance date events.

Directory

Board of Trustees

Mr Alistair Betts (Chairman)
Dr William Kain
Dr Sandra Martin
Mr Samuel Robinson

Management

Mrs Susan Christie
Secretary Manager

Trust office

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Investment adviser

Russell Investment Group Ltd

Auditor

Audit New Zealand
on behalf of the Auditor-General

Bankers

Bank of New Zealand

Solicitors

Bell Gully

AGMARDT

The Agricultural and Marketing
Research and Development Trust