

AGMARDT
Financial Statements
For the Year Ended 30th June 2009

Prepared by

Curtis McLean Limited
Chartered Accountants
Wellington NZ

AGMARDT
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For the Year Ended 30th June 2009

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AGMARDT
Statement of Responsibility
For the Year Ended 30th June 2009

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

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

In the Board's opinion, these financial statements fairly reflect the financial position and operations of the Trust for the year ended 30 June 2009.

For and on Behalf of the Board

W M Kain

W M Kain
Chairman

M Purnell

M Purnell
Trustee

30 October 2009 Date

AGMARDT
Audit Report
For the Year Ended 30th June 2009

TO BE SUPPLIED BY AUDIT NZ

AGMARDT
Statement of Financial Performance
For the Year Ended 30th June 2009

	Note	2009	2008
Income			
Interest Income		85,429	64,662
Gain (Loss) on Investment Portfolio	2	(3,391,721)	(4,050,784)
Investment Fee Rebates		270,387	348,008
Other Income		-	897,910
		(3,035,905)	(2,740,204)
Total Income			
 Less Expenses			
Other Expenses	4	278,089	375,697
Auditors Remuneration - Accounts		16,240	18,784
Auditors Remuneration - NZIFRS Transition		-	6,750
Depreciation		531	555
Electricity Expenses		798	-
Investment Advice		61,060	61,248
Personnel Costs	3	130,254	114,185
Rent & Accommodation		19,702	37,983
Trustees' Remuneration	16	77,760	76,260
		584,434	691,462
 Surplus (Deficit) of Income over Expenditure before Allocation of Grants			
		(3,620,339)	(3,431,666)
Net grants allocated this year	8	2,121,997	1,587,246
		(\$5,742,336)	(\$5,018,912)
Net Surplus (Deficit) for the year			

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Statement of Changes in Equity
For the Year Ended 30th June 2009

	2009	2008
Equity as at 1 July	61,021,683	66,040,595
Amounts Recognised Directly in Equity	-	-
Net Surplus (Deficit) for the year	<u>(5,742,336)</u>	<u>(5,018,912)</u>
Total Recognised Income and Expense	(5,742,336)	(5,018,912)
Transfer From Income Fluctuation Reserve	3,768,149	-
Transfer To Capital Maintenance Reserve	(3,768,149)	-
Equity as at 30th June 2009	<u>\$55,279,347</u>	<u>\$61,021,683</u>

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AGMARDT
Statement of Financial Position
As At 30th June 2009

	Note	2009	2008
Trust Funds	6		
Capital		32,000,000	32,000,000
Capital Fund Maintenance Reserve		22,595,609	18,827,460
		54,595,609	50,827,460
Revenue Reserves	7		
Accumulated Income (Deficit)		(5,015,974)	726,362
Income Fluctuation Reserve		5,699,712	9,467,861
		683,738	10,194,223
Total Trust Funds		\$55,279,347	\$61,021,683
 Represented By:			
Current Assets			
Cash and cash equivalents	5	275,535	186,318
Accounts Receivable		616	897,910
		\$276,151	\$1,084,228
Total Current Assets			
Investments - Current	9	\$24,445,334	\$27,256,525
Less Current Liabilities:			
Creditors and other payables		398,917	96,471
Provision for Grants - Current	8	2,694,936	2,157,024
		3,093,853	2,253,495
Total Current Liabilities			
		21,627,632	26,087,258
Investments - Non - Current	9	34,680,671	37,065,904
Property, Plant and Equipment	10	3,438	337
Provision for Grants - Non-Current	8	1,032,394	2,131,816
		\$55,279,347	\$61,021,683

For and on Behalf of the Board

W M Kain

W M Kain
Chairman

M Purnell

M Purnell
Trustee

30 October 2009 Date

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AGMARDT
Statement of Cash Flows
For the Year Ended 30th June 2009

	Note	2009	2008
Cash Flows from Operating Activities			
Cash was Provided From:			
Interest Income		85,429	64,662
Dividends Received		<u>-</u>	<u>-</u>
		85,429	64,662
Cash was Applied To:			
Payments to Suppliers and Employees		606,351	638,246
Payments for Grants		<u>2,359,229</u>	<u>2,432,636</u>
		2,965,580	3,070,882
Net Cash from Operating Activities	13	(2,880,151)	(3,006,220)
Cash Flows from Investing Activities			
Cash was Provided from:			
Maturity and sale of investments		<u>36,499,050</u>	<u>67,941,961</u>
		36,499,050	67,941,961
Cash was applied to:			
Purchase of Investments		33,526,050	64,995,969
Purchase of Fixed Assets		<u>3,632</u>	<u>-</u>
		2,969,368	2,945,992
Net Increase (Decrease) in Cash and Cash Equivalents		89,217	(60,228)
Cash and cash equivalents at beginning of year		<u>186,318</u>	<u>246,546</u>
Closing Cash Balance		\$275,535	\$186,318
 Closing cash and cash equivalents represented by:			
Cash at bank and call deposit		275,535	186,318
Fund Manager's cash deposits		<u>-</u>	<u>-</u>
		\$275,535	\$186,318

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Statement of Accounting Policies
As At 30th June 2009

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

1. Statement of Accounting Policies

Reporting Entity

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

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

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

The financial statements for the Trust are for the year ended 30 June 2009, and were approved by the Board on 30 October 2009

Basis of Preparation

Statement of Compliance

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

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

Measurement base

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

Differential Reporting

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

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AGMARDT
Statement of Accounting Policies
As At 30th June 2009

Functional and presentation currency

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

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Trust include:

NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with the Crown in its capacity as owner. The revised standard gives the Trust the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Trust intends to adopt this standard for the year ending 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income.

Significant Accounting Policies

1.01 Revenue

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

Interest

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

1.02 Grant Expenditure

The Trust only awards discretionary grants

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

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

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Statement of Accounting Policies
As At 30th June 2009

1.03 Leases

Finance leases

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

As at 30 June 2009 the Trust had no finance leases (2008: Nil).

Operating leases

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

Lease incentives received are recognised in the statement of financial performance over the lease term as an integral part of the total lease expense.

1.04 Cash and cash equivalents

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

1.05 Debtors and other receivables

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

1.06 Financial Instruments

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

Investments

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

Bank deposits

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

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

Equity investments

The Trust holds no direct equity investments.

Other investments

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

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Statement of Accounting Policies
As At 30th June 2009

1.07 Property, plant and equipment

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

Additions

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

Disposals

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

Subsequent costs

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

Depreciation

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

Office Equipment 5 years (20%)

1.08 Intangible assets

The Trust holds no intangible assets.

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

1.09 Impairment of non-financial assets

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

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

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

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Statement of Accounting Policies
As At 30th June 2009

1.10 Employee entitlements

Short-term employee entitlements

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

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

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

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

Long-term employee entitlements

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

The calculations are based on:

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

1.11 Provisions

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

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

1.12 Goods and Services Tax

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

1.13 Income Tax

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

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Statement of Accounting Policies
As At 30th June 2009

1.14 Critical accounting estimates and assumptions

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

1.15 Critical judgements in applying the Trust's accounting policies

Management has exercised the following critical judgements in applying the Trust's accounting policies for the year ended 30 June 2009:

Investments classification

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

Grant expenditure

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

1.16 Hedging Instruments

The Trust, through its Fund Manager, enters into hedging instruments such as futures, options and forward exchange contracts. These are converted 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.

1.17 Gain (Loss) on Investment Portfolio

The gain or loss on the Investment Portfolio in the Statement of Financial Performance includes all realised and unrealised gains and losses.

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Notes to the Financial Statements
As At 30th June 2009

2. Gain (Loss) on Investment Portfolio

	2009	2008
NZ Fixed Interest (ING)	1,060,563	665,477
Global Bonds Fund (Russell)	2,204,672	1,502,770
Alternative Strategies Fund (Russell)	(829,815)	(223,010)
Collateralised Commodity Futures Fund (Russell)	-	(1,418,696)
World Equity Strategy Fund (Russell)	(5,827,139)	(4,577,325)
	(\$3,391,719)	(\$4,050,784)

3. Personnel Costs

	2009	2008
	\$	\$
Staff Remuneration	130,254	114,185
Increase/(Decrease) in Employee Entitlements	-	-
Employer Contributions to Defined Contribution Plans	-	-
	130,254	114,185
Total Personnel Costs	130,254	114,185

4. Other Expenses

The balance of Other Expenses comprises the following items:

	2009	2008
	\$	\$
Accountancy Fees	40,694	65,582
Administration Expenses	10,743	-
Advertising	11,073	1,257
Annual Report	22,372	13,731
Computer & Website Costs	14,409	6,826
Conference Costs	16,648	6,295
General Expenses	24,545	36,293
Grant Reviews	3,000	25,311
Insurance & ACC	1,874	990
Interest	189	-
Legal Expenses	13,000	32,762
Postage & Stationery	11,043	329
Public Relations	7,973	11,074
Recruitment Fee	-	31,348
Board Secretary	6,945	38,313
Technical Advisory	40,210	40,693
Telecommunications	6,412	4,652
Travelling Expenses	46,959	60,241
	278,089	375,697
Total Other Expenses	278,089	375,697

5. Cash and Cash Equivalents

	2009	2008
	\$	\$
Cash at bank	275,535	186,318
	275,535	186,318
Total Cash and Cash Equivalents	275,535	186,318

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AGMARDT
Notes to the Financial Statements
As At 30th June 2009

6. Capital Management

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

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. A transfer to the Capital Fund Maintenance Reserve of \$3,768,149 has been provided for in the 2009 year (2008: Nil).

	2009	2008
Balance 1 July	18,827,460	18,827,460
Transfer from/(to) Accumulated Funds	3,768,149	-
Balance 30 June	\$22,595,609	\$18,827,460

7. Income Fluctuation Reserve

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

	2009	2008
Balance 1 July	9,467,861	9,467,861
Transfer from/(to) Accumulated Funds	(3,768,149)	-
Balance 30 June	\$5,699,712	\$9,467,861

8. Provision for Grants

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

	2009	2008
Balance 1 July	4,288,840	5,134,230
Plus: Net Grants		
Grant applications approved	3,160,920	2,213,800
Grants relinquished	<u>(1,038,923)</u>	<u>(626,554)</u>
	<u>2,121,997</u>	<u>1,587,246</u>
	6,410,837	6,721,476
Less grants paid/payable	<u>(2,683,507)</u>	<u>(2,432,636)</u>
Balance 30 June (Note (a))	\$3,727,330	\$4,288,840

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

	2009	2008
2004	500	26,500
2005	8,613	87,758
2006	60,451	383,355
2007	900,604	1,821,707
2008	635,612	1,969,520
2009	<u>2,121,550</u>	-
	\$3,727,330	\$4,288,840

Note (a): Provision for Grants comprising:

Current	2,694,936	2,157,024
Non-Current	<u>1,032,394</u>	<u>2,131,816</u>
Total Provision for Grants	\$3,727,330	\$4,288,840

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AGMARDT
Notes to the Financial Statements
As At 30th June 2009

9. Investments

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

Managed Funds		2009	2008
Fixed Interest:	Domestic	10,345,125	11,184,562
	Offshore	28,757,335	28,829,441
Equities:	Offshore (Note (a))	<u>20,023,545</u>	<u>24,308,426</u>
Total Investments		\$59,126,005	\$64,322,429

Note (a). Equities:

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

Current Investments		2009	2008
Fixed Interest:	Domestic	1,252,731	1,794,921
	Offshore	23,192,603	25,461,604
Total Current Investments		<i>AK</i> \$24,445,334	\$27,256,525
<i>Equities: offshore 2009: 20,023,545</i>			
<i>2008: 24,308,426</i>			
<i>AK</i>			
Non-Current Investments		2009	2008
Equities:	Offshore (Note (a))	-	-
Fixed Interest:	Domestic	9,092,394	9,389,641
	Offshore	<u>25,588,277</u>	<u>27,676,263</u>
Total Non-Current Investments		<u>\$34,680,671</u>	<u>\$37,065,904</u>
Total Investments		\$59,126,005	\$64,322,429

10. Property, Plant and Equipment

	2009	2008
Office equipment		
Cost	14,637	11,005
Less accumulated depreciation	<u>(11,199)</u>	<u>(10,668)</u>
Net Book Value of Fixed Assets	\$3,438	\$337

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AGMARDT
Notes to the Financial Statements
As At 30th June 2009

11. Commitments

AGMARDT leases office accommodation for the activities of the Trust.

	2009	2008
Office Lease		
0 - 1 Year	23,881	23,881
1 - 2 Years	23,881	23,881
2 - 5 Years	71,643	71,643
5 + Years	<u>65,676</u>	<u>89,557</u>
Total Office Lease Commitment	<u>\$185,081</u>	<u>\$208,962</u>

12. Contingent Liabilities and Financial Commitments

The Trust had no performance guarantee with the ASB Bank Limited as at 30 June 2009 (2008: Nil). There were no financial commitments as at 30 June 2009 other than those referred to in Note 8 (2008: Nil). There were no contingent assets at 30 June 2009 (2008: Nil)

13. Reconciliation of Net Surplus/(Deficit) for the year

with Net Cash Flows from Operating Activities

	2009 Actual	2008 Actual
Net Surplus/(Deficit) for the year	(5,742,336)	(5,018,912)
Add (less) non-cash items:		
Change in market value of investments	2,223,424	3,702,776
Depreciation	<u>531</u>	<u>555</u>
	(3,518,381)	(1,315,581)
Add (less) movements in working capital items:		
Accounts payable and accruals	302,446	52,661
Accounts receivable	897,294	(897,910)
Provision for Grants made this year	<u>(561,510)</u>	<u>(845,390)</u>
Net cash from operating activities	<u>(\$2,880,151)</u>	<u>(\$3,006,220)</u>

14. Financial Instruments

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

The maximum credit risk is the full value of the investment held. Investments in managed funds are held in New Zealand dollars. Foreign currency hedges are taken out by the Fund Managers to minimise their exposure to exchange fluctuations.

Both the Offshore Fixed Interest Portfolio and the Offshore Equities Portfolio are fully hedged back to the New Zealand dollar. The maximum deviation from the neutral exposure for both portfolios is +/- 5%. The face value of foreign exchange hedges are not disclosed in the financial statements as they are held in the name of the fund manager and not the Trust.

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Notes to the Financial Statements
As At 30th June 2009

Financial Instrument Risks

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

Fair Value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Trust's exposure to fair value interest rate risk is limited to its deposits which are held at fixed interest rates and overseas funds held which contain assets at fixed interest rates. The maximum exposure is \$39,102,460 (2008: \$40,014,003).

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

Price Risk

This is the risk that the fair value of a financial instrument held in the portfolio will fluctuate as a result of changes in market prices. The Trust is exposed to equity market risk on its equity investments, which constitute around 35% of its total investment assets. This price risk is managed by diversifying the portfolio across a wide range of New Zealand and international shares and global real estate securities. The Trusts maximum exposure is \$20,023,545 (2008: \$24,308,426).

Currency Risk

Currency risk is the risk that the fair value of a financial instrument held in the portfolio will fluctuate due to changes in foreign exchange rates. The Trust's maximum exposure is limited to its holdings in foreign currency of \$48,780,880 (2008: \$53,137,867).

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

Credit Risk

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

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

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Notes to the Financial Statements
As At 30th June 2009

Liquidity Risk

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

1. The Trust's investments in the Russell World Equity Securities Fund and the Global Bond Fund can normally be redeemed to cash within five business days, although the terms of the constitution and prospectus allows for 30 and 14 business days respectively.

2. The NZ Fixed Interest portfolio comprises almost entirely marketable debt and cash securities. Credit securities and certain derivatives that are less liquid may be held in the portfolio, but the exposure to such securities is limited by provisions in the manager's guidelines.

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

The Trust is exposed to liquidity risk to the extent of its creditors and payables and grants payable. The maximum exposure is \$3,820,708 (2008: \$4,385,311).

15. Related Parties

Key Management Personnel

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

	2009	2008
	\$	\$
Salaries and other short-term employee benefits	130,254	114,185
Trustee's Remuneration	77,760	76,260
Post-employment Benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
	<hr/>	<hr/>
Total Key Management Personnel Compensation	208,014	190,445
	<hr/>	<hr/>

16. Trustee Remuneration

	2009	2008
Trustee		
Dr W Kain	23,760	23,760
Dr S Martin	-	9,000
Mr M Purnell	18,000	18,000
J Grant	18,000	16,500
J Rowarth	18,000	9,000
Total Trustee Remuneration	<u>\$77,760</u>	<u>\$76,260</u>

17. Employee Remuneration

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

18. Post Balance Date Events

There were no post balance date events.

Wmk
MP

AGMARDT
Trust Directory
As At 30th June 2009

DIRECTORY

BOARD OF TRUSTEES

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

MANAGEMENT

Stephen Macaulay
General Manager

TRUST OFFICE

5th Floor
Axon House
1 Willeston Street
Wellington

PO Box 25207
Panama Street
Wellington 6146

Tel (04) 499 6173

Fax (04) 472 8620

INVESTMENT ADVISER

Russell Investment Group Ltd

AUDITOR

Audit New Zealand
on behalf of the Auditor-General

BANKERS

ASB Bank limited

SOLICITORS

Izard Weston

Jeff Wark

Audit Report

To the readers of Agricultural and Marketing Research and Development Trust's financial statements and statement of service performance for the year ended 30 June 2009

The Auditor-General is the auditor of Agricultural and Marketing Research and Development Trust (the Trust). The Auditor-General has appointed me, Phil Kennerley, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust for the year ended 30 June 2009.

Unqualified Opinion

In our opinion:

- The financial statements of the Trust on pages 3 to 18:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Trust's financial position as at 30 June 2009; and
 - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 30 October 2009, and is the date at which our opinion is expressed.

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

Basis of Opinion

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

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance 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 and statement of service performance. 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 and statement of service performance. 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 and statement of service performance disclosures are adequate.

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

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

Responsibilities of the Board of Trustees and the Auditor

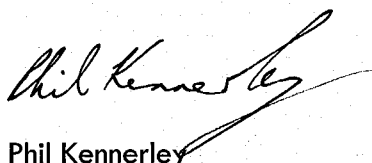
The Board of Trustees is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New-Zealand. The financial statements must fairly reflect the financial position of the Trust as at 30 June 2009 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Trust's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Board of Trustee's 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.



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