

AGMARDT
Financial Statements
For the Year Ended 30th June 2011

Prepared by

Curtis McLean Limited
Chartered Accountants
Wellington NZ

AGMARDT
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For the Year Ended 30th June 2011

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AGMARDT
Statement of Responsibility
For the Year Ended 30th June 2011

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 2011.

For and on Behalf of the Board



J Grant
Chairman

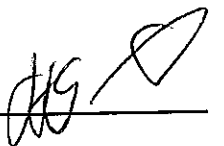


B Brook
Trustee

31 October 2011 Date

AGMARDT
Audit Report
For the Year Ended 30th June 2011

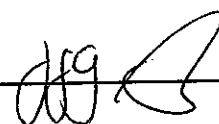
TO BE SUPPLIED BY AUDIT NZ

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AGMARDT
Summary Statement of Changes in Equity
For the Year Ended 30th June 2011

	2011	2010
Equity as at 1 July 2010		
Capital	32,000,000	32,000,000
Capital Maintenance Fund	23,576,692	22,595,609
Income Fluctuation Reserve	6,724,658	5,699,712
Accumulated Income/(Deficit)	-	(5,015,974)
	<u>\$62,301,350</u>	<u>\$55,279,347</u>
Transfers From Statement of Comprehensive Income		
Capital Maintenance Fund	2,945,565	981,083
Income Fluctuation Reserve	(6,724,658)	1,024,946
Accumulated Income/(Deficit)	8,964,563	5,015,974
	<u>\$5,185,470</u>	<u>\$7,022,003</u>
Equity as at 30 June 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	-
	<u>\$67,486,820</u>	<u>\$62,301,350</u>

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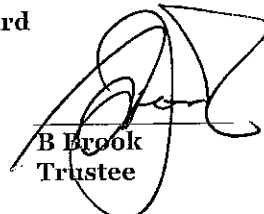


AGMARDT
Statement of Financial Position
As At 30th June 2011

Budget	Note	2011	2010
	Trust Funds		
32,000,000	6	32,000,000	32,000,000
23,576,692		26,522,257	23,576,692
<hr/>		<hr/>	<hr/>
55,576,692		58,522,257	55,576,692
	Revenue Reserves		
6,724,657	7	8,964,563	-
-		-	6,724,658
<hr/>		<hr/>	<hr/>
6,724,657		8,964,563	6,724,658
<hr/>		<hr/>	<hr/>
\$62,301,349	Total Trust Funds	\$67,486,820	\$62,301,350
		<hr/>	<hr/>
	Represented By:		
	Current Assets		
342,365	5	66,657	501,882
-		41,491	-
<hr/>		<hr/>	<hr/>
342,365	Total Current Assets	108,148	501,882
26,903,637	Investments - Current	31,481,087	26,774,988
	Less Current Liabilities:		
184,319		196,742	313,068
-		11,885	-
2,068,857	8	1,538,441	1,970,340
<hr/>		<hr/>	<hr/>
2,253,176	Total Current Liabilities	1,747,068	2,283,408
<hr/>		<hr/>	<hr/>
24,992,826		29,842,167	24,993,462
-	Grant Loans Asset - Non - Current	82,730	-
37,736,883	Investments - Non - Current	38,326,537	37,715,218
2,763	Property, Plant and Equipment	2,173	3,263
431,123	Less Grants Provision-Non Current	766,787	410,593
<hr/>		<hr/>	<hr/>
\$62,301,349		\$67,486,820	\$62,301,350
		<hr/>	<hr/>

For and on Behalf of the Board


J Grant
Chairman


B Brook
Trustee

31 October 2011 Date

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AGMARDT
Statement of Cash Flows
For the Year Ended 30th June 2011

Budget	Note	2011	2010
Cash Flows from Operating Activities			
Cash was Provided From:			
13,000		12,530	13,569
-		-	228,498
-		<u>331,103</u>	<u>286,670</u>
<u>13,000</u>		343,633	528,737
Cash was Applied To:			
651,266		596,364	585,067
<u>2,044,954</u>		<u>1,763,395</u>	<u>2,182,372</u>
2,696,220		2,359,759	2,767,439
(2,683,220)	13	(2,016,126)	(2,238,702)
Cash Flows from Investing Activities			
Cash was Provided from:			
2,523,703		3,536,575	27,546,096
-		<u>169</u>	<u>-</u>
<u>2,523,703</u>		3,536,744	27,546,096
Cash was applied to:			
-		124,221	-
-		1,831,103	25,080,162
-		<u>519</u>	<u>885</u>
<u>2,523,703</u>		1,580,901	2,465,049
(159,517)		(435,225)	226,347
<u>501,882</u>		<u>501,882</u>	<u>275,535</u>
\$342,365		\$66,657	\$501,882

AGMARDT
Statement of Accounting Policies
As At 30th June 2011

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 2011, and were approved by the Board on 28 October 2011

Basis of Preparation

Statement of Compliance

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

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

Measurement base

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

Differential Reporting

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

AGMARDT
Statement of Accounting Policies
As At 30th June 2011

Changes in Accounting Policy

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

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

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

Clarifies that related party transactions include commitments with related parties.

The Trust has adopting this revised standard for the year ended 30 June 2011.

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

AGMARDT
Statement of Accounting Policies
As At 30th June 2011

Functional and presentation currency

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

Significant Accounting Policies

1.01 Revenue

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

Interest

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

1.02 Grant Expenditure

The Trust only awards discretionary grants.

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

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

1.03 Leases

Finance leases

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

As at 30 June 2011 the Trust had no finance leases (2010: Nil).

Operating leases

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

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

AGMARDT
Statement of Accounting Policies
As At 30th June 2011

1.04 Cash and cash equivalents

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

1.05 Debtors and other receivables

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

1.06 Financial Instruments

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

Investments

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

Bank deposits

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

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

Equity investments

The Trust holds no direct equity investments but appoints investment managers to manage equity investments.

Other investments

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

AGMARDT
Statement of Accounting Policies
As At 30th June 2011

1.07 Property, plant and equipment

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

Additions

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

Disposals

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

Subsequent costs

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

Depreciation

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

1.08 Intangible assets

The Trust holds no intangible assets.

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

1.09 Impairment of non-financial assets

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

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

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

AGMARDT
Statement of Accounting Policies
As At 30th June 2011

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.

AGMARDT
Statement of Accounting Policies
As At 30th June 2011

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 2011:

Investments classification

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

Grant expenditure

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

1.16 Hedging Instruments

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

1.17 Gain (Loss) on Investment Portfolio

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

AGMARDT
Notes to the Financial Statements
As At 30th June 2011

2. Changes in Fair Value of Investment Portfolio

	2011	2010
NZ Fixed Interest (One Path)	743,459	909,579
Global Bonds Fund (Russell)	1,766,251	4,496,491
Alternative Strategies Fund (Russell)	(254,020)	(190,702)
World Equity Strategy Fund (Russell)	<u>4,767,198</u>	<u>2,614,151</u>
	<u>\$7,022,888</u>	<u>\$7,829,519</u>

3. Personnel Costs

	2011	2010
	\$	\$
Staff Remuneration	150,251	135,563
Staff Training & Development	-	13,222
Increase/(Decrease) in Employee Entitlements	-	-
Employer Contributions to Defined Contribution Plans	-	-
Total Personnel Costs	<u>150,251</u>	<u>148,785</u>

4. Other Expenses

The balance of Other Expenses comprises the following items:

	2011	2010
	\$	\$
Accountancy Fees	29,445	21,692
Administration Expenses	10,227	10,721
Advertising	5,959	4,112
Advisory Panel	2,515	-
Annual Report	(626)	6,640
Board Secretary	-	3,635
Computer & Website Costs	825	15,034
Conference Costs	2,543	5,080
General Expenses	6,808	3,912
Grant Reviews	230	3,713
Insurance & ACC	1,696	1,534
Interest	-	3
Legal Expenses	10,290	8,539
Loss on Sale of Fixed Assets	310	-
Meeting Expenses	2,590	4,706
Postage & Stationery	7,635	8,615
Public Relations	1,905	1,969
Subscriptions	1,978	2,313
Technical Advisory	12,833	17,200
Telecommunications	3,863	4,478
Travelling Expenses	21,407	50,444
Total Other Expenses	<u>122,433</u>	<u>174,340</u>

5. Cash and Cash Equivalents

	2011	2010
	\$	\$
Cash at bank	<u>66,657</u>	<u>501,882</u>
Total Cash and Cash Equivalents	<u>66,657</u>	<u>501,882</u>

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AGMARDT
Notes to the Financial Statements
As At 30th June 2011

6. Capital Management

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

The Capital Fund Maintenance Reserve represents the additional amount necessary to preserve the real value of the capital after allowing for inflation as measured by the Consumer Price Index. A transfer to the Capital Fund Maintenance Reserve of \$2,945,565 has been provided for in the 2011 year (2010: \$981,083).

	2011	2010
Balance 1 July	23,576,692	22,595,609
Transfer from/(to) Accumulated Funds	<u>2,945,565</u>	<u>981,083</u>
Balance 30 June	\$26,522,257	\$23,576,692

7. Income Fluctuation Reserve

The Trust had a reserving policy to enable it to meet its investment objectives and manage the fluctuations in investments earnings. For the year ending 30 June 2011 the Trust has removed this fund with all investment earnings being shown in the Accumulated Income Reserve

	2011	2010
Balance 1 July	6,724,658	5,699,712
Transfer from/(to) Accumulated Funds	<u>(6,724,658)</u>	<u>1,024,946</u>
Balance 30 June	\$-	\$6,724,658

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.

	2011	2010
Balance 1 July	2,380,933	3,727,330
Plus: Net Grants		
Grant applications approved	1,925,775	985,227
Grants relinquished	<u>(238,086)</u>	<u>(149,252)</u>
	<u>1,687,689</u>	<u>835,975</u>
	4,068,622	4,563,305
Less grants paid/payable	<u>(1,763,394)</u>	<u>(2,182,372)</u>
Balance 30 June (Note (a))	\$2,305,228	\$2,380,933

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

	2011	2010
2005	-	8,613
2006	-	52,757
2007	29,569	424,401
2008	95,004	357,114
2009	971,406	1,110,931
2010	100,254	427,117
2011	<u>1,108,995</u>	-
	\$2,305,228	\$2,380,933

Note (a): Provision for Grants comprising:

Current	1,538,441	1,970,340
Non-Current	<u>766,787</u>	<u>410,593</u>
Total Provision for Grants	\$2,305,228	\$2,380,933

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AGMARDT
Notes to the Financial Statements
As At 30th June 2011

9. Investments

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

Managed Funds	2011	2010
Fixed Interest:		
Domestic	11,274,236	10,254,704
Offshore	30,600,334	30,987,464
Equities:	<u>27,933,054</u>	<u>23,248,038</u>
Total Investments	\$69,807,624	\$64,490,206

Note (a). Equities:

With effect from 1 July 2003 the mandates for New Zealand and global equities were implemented via a single unit-holding in the Russell World Shares Fund. As from 1 August 2007 the World Share Fund was restructured into the World Equity Strategies Fund. The World Equity Strategies Fund includes a twenty percent allocation to New Zealand shares and a twelve and a half percent allocation to property.

Current Investments	2011	2010
Fixed Interest:		
Domestic	702,203	738,079
Offshore	2,845,830	2,788,871
Equities:	<u>27,933,054</u>	<u>23,248,038</u>
Total Current Investments	\$31,481,087	\$26,774,988

Non-Current Investments	2011	2010
Equities:	-	-
Offshore (Note (a))		
Fixed Interest:		
Domestic	10,572,033	9,516,626
Offshore	<u>27,754,504</u>	<u>28,198,592</u>
Total Non-Current Investments	<u>\$38,326,537</u>	<u>\$37,715,218</u>
Total Investments	\$69,807,624	\$64,490,206

10. Property, Plant and Equipment

	2011	2010
Office equipment		
Cost	15,242	15,522
Less accumulated depreciation	<u>(13,069)</u>	<u>(12,259)</u>
Net Book Value of Fixed Assets	\$2,173	\$3,263

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AGMARDT
Notes to the Financial Statements
As At 30th June 2011

11. Commitments

AGMARDT leases office accommodation for the activities of the Trust.

	2011	2010
Office Lease		
0 - 1 Year	24,412	23,881
1 - 2 Years	24,412	23,881
2 - 5 Years	73,237	71,644
5 + Years	<u>18,309</u>	<u>41,793</u>
Total Office Lease Commitment	\$140,370	\$161,199

12. Contingent Liabilities and Financial Commitments

The Trust had no performance guarantee with it's bank, the ASB Bank Limited, as at 30 June 2011 (2010: Nil). There were no financial commitments as at 30 June 2011 other than those referred to in Note 8 (2010: Nil). There were no contingent assets or liabilities at 30 June 2011 (2010: Nil)

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

	2011 Actual	2010 Actual
Net Surplus/(Deficit) for the year	5,185,470	7,022,003
Add (less) non-cash items:		
Change in market value of investments	(7,022,888)	(8,345,303)
Depreciation	1,130	1,060
Loss on sale of fixed asset	<u>310</u>	<u>-</u>
	(1,835,978)	(1,342,240)
Add (less) movements in working capital items:		
Accounts payable and accruals	(104,442)	(85,234)
Accounts receivable	-	-
Provision for Grants made this year	<u>(75,706)</u>	<u>(1,346,396)</u>
Net cash from operating activities	<u>(\$2,016,126)</u>	<u>(\$2,753,870)</u>

14. Financial Instruments

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

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

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AGMARDT
Notes to the Financial Statements
As At 30th June 2011

Financial Instrument Risks

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

Fair Value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Trust's exposure to fair value interest rate risk is limited to its deposits which are held at fixed interest rates and overseas funds held which contain assets at fixed interest rates. The maximum exposure is \$41,874,569 (2010: \$41,609,042).

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

Price Risk

This is the risk that the fair value of a financial instrument held in the portfolio will fluctuate as a result of changes in market prices. The Trust is exposed to equity market risk on its equity investments, which constitute around 35% of its total investment assets. This price risk is managed by diversifying the portfolio across a wide range of New Zealand and international shares and global real estate securities. The Trust's maximum exposure is \$27,933,053 (2010: \$22,881,164).

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 \$56,533,180 (2010: \$54,235,502).

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

Credit Risk

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

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

AGMARDT
Notes to the Financial Statements
As At 30th June 2011

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 Trust is exposed to liquidity risk to the extent of its creditors and payables and grants payable. The maximum exposure is \$2,510,072 (2010: \$2,694,005).

15. Related Parties

Key Management Personnel

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

	2011	2010
	\$	\$
Salaries and other short-term		
employee benefits	150,251	135,563
Trustee's Remuneration	77,760	77,760
Post-employment Benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
	<hr/>	<hr/>
Total Key Management Personnel Compensation	228,011	213,323

16. Trustee Remuneration

Trustee	<u>2011</u>	<u>2010</u>
Dr W Kain	4,500	23,760
Mr M Purnell	4,500	18,000
Mr J Grant	23,760	18,000
Prof J Rowarth	18,000	18,000
Mr B Brook	13,500	-
Mr D Nikora	<u>13,500</u>	<u>-</u>
Total Trustee Remuneration	<u>\$77,760</u>	<u>\$77,760</u>

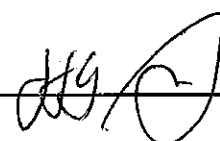
17. Employee Remuneration

Only one employee received remuneration in excess of \$100,000 during the year.

18. Post Balance Date Events

There were no post balance date events.

PK



AGMARDT
Trust Directory

DIRECTORY

BOARD OF TRUSTEES

Mr Jeff Grant (Chairman)
Prof. Jacqueline Rowarth
Mr Barry Brook (From 1 September 2010)
Mr Dean Nikora (From 1 September 2010)
Mr Bill Kain (To 31 August 2010)
Mr Max Purnell (To 31 August 2010)

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 (To 31 March 2011)
Jana Investment Advisers Pty Limited (From 1 April 2011)

AUDITOR

Audit New Zealand
on behalf of the Auditor-General

BANKERS

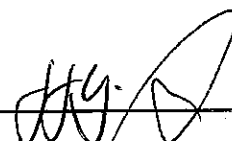
ASB Bank limited

SOLICITORS

Bruce Corkill QC
Macalister Mazengarb

CHARITABLE NUMBER

CC20167



Independent Auditor's Report**To the readers of the
Agricultural and Marketing Research and Development Trust's
financial statements
for the year ended 30 June 2011**

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

We have audited the financial statements of the Trust on pages 3 to 19, that comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

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

- o comply with generally accepted accounting practice in New Zealand; and
- o fairly reflect the Trust's:
 - . financial position as at 30 June 2011; and
 - . financial performance and cash flows for the year ended on that date.

Our audit was completed on 31 October 2011. This 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 our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Trust's preparation of the financial statements that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate

in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Trustees;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Trustees

The Board of Trustees is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust's financial position, financial performance and cash flows.

The Board of Trustees is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Trustees' responsibilities arise from the Public Finance Act 1989.

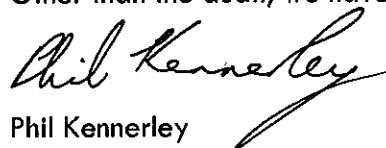
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

Independence

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

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



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

