

2017-2022

Statement of Corporate Intent



Chair and Chief Executive Overview

As the Crown Research Institute (CRI) that supports New Zealand's most valuable export sectors and most extensive landscapes, AgResearch has a significant role to play in New Zealand's current and future prosperity.

AgResearch's core purpose is to enhance the value, productivity and profitability of New Zealand's pastoral, agri-food and agri-technology sector value chains, to contribute to economic growth and beneficial environmental and social outcomes for New Zealand.

We fulfil our purpose through the provision of research and the transfer of technology and knowledge in partnership with key stakeholders, including industry, government and Māori.

In this Statement of Corporate Intent we highlight the focus and impact of our work which will support the New Zealand pastoral, agri-food and agri-technology sectors over the next five years, along with the financial projections for the organisation.

This builds on the pleasing progress we have made towards creating national innovation hubs and new regional research capability, hosting the largest of the National Science Challenges, and increasing the value of the products derived from New Zealand's 56,000 farms¹. Through these and many other activities, our scientific contributions will continue to underpin our partners' and clients' growth aspirations.

To enhance the quality and the impact of our science we seek to continually improve the way we work and the period of this Statement of Corporate Intent sees us continuing to progress significant transformational change programmes.

Chief amongst these initiatives is the creation of new, collaborative innovation infrastructure at two new facilities – our Joint Food Services Facility in Palmerston North and the Lincoln University-AgResearch Joint Facility in Lincoln whilst maintaining our regional activities at Ruakura, Invermay and the newly established Southern Dairy Hub.

We have already seen over 50 staff relocate to these locations ahead of the construction of the new buildings, and this year will see the commencement of those building projects to meet projected timelines for operation in 2019 and 2020 respectively.

The new Southern Dairy Hub in Southland begins operation this year. This new dairy research and development facility, which is a partnership between AgResearch, DairyNZ and the Southern Dairy Development Trust, will develop and test geographically-specific farm systems to support environmentally sustainable dairying in Otago and Southland.

AgResearch's leadership role in developing sustainable economic and environmental farming systems has been recognised through its responsibility to host the largest of the 11 National Science Challenges, Our Land and Water. This ten-year project is undertaken in conjunction with our partners Auckland University, ESR, GNS, Landcare Research, Lincoln Agritech, Lincoln University, Massey University, NIWA, Plant and Food Research, Scion and Waikato University, and will enhance the production and productivity of New Zealand's primary sector, while maintaining and improving the quality of the country's land and water for future generations.

Over recent years AgResearch has entered new strategic relationships with leading Australian, American, EU, South American and Chinese organisations in order to bring more of the world's top science and scientists together to focus on New Zealand's biggest challenges. These relationships will continue to be important investment areas for us.

Against this exciting and progressive backdrop, we confront challenges about the retention and enhancement of scientific programmes that will tackle the interface between farm systems and environmental challenges this country faces.

Areas of on-farm and environmental science capability that we and our stakeholders believe are critical for New Zealand to achieve sustainable environmental improvements, are coming under significant funding pressure.

We believe that a re-think is required to consider how on-farm scientific innovation in New Zealand needs to drive the growth of our primary sector exports, while meeting the escalating aspirations of our communities for cleaner, more useable lakes and rivers, to ensure that these critical areas are financially supported and effectively executed.

Like citizens everywhere, New Zealanders want the benefits that flow from a prosperous economy – good health care, education, infrastructure and career opportunities for themselves and their children.

In New Zealand that prosperity over the next decade and beyond will be driven by the growth in value of exports from our primary sectors. Two relevant examples are the government's target to double the real value of exports from the primary sector by 2025, and investment towards achieving irrigation schemes and the Primary Growth Partnership programmes.

On the other hand, citizens of every country also identify sets of non-economic values that matter to them and this varies more widely between countries. In New Zealand, this most frequently relates to the quality of our environment and especially our ability to access and utilise those resources for recreation.

Combined, these challenges present a national conundrum. How do we grow the value of our primary sector exports while also meeting the escalating aspirations of our communities for cleaner, more useable lakes and rivers?

In our view, we are now at a point where we are concerned that the investment in this scientific area has fallen well below the national need and consequently, the important national science capability at AgResearch and elsewhere is at risk. We have elected to retain this capacity while we, Government and our sector work through how this on-farm research, which has significant private and public benefit, is resourced and completed.

It is a challenge that requires a holistic approach to answer, and that is why we at AgResearch have instigated the necessary conversations with the sector and the Government to reflect on solutions for what New Zealand needs, who will pay for that and how it is best carried out. This will allow AgResearch to make the necessary decisions to best position its science capability to meet the future needs of the sector in these areas.

Until we find the best solution with Government and key industry stakeholders, AgResearch will commit to maintaining our critical science capacity. This, in conjunction with one-off costs related to the new facilities development programme, will result in a forecast net loss before tax in FY18 of \$11.4 million.

As we address these challenges, AgResearch will continue delivering its science excellence and remain focused on enhancing the value, productivity and profitability of New Zealand's agricultural sector.



Sam Robinson
Chair,
AgResearch



Tom Richardson
Chief Executive,
AgResearch

¹<https://data.mfe.govt.nz/table/2472-farm-numbers-farm-numbers-by-agricultural-activity-2002-2007-and-2012/>

Strategic Focus

In order to enhance the value, productivity and profitability of New Zealand's pastoral, agri-food and agri-technology sector value chains, AgResearch has narrowed its strategic focus. As an overarching principle, we are guided by Government's target to double primary industry exports to \$64 billion by 2025.

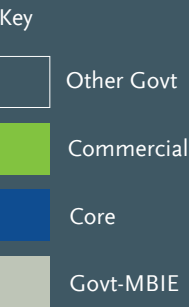
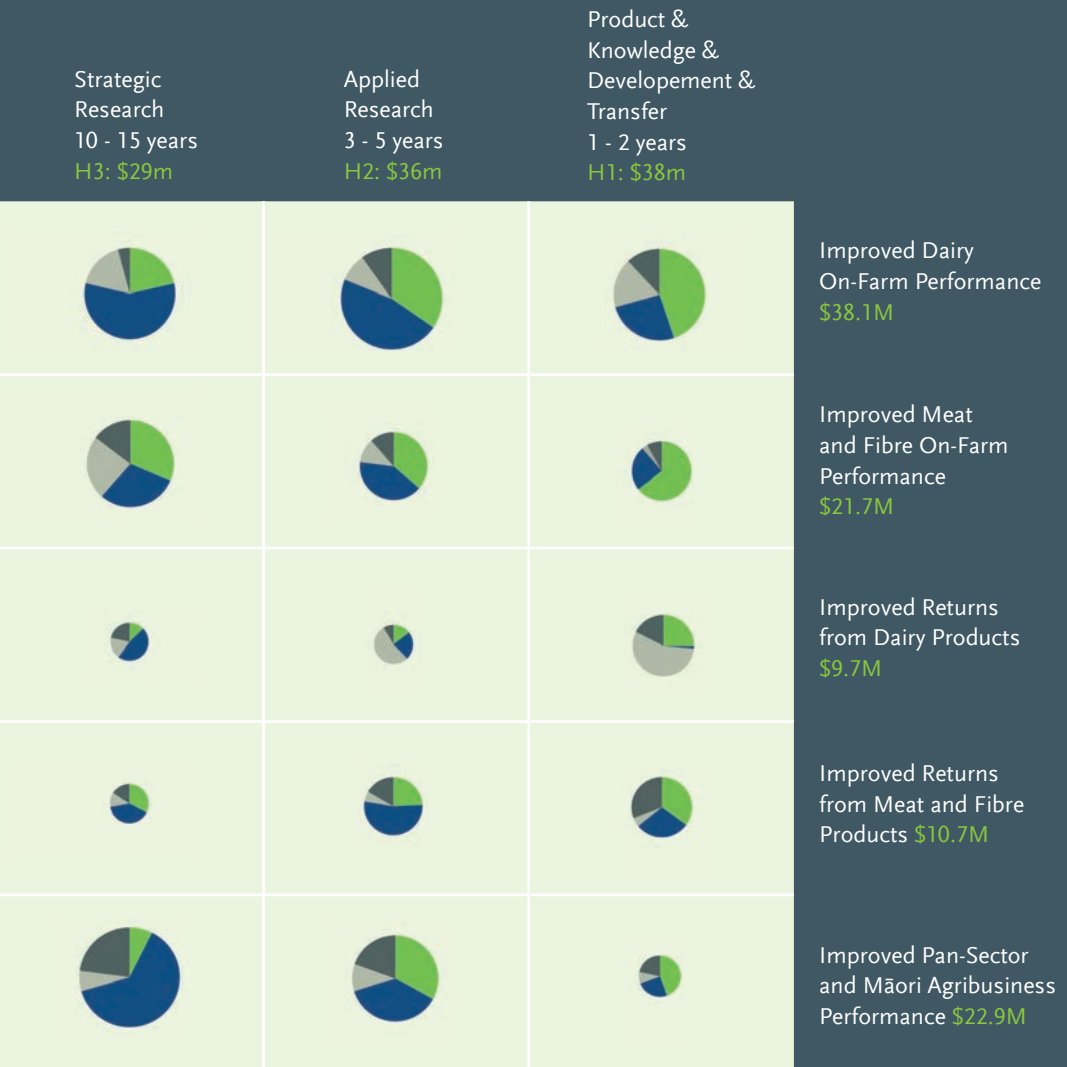
PURPOSE: To enhance the value of the agriculture sector				
Improved Dairy On-Farm Productivity	Improved Meat and Fibre On-Farm Productivity	Improved Returns from Dairy Products	Improved Returns from Meat and Fibre Products	Improved Pan-Sector and Māori Agribusiness Performance

RESEARCH PRIORITIES			
Enhance the performance of forages and animals to meet consumer expectations for ethical production	Grow sustainable productivity/ profitability of current and future farm systems within acceptable environmental and social limits	High-value agri-foods with proven functionality that are safe and which capture greater value	Create opportunities along the value chain for Māori Agribusiness
- Genetic gain in forages and animals - Forage nutrient and water-use efficiency - Endophyte discovery and development - Reproductive technologies - Animal health and welfare - Nutrition and methane - Biosecurity	- Integrating component research into a farm system - Nutrient and farm systems modelling - Optimising future farm systems - GHG mitigation - Adaption to climate change	- Validated food health claims - Validated food functional properties - Impacts if in-farm system on food quality and function - Safe and ethical food production	- Focused engagement - Mentoring staff to raise sector knowledge and cultural competencies

The AgResearch Science Plan outlines the specific detail of these priorities through five areas; Dairy On-Farm Productivity, Meat & Fibre On-Farm Productivity, Returns from Dairy Product, Returns from Meat & Fibre Products and Pan-Sector & Māori Agribusiness Performance.

To attain success, our strategic direction must balance our need to drive prosperity by transforming agriculture while meeting our obligations as a Crown Company that achieves financial sustainability.

AgResearch Research and Development portfolio for 2017/18



Impact Highlights

Future Footprint Programme

The implementation of this programme is now well underway with a significant number of staff scheduled to move to their new location over the next 12 months. Physical works will begin in both Lincoln and Palmerston North before the end of 2017, providing staff and the wider community tangible evidence of change and progress. This organisational transformation presents a new way of working for our staff and partners sharing the facilities, moving towards more open, collaborative workspaces. This is AgResearch's most significant investment – both in physical and human respects – and its success is critical. It aligns with our Key Performance Indicator of enabling systems by developing fit-for-purpose facilities to enable our scientists to work in a cutting-edge setting. Located with key science, university and industry partners, these new collaborative spaces will serve as an attraction for quality staff into the future. The impact of the Future Footprint Programme (FFP) between now and 2022 will be significant for the organisation, its partners and wider communities of Ruakura, Palmerston North, Lincoln and Invermay. The move to a collaborative working ethos will be embedded for the next generation of AgResearch scientists and their peers to the benefit of the entire agri-science sector and the country.

Thought leadership

Applying thought leadership across our on-farm science is a key pillar in this area of expertise for AgResearch. That includes the development and implementation of the Southern Dairy Hub facility, which comes on stream this year. This new geographically-specific research farm is a collaborative initiative, and provides the leadership and progression of science, in a targeted area. In other areas, AgResearch Principal Scientist Stephen Goldson is working with a team to address a new concern on the agricultural horizon. He has discovered a trend of common pests fighting back against traditional

biocontrol measures – similar to the antibiotic resistance the human world is facing. His work was published in the Proceedings of the National Academy of Sciences (PNAS) in March 2017 and featured in the prestigious journal Science in May 2017. The threat to New Zealand is the hundreds of millions of dollars of damage pests cause, and therefore the need to get ahead of the bio-control resistance issue is critical. This research is continuing as the team work to understand how the pests are evading the controls and what can be done to stop that evolution. Also this year, AgResearch will continue to emphasise its leadership and expertise across our key areas of work, including internally, as thought leadership is integrated into the organisational values.

Agri-foods

AgResearch's work looking into benefits of sheep milk is helping boost the growing industry. New Zealand now boasts more than 30,000 sheep for milking at 16 different producers, providing quality sheep milk products to overseas markets, and a distinctive New Zealand dairy sheep breed, Dairymeade, has recently been registered. The \$6 million collaborative research programme, which was funded by Ministry of Business, Innovation and Employment (MBIE), showed the benefits sheep milk has to offer when it comes to nutrition and digestion, and how the industry can enhance milk production. The science included a study using rats that found that sheep milk made solids pass through the animals' systems rapidly – suggesting gut comfort, reduced constipation and general improvement for a sluggish gut. Other studies in the programme found that sheep milk proteins were more readily digested than cow milk proteins, with higher levels of essential amino acids, and that a major waste stream from sheep cheese – whey – has the potential to be processed into a stable base ingredient for beverages or soup stocks under controlled circumstances. New dairy sheep genetic material has been successfully imported into New Zealand for the first time since the 1990s, to add to the quality of the country's stock

and improving New Zealand's ability to compete on a global scale. This year, AgResearch will highlight its ability to support industries as it has done with the Sheep Milk industry, by linking in with sector partners to collaborate on research. The Sheep Milk project will be completed in the next year and until then we continue working alongside industry to progress a range of research.

Collaborations

New relationships forged between AgResearch and key overseas science organisations will provide a host of valuable opportunities for New Zealand. The first is a partnership between Uruguay's National Institute of Agricultural Research (INIA), Catalonia's Research & Technology & Food & Agriculture (IRTA) and Ireland's Agriculture and Food Development Authority (Teagasc), and will focus on sustainability of the dairy, beef and sheep sectors. In Uruguay, we are part of a family farm improvement project funded by the Ministry of Foreign Affairs and Trade. Using knowledge we have built up in New Zealand, this will help lift the productivity and profitability in family farming in Uruguay, as well as helping in its retention of farmers in remote areas. The second key relationship is a cooperation agreement between AgResearch and Teagasc, with a focus on developing the next generation of scientists in both New Zealand and Ireland. The agreement will mean co-funding seven PhD students who spend time between the two countries, and working in key areas that include greenhouse gas emissions, food safety and parasite control. New Zealand and Ireland have quite similar farming systems and there is a lot we can learn from each other. This agreement is a commitment to doing that, and bringing on a new group of scientists that will support both of our countries into the future. This year, AgResearch will be able to begin measuring the value of these educational collaborations, and the projects sitting underneath them, and be in a position to share the lessons and learnings of fostering these globally-focused relationships. We will continue to develop new relationships as the opportunities are presented.

Textiles

AgResearch scientists have been putting the heat on wool garments to see what level of fire protection they can provide to those in the armed forces or emergency services. With wool's burn resistant properties being well-known, AgResearch – working alongside co-funder Australian Wool Innovation (AWI) and UK-based New Zealand company

Armadillo Merino – has been exploring how wool base layer or “next to skin” garments respond to flame and intense heat, and specifically how absorbed moisture in the wool affects the flammability. For those in the armed forces or emergency services the main focus is usually on the outer garments, for obvious reasons, but here we have looked at the additional defence a base layer garment can offer. The intention is to show how effective wool garments can be as a last line of defence in clothing for those working in environments where they may be faced with the risk of fire and intense heat. The relatively high level of absorbed moisture in wool does appear to provide an advantage. AWI is continuing to invest in a range of targeted research and development to build and extend the scientific credentials for wool's natural and unique attributes. These include the ability to manage a microclimate next to the skin, to resist odour and to provide inherent flame resistance without requiring chemical modification. Over the next 12 months, AgResearch will further develop research into the flammability technologies, as well as further discussions with those using wool technologies, such as the high-fashion development of pollution masks, and the active wear sector where there is a growing interest in application of wool products.

Ryegrass

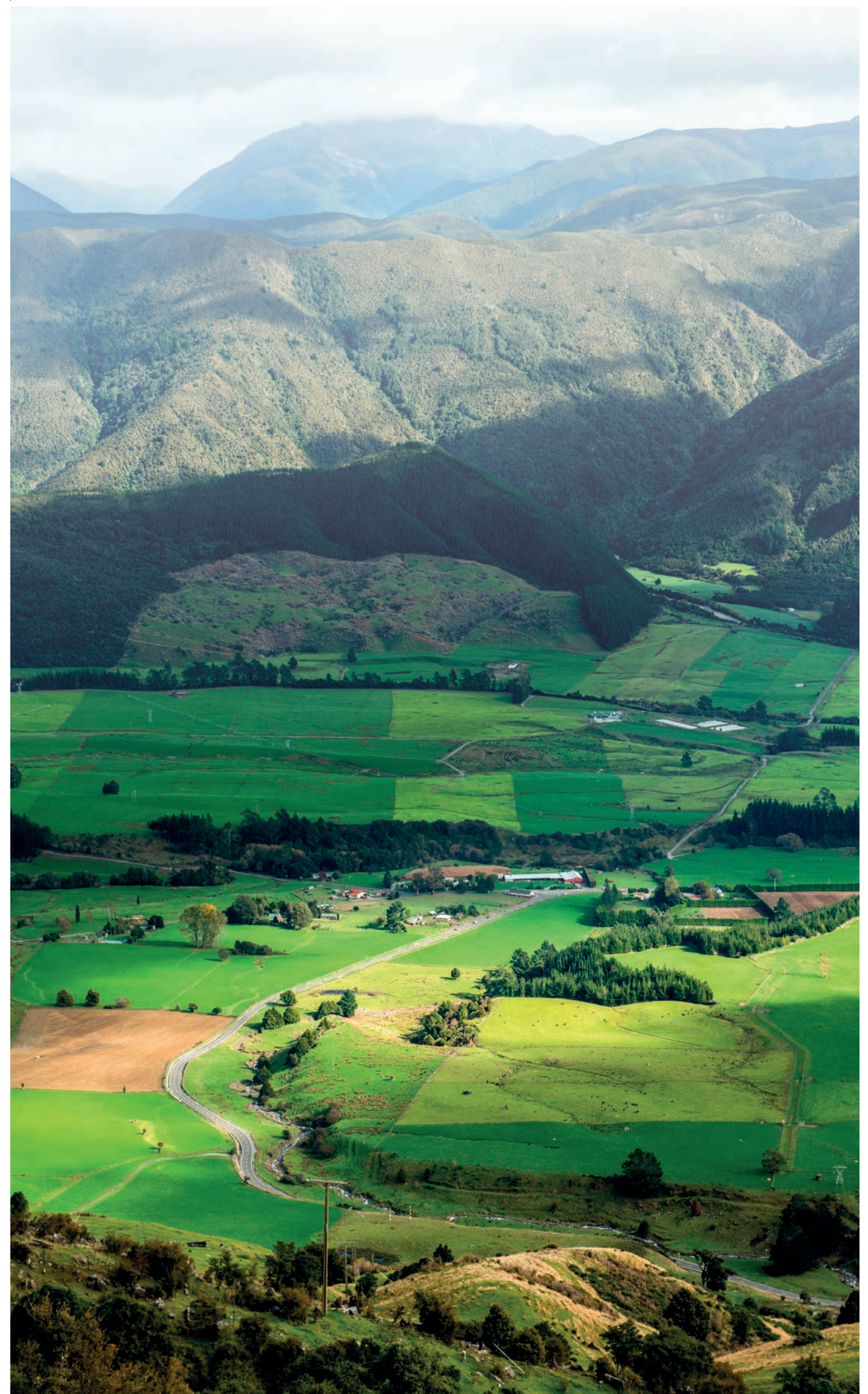
Grasses of the future being developed by AgResearch scientists are expected to result in healthier animals, better production on the farm and less impact on the environment. A grant from MBIE's Endeavour Fund, along with funding from AgResearch and other stakeholders, has enabled an investment of \$25 million over five years into the genetically modified forages research. AgResearch's work is enhancing the ryegrass to enable more energy and nutrition to be stored in the grass. This aims to ensure animals feeding on it are healthier, and can therefore become better producers. The ryegrass is also offering important gains in environmental impact. This includes less methane gas produced by the animals, and the change in nitrogen requirements with these grasses could reduce nitrate runoff. The ryegrass has been trialled in glass houses and AgResearch is preparing for field trials in the United States to begin this year. As the year progresses AgResearch will continue the conversations about the potential benefits of the High Metabolisable Energy (HME) technology as a way of progressing an understanding of GM technologies and their evolution.

Thistle

AgResearch has developed a tool to provide farmers and land managers with more robust information on which to base more effective management of Californian thistle (*Cirsium arvense*). The model simulates population growth of the thistle, which is estimated to cost almost \$700 million each year in lost agricultural productivity in New Zealand. Based on substantial experimental data gathered by New Zealand and overseas scientists over many years, the model allows scientists to compare different defoliation strategies, whether that be through use of herbicide, mowing or biological control like the green thistle beetle (*Cassida rubiginosa*) which is currently established in several parts of New Zealand. Defoliation of the thistle is widely regarded as the most effective way to halt its population growth in a pasture. The amount of root that the thistle produces over the growing season is what regulates population growth. The more defoliation, the less root it can produce. The AgResearch model shows that if a farmer chooses to mow the thistle firstly in December and then again in February each year, then the thistle population is likely to go into quite rapid decline, halving in density each year. Mowing at other times of the year is likely to be less effective, causing slower rates of decline. AgResearch and its collaborative partners will now continue to increase awareness about this tool through resources such as AgPest, with the aim of ensuring the agricultural sector is well armed with information to support their farming practices.

Bio-control

The introduction of an Irish wasp has saved New Zealand almost half a billion dollars over past decade. The estimates also show that the benefits of the introduction of the wasp by AgResearch to control the highly destructive clover root weevil are expected to continue at an ongoing rate of at least \$158 million per year. The total estimated benefit of the biological control programme from 2006 – when the imported wasp was first released in an experimental phase – through to this year is at least \$489 million. This is based on reduced production losses on sheep and beef farms, and reduced use of urea fertiliser to compensate for damage from the weevil. The clover root weevil is an invasive pest from the northern hemisphere that feeds on clover. It was first detected in New Zealand in 1996, and such was the damage it could cause, a 2005 study predicted that without control, the weevil could cut farm margins by 10 to 15 per cent. AgResearch started a research and development programme in 1996, and after testing to ensure its safety, the Irish wasp was cleared for release in New Zealand in 2005. It spread around the country with releases by AgResearch, and as wasps were provided to farmers. The programme research and development costs have been close to \$8.2 million. This year AgResearch will be working to ensure this bio-control success is not eroded by the pest's own evolution. This is a high priority for our scientists and will require continued commitment through international collaborations and discussions to keep the biocontrol efforts ahead of nature's curveballs.



Key Performance Targets for 2017/18 at a glance

Our key performance targets for 2017/18 - both scientific and organisational - are set out in this section.

	Strategic Goal	Objective	Key Performance Indicators for FY18
PEOPLE	Innovative and high performing workforce	Staff engagement increased	Increase Engagement Index (EI) from the previous staff survey result by 3%
		We will all have a safe workplace	Total Medical Treatment Injuries (MTI) and MTI causing lost time <60 per year. No serious harm accidents.
STAKEHOLDERS	Comprehensive understanding of the sector, including key and emerging players and their relationships	Grow our understanding of the sector and the sector's recognition of that understanding	>90% of surveyed stakeholders rate AgResearch's understanding/ contribution to their strategy as good or better.
	Co-owned strategy with key stakeholders	Grow commercial revenue through closer alignment of stakeholder and AgResearch strategic goals	Successful engagement with Government, key industry and wider stakeholders to identify the new science that's needed to meet New Zealand's critical challenges around agricultural profitability, enhancement of the environment and mechanisms to fund that, resulting in significant new investment.
			Deliver \$32.4 million of stakeholder-driven commercial science revenue
			Deliver \$2.48 million of international organisation-driven revenue
RESEARCH	R&D solutions which meet sector needs and contribute to Impacts and Outcomes identified in our strategy (SCI)	Ensure AgResearch has the research portfolio, and capabilities that will meet current and future stakeholder needs and deliver our strategy	Implement the recommendations from the 2017 Animal Sciences Roadmap Implement the AgResearch Science Plan
	Quality, relevant science	Deliver relevant, high quality, reliable R&D outputs that meet stakeholder needs and delivery to our strategy	>1.0 Scopus-indexed papers published per scientist

	Strategic Goal	Objective	Key Performance Indicators for FY18
ENABLING SYSTEMS	Robust business processes and systems that enable delivery on strategy	Improve the effectiveness and efficiency of business processes	Implement Idea to Impact (our new Project Management way of working) to plan and commence benefit realisation
	Infrastructure aligned to strategy	AgResearch infrastructure is fit for purpose	Develop FFP programme and Hub developments to agreed programme milestones and budgets for FY18
FINANCIAL	Sustainable financial performance to enable achievement of strategic goals	Achieve financial targets	Operating Profit budget achieved
			Net Profit Before Tax budget achieved



Performance Targets

The financial results in the following table reflect the revenue challenges AgResearch continues to face in areas that are significantly under-funded resulting in a decline in operating revenue through to FY2018. The increase in revenue in FY2019 assumes that under-funding is redressed.

At a surplus-before-tax level the group is forecasting losses through to FY2020 as it completes its campus developments and works through the relocation of staff as part of FFP. From there nominal surpluses are projected.

Overview of projected financial performance for the 5 years ended 30 June 2022

	2016 Actual \$000s	2017 Forecast \$000s	2018 Projection \$000s	2019 Projection \$000s	2020 Projection \$000s	2021 Projection \$000s	2022 Projection \$000s
Operating revenue	147,361	144,331	141,247	160,803	163,776	163,269	165,086
EBITDAF	6,821	7,398	(381)	12,724	9,992	16,986	16,968
Surplus before tax	(335)	71	(11,395)	(3,096)	(9,618)	895	995
Total Equity	227,372	229,807	229,869	228,085	221,213	236,661	237,183

Financial Performance Indicators

ID	Indicator	2016 Actual	2017 Forecast	2018 Projection	2019 Projection	2020 Projection	2021 Projection	2022 Projection
8.1	Projected Cashflow							
	– Net cash flow from operating activities \$m	5,977	11,938	3,773	12,282	7,411	15,382	14,879
	– Net cash flow from investing activities \$m	(8,805)	(19,488)	(46,247)	(72,186)	1,943	(8,125)	(8,125)
	– Net cash flow from financing activities \$m	0	0	0	0	0	0	0
	– Total net cash flow \$m	(2,828)	(7,550)	(42,474)	(59,904)	9,354	7,257	6,754
	– Cash at the beginning of the year \$m	59,915	57,087	49,537	7,063	(52,842)	(43,487)	(36,230)
	– Cash at the end of the year \$m	57,087	49,537	7,063	(52,841)	(43,488)	(36,230)	(29,476)
8.2	Operating Margin %	4.7%	5.2%	(0.3)%	7.9%	6.1%	10.4%	10.3%
8.3	Operating Margin per FTE \$k	10	11	(1)	20	16	27	27
8.4	Revenue Growth %	(5.0)%	(2.1)%	(2.1)%	13.8%	1.8%	(0.3)%	1.1%
8.5	Quick Ratio	3.8	3.9	2.0	(1.5)	(1.0)	(0.6)	(0.2)
8.6	Interest Coverage	1137	1,168	999	8	4	10	11
8.7	Operating Margin Volatility %	40.6%	42.9%	38.6%	28.7%	35.1%	47.9%	34.1%
8.8	Forecasting Risk %	0.0%	n/a	n/a	n/a	n/a	n/a	n/a
8.9	Adjusted Return on Equity %	0.4%	(0.1)%	(6.1)%	(1.8)%	(4.8)%	0.3%	0.3%
8.10	Capital Renewal	(0.9)	1.9	4.3	5.4	(0.1)	0.6	0.6
8.11	Equity Ratio %	83.2%	84.3%	85.1%	85.2%	85.2%	84.6%	84.0%

Core Operating Indicators

FY18 target values are shown below for each indicator, with the values from our 2016 Annual Report also shown.

ID	Indicator	Definition	FY18 target	FY16 result
G.1	End user collaboration	Revenue per FTE from commercial sources (note the definition of commercial revenue has changed from that used in our 2016 SCI and Annual Report – under that definition, our FY14 result was \$102k/FTE)	\$85.9k	\$98k
G.2	Research collaboration	Publications with collaborators. (Percentage of publications with a) only AgResearch authors, b) with other New Zealand authors, c) with international authors or d) with a combination of New Zealand and international authors)	a) 20% b) 39% c) 28% d) 21%	20% 39% 28% 19%
G.3	Technology & knowledge transfer	Commercial reports per scientist FTE.	1	2.6
G.4	Science quality	Impact of scientific publications. (The average value of 2-year citations per document for scientific journals assessed by SCImago in which AgResearch staff published during the year, weighted by the number of AgResearch publications in each journal. The reference figure is for the 2014 calendar year.)	2.7	2.5
G.5	Financial indicator	Revenue per FTE, based on average FTEs over the year.	\$215k	\$223k

AgResearch-specific Indicators of End-User Engagement and Science Relevance

ID	Indicator	Definition	FY18 target	FY16 result
1.1	Confidence of stakeholders	(a) Percentage of relevant funding partners and other end-users that have a high level of confidence in the CRI's ability to set research priorities, and (b) the percentage of stakeholders who were satisfied with their collaboration or partnership with AgResearch	(a) 75% (b) 85%	51% 75%
1.2	Revenue from stakeholders	Revenue coming directly from stakeholders. Excludes revenue from central Government, includes co-investment from stakeholders with central Government.	\$39.1m	\$44.4m

AgResearch-specific Operating Indicators of Knowledge and Technology Transfer

ID	Indicator	Definition	FY18 target	FY16 result
2.1	Collection requests	Number of requests and enquiries for access to AgResearch's publicly available collections.	2500	1879
2.2	Stakeholder reports	Number of client reports submitted by AgResearch staff.	270	648* (different database for 2016)
2.3	Licensing deals	(a) Total revenue, (b) number and (c) percentage of licensing or other deals of AgResearch-derived IP (including technologies, products and services) with New Zealand and international partners per annum	(a) \$9.8m (b) 11 (c) 36%	\$10.0m 7 86%
2.4	Adoption	Percentage of relevant end-users who have adopted knowledge and/or technology from AgResearch	95%	91%

AgResearch-specific Operating Indicators of Delivery to Vision Matauranga

ID	Indicator	Definition	FY18 target	FY16 result
3.1	Effective relationships with Māori	Percentage of Māori agribusiness partners and end-users who rate AgResearch as "good" or better for effective collaboration and partnering in the annual customer relationship survey	80%	100%
3.2	Revenue from Māori stakeholders	Revenue (direct and leveraged) from Māori agribusiness stakeholders	\$0.32m	\$1.05m

AgResearch-specific Operating Indicators of Research Collaborations and Linkages

ID	Indicator	Definition	FY18 target	FY16 result
4.1	International linkages	(a) Number and (b) percentage of peer-reviewed scientific papers co-authored with an international author	(a) 140 (b) 50%	138 47%
4.2	Research collaboration	(a) Number and (b) percentage of joint scientific peer-reviewed publications and (c) number and (d) percentage of IP outputs with other New Zealand or international research institutions per annum	(a) 250 (b) 85% (c) 1 (d) 10%	253 85% 0 0%
4.3	Research collaboration – Lincoln Hub	(a) Additive AgResearch revenue referable to the Lincoln hub (b) Other measures under development	(a) \$0.35m	n/a

Miscellaneous Items

AgResearch's accounting policies

AgResearch's financial statements are prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993, the Crown Research Institutes Act 1992, the Public Finance Act 1989 and Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The financial statements, including the financial information presented in this Statement of Corporate Intent, comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate. A full Statement of Accounting Policies is provided on AgResearch's website at www.agresearch.co.nz. There have been no material changes in accounting policies since the 2016 Annual Report.

Principles in determining the annual dividend, if any

The Company's policy is that it will return surplus cash to shareholders in the form of a dividend when no sound investment opportunities (including reinvestment, commercialisation, capital expenditure and the retention of important capabilities) exist.

It is forecast that no dividends will be paid in the year ending 30 June 2018.

Information to be provided to the Shareholding Ministers during the financial year

AgResearch makes available to the Shareholders the following documents and information:

Quarterly Reports

These include:

- Financial statements
- Comparative with budgets and comments on financial activities for the quarter
- Comment on research achievements and comparisons of such achievements with business plans.

Half-Year Report

This includes:

- Unaudited financial statements and notes (including accounting policies) for the half year within two months of the half year
- Comparative actual figures for the corresponding period of the previous financial year
- A commentary on the operations and overall performance for the period
- A statement of responsibility
- A statement that the CRI has operated in accordance with the principles set out in Section 5 of the CRI Act and the Companies Act 1993 during the period
- Commentary on progress towards achieving annual performance targets (financial and non-financial).

Annual Report

An Annual Report of the operations of AgResearch is delivered to the Shareholding Ministers within three months of the end of each financial year. In it, the Board incorporates:

- Audited consolidated financial statements for that financial year, consisting of a report of the operations of AgResearch and its subsidiaries during that financial year, statements of financial position, comprehensive income and cashflows, including budget (as established at the beginning of the year in the SCI) and statements of commitments, contingent liabilities, accounting policies and such other statements as may be necessary to show the financial results of the operations of AgResearch and its subsidiaries during the financial year and their financial position at the end of the year
- Comparative information for the previous financial period
- The auditors' report on these financial statements
- A statement of responsibility
- A report on AgResearch's performance as a good employer
- A corporate social responsibility report

- A report against financial and non-financial performance indicator targets set in the SCI
- Any direction given by the Shareholding Ministers in writing.

The Annual Report will comply with the annual reporting provisions in Part V of the Public Finance Act 1989, Section 17 of the Crown Research Institutes Act 1992 and the Companies Act 1993.

Procedures to be followed before any member of the group subscribes for, purchases, or otherwise acquires shares in any company or other organisation

As required by section 13(1)(d) of the Crown Research Institutes Act, AgResearch will not acquire shares that give it substantial influence in or over a company; or acquire an interest in any partnership, joint venture, or other association of persons, or an interest in a company other than in its shares except after written notice to the shareholding Ministers.

The Board will obtain prior written consent for any transaction or series of transactions involving a full or partial acquisition, disposal or modification of property (buildings, land and capital equipment) and other assets with a value equivalent to or greater than \$10 million.

The Board will obtain prior written consent for any transaction or series of transactions with a value equivalent to or greater than \$5 million involving:

- The acquisition or disposal, in full or in part, of shares or interests in a subsidiary, external company or business unit
- Transactions that affect a company's ownership of a subsidiary or a subsidiary's ownership of another entity (provided that transactions which include "drag-along" clauses that compel AgResearch to sell interests at a future date at the direction of the investors shall be valued at the time of the investment transaction), and
- Other transactions that fall outside the scope of the definition of the company's core business or that may have a material effect on the company's science capabilities.

The Board will advise shareholding Ministers in writing before entering into any transaction related to property and commercialisation activities below this threshold in accordance with notice requirements agreed between the Ministers and AgResearch from time to time.

Activities for which the board seeks compensation from the Crown

At the date of this SCI, no compensation has been sought from the Government.

Current commercial value of AgResearch

The Board's estimate of the current commercial value of the Group is approximately \$230 million. This value is based solely on the forecasted Group equity position determined under NZ GAAP which the Board considers is a reasonable approximation of the commercial value. The Board note that the Group revalues its land, land improvements and buildings every three years, or more frequently where market and other factors indicate their stated book value may not reflect their current fair value. AgResearch does not revalue its intangible property rights.

Vision Matauranga

“To unlock the innovation potential of Māori knowledge, resources and people to assist New Zealanders to create a better future.”

He nui whakaharahara te mahi a AgResearch ki te whakatutuki i ngā whakakitenga mātauranga ki te motu nei, ko te matua kia tautoko ai i ngā huatau tiketike, i te oranga whenua me ngā whāinga taumata angitu o te mātauranga iwi tiketike.

Ki te whakatutukitia, kia toru ngā kaupapa mātua hei pou whirinaki kia taea ai ngā kōwhiringa auaha te whakataki:

- tāria te raukaha kia whakatutukitia te whakawhiti whakaaro, te whakawhiti rangahau me Ngāi Māori
- whakawhanaketia ngā tātai hononga ki a Ngāi Māori
- whakawhanaketia ngā rautaki rangahau kia whai i ngā hiahia nō Ngāi Māori

Ko tō mātou wero kia kāpia te anga kōrerorero nō te rāngai ahuwhenua nei ki a Ngāi Māori, kia whakawhanaketia hoki ngā hononga motuhake.

Kia tika ai ngā hononga ki a Ngāi Māori, mā mātou anō ngā whāinga o Ngāi Māori e whai. E mate kāinga tahi, e rua kāinga rua.

Ka whai a AgResearch i te mātauranga me ngā pūkenga o te ahuwhenua Māori ki te whakapuakihia nā te mahi whakaako, nā te whaiaro whanaketanga.

E ai ki te whakataukī, Mā ngā pakiaka tū ai te Kāhikatea i te uru”, ki te tākaia ngā kōeke katoa o tō tātou whakahaerenga e ngā tautokotanga tika, ka kitea ngā hua papai nō tātou.

AgResearch has a significant part to play in the delivery of Vision Mātauranga to New Zealand, particularly in the support of its indigenous innovation, environmental sustainability and indigenous knowledge growth goals.

To achieve this, three priorities have been identified to better enable the delivery of opportunities for innovation;

- build capacity to engage with and deliver research outputs to Māori
- develop meaningful relationships with Māori
- develop research programmes that meet the needs of Māori

Our challenge is to bridge a communication gap between Māori and the sector and to develop long term relationships.

It means a re-focusing of the way we partner with Māori entities – ways that are more in-tune with the way Māori make decisions. Two strategies are better than one.

We are ensuring that AgResearch has the knowledge and skills to deliver on AgResearch's Māori specific impacts through learning and development initiatives.

As the Māori proverb, ‘With the right roots, the Kāhikatea can withstand the storm’ explains, If we wrap ourselves with the right support at every level of the organisation we will have impact and visibility.





Ruakura Research Centre
10 Bisle Road
Private Bag 3123
Hamilton 3240
Phone: +64 7 856 2836

www.agresearch.co.nz