

Financial Statements For the Half Year ended 31 December 2009

Purpose

To approve the Financial Statements for the Half Year ended 31 December 2009.

Introduction

The Financial Statements for the Half Year are required to be submitted to COMU (formerly CCMAU) by 26 February 2010.

Analysis

Set out below is information to assist the Board with their consideration of the half year Financial Statements. More detailed explanations, particularly performance against budget for the half year, are included in the December financial report that the Board has already received.

1. The Group's financial statements for the year ended 30 June 2009 were the Group's second annual financial statements that complied with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The unaudited consolidated condensed interim financial statements for the half year ended 31 December 2009 for AgResearch Limited (the Company) and its subsidiaries (the Group) have been prepared in accordance with New Zealand Equivalent to International Accounting Standard (NZIAS) 34 Interim Financial Reporting, issued by the New Zealand Institute of Chartered Accountants.

The unaudited consolidated condensed interim financial statements of the Group for the half year ended 31 December 2009 have been prepared applying the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group's Annual Report for the year ended 30 June 2009.

2. Operating revenue for the period is up \$0.9m on the same period last year and operating expenditure is down \$1.4m over the same period.

At 31 December 2009 there was \$2.5m (\$0.8m 2008) of revenue where work was underway but contracts had not been signed so the Financial Statements include expenses related to this revenue but not the associated revenue. The higher value against that at 31 December 2008 contributes to the lower invoiced receivables referred to below.

The net deficit before tax of \$4.5m for the half year compared to a net deficit before tax of \$6.2m for the same period last year is partly related to the higher level of revenue able to be recognised to date compared to the same period last year.

3. A comparison of the major expenses included in other operating expenses as per Note 3 of the financial statements (Operating Expenditure) for the two periods is:

Other Operating Expenses

	Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Incr/ (Decr) \$ 000's	Actual 12 months to June 09 \$ 000's
Marketing & Promotion	640	746	(106)	1,308
Consultancy	1,528	2,161	(633)	6,290
General Expenses	865	868	(3)	1,913
Equipment Operating	356	462	(106)	919
Repairs & Maintenance	1,635	1,505	130	3,160
Service Charges	1,155	866	289	2,250
Farm Expenses	1,547	2,077	(530)	3,947
Domestic Travel (NZ)	1,496	1,556	(60)	2,740
Overseas Travel	642	671	(29)	1,218
Communications	594	822	(228)	1,515
Training/Professional Development	431	351	80	1,120
	10,889	12,085	(1,196)	26,380

The increase in repairs and maintenance is in the areas of computers (\$0.13m), the farm houses (\$0.08m) which is a result of a build up of deferred maintenance and breakages (\$0.07m) offset by decreases in other areas.

The increase in service charges represents externally sourced laboratory services now being back at the same level as in 2007 after a drop in 2008 for the corresponding period which was timing as for the year ended 30 June 2009 there was an increase of \$0.1m over the previous year.

While there is an increase in training/professional development the current level is still down on the December 2007 level of \$0.7m.

- Current assets are up \$2.1m on the same time last year mainly due to the higher level of trade and other receivables. Compared to the beginning of this financial year current assets are down \$5.2m due to the lower positive cash balance and the lower level of trade and other receivables than at 30 June 2009.

Within trade and other receivables there is a decrease in invoiced revenue (\$2.9m) offset by an increase in accrued income (\$2.4m) against the same period last year. This shift is having an impact on the cash flow to date and going forward.

The other receivables of \$2.14m include the \$2.08m held in escrow in US dollars being part of the sale proceeds of the Catapult Genetics Pty Limited shareholding which are due for release in March 2010.

- Intangible assets are down against the same period last year due to a further impairment of the Ovita Patents as at 30 June 2009 in addition to the annual amortisation.
- The Cash Flow Statement shows total net cash out flows of \$8.9m for the period including the net cash outflows from operating activities of \$3.1m.
- In note 6 of the financial statements (Equity) the movement in the Minority Interest reserve relates to the Finistere-AgResearch Strategic Investment Fund Limited Partnership.

8. In note 9 of the financial statements (Payables) revenue in advance has increased by \$3.7m over the same period last year. This is related to the stage of completion of contracts for which revenue has been received. Also contributing to this the FRST revenue for new contracts now including an allowance for cost increases over the life of the contract as FRST revenue is received evenly over the life of a contract whereas the revenue is released based on work performed over the life of the contract.
9. In note 16 of the financial statements (Other Investments) the decrease in the BioPacific Ventures of \$0.3m is the write down of the investment in Anzamune (\$0.2m) and in Vital Food Processors Limited (\$0.2m). During the period there was a further investment in NZ Pharmaceuticals Holdings Limited of \$0.04m.

During the period there was the sale of the investment in Karios Holdings Limited for a loss of \$0.195m. This investment which had a cost of \$0.232m was written down as at 30 June 2009 to \$0.02m.

The investment in Metamorphix is now shown separately as a result of the agreement entered into with the Finistere-AgResearch Strategic Investment Fund Limited Partnership whereby the investment was transferred to AgResearch Limited. The investment is convertible notes which are now past their due date. It is planned that the notes will be converted to equity and that the company will enter into an IPO to raise funds. The effect of this will be to dilute the equity holding of the converted note holders but will allow the company to continue to operate with a view to increasing the value for the shareholders. Without a successful IPO the company is facing liquidation and note holders are unlikely to receive repayment.

The treatment of this investment has been discussed with the external auditors, Deloitte, who are comfortable with this treatment. However, leading up to year end more information will be gathered and further discussions held with the external auditors to assess the treatment for the purposes of the annual financial statements as at 30 June 2010.

Commentary

The net deficit after tax of \$3.5m is less than for the same period last year (\$4.7m) with operating revenue for the period up \$0.9m and operating expenditure down \$1.4m over the same period last year. As noted in the monthly reporting this result will be partly due to the formula driven revenue recognition now in place which may reduce the traditional hockey stick effect in June.

The Balance Sheet shows current assets exceed current liabilities by \$6.0m with a net negative cash position of \$0.7m as shown in the Cash Flow Statement.

The Cash Flow Statement shows that the net cash flow from operating activities is a deficit of \$3.1m compared to a surplus of \$1.5m for the same period last year due to higher cash disbursed to suppliers for this half year compared to the same period last year. A high level of accrued expenditure as at 30 June 2009, which has now been paid, and a lower level of accrued expenditure as at 31 December 2009 compared to the same period last year has led to the higher cash disbursed to suppliers in the current period compared to the same period last year.

In addition cash received from customers is \$1.2m lower compared to the same period last year. A lower level of receivables as at 30 June 2009 and a lower level of receivables as at 31 December 2009 compared to the same period last year has led to the lower receipts from customers in the current period compared to the same period last year.

The combination of the higher cash disbursed and the lower cash received due to revenue sitting as accrued revenue rather than invoiced revenue is having an impact on the cash flow for the current year. It is likely that an increase to the Multi Option Credit Line (MOCL) facility with

Westpac that was reduced from \$15m to \$5m in September 2009 which reduced the cost of the line of credit fee will be required.

Recommendation

That the Board:

a approve the Financial Statements for the half year ended 31 December 2009.



Geoff Balme
Chief Financial Officer
On behalf of the Chief Executive

Statement of Responsibility

For the Half Year Ended 31 December 2009

AgResearch Limited certifies that:

1. The Board of AgResearch Limited accepts responsibility for the preparation of the interim financial statements and the judgements used in them;
2. The Board of AgResearch Limited accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and
3. In the opinion of the Board of AgResearch Limited, the interim financial statements for the financial half year ended 31 December 2009 fairly reflect the financial position and operations of AgResearch Limited.

Sam Robinson
Chair

21 February 2010

Andrew MacPherson
Director

21 February 2010



AgResearch Limited and Group

Unaudited

Financial Statements

**For the Half Year ended
31 December 2009**

Income Statement
For the Half Year ended 31 December 2009

	Note	Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Audited 12 months to June 2009 \$ 000's
Revenue				
Foundation for Research Science and Technology and Ministry of Research Science and Technology contracts		36,800	30,432	73,271
Commercial		23,322	27,735	64,928
Farm produce		1,722	2,161	5,621
Other revenue	2	4,768	5,410	11,293
Total operating revenue		66,612	65,738	155,113
Operating expenditure	3	(70,464)	(71,858)	(155,213)
Other gains and (losses)	4	(343)	877	(84)
Finance costs		(318)	(876)	(1,304)
Share of surplus/(deficit) of associates		-	(52)	30
Surplus/(deficit) before tax		(4,513)	(6,171)	(1,458)
Tax expense/(tax benefit)	5	(971)	(1,511)	(704)
Net surplus/(deficit) after tax for the period		(3,542)	(4,660)	(754)
Attributable to:				
Equity holders of the parent		(3,608)	(4,660)	(754)
Minority interest		66	-	-
		(3,542)	(4,660)	(754)

The accompanying notes form an integral part of these interim financial statements.

AgResearch Limited and Group
Statement of Recognised Income and Expenditure
For the Half Year ended 31 December 2009

	Note	Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Audited 12 months to June 2009 \$ 000's
Net surplus/(deficit) after tax for the period		(3,542)	(4,660)	(754)
Income and expense recognised directly in equity:				
Gain/(loss) in asset revaluation reserve		-	-	2,345
Gain/(loss) in available-for-sale revaluation reserve	6	11	(287)	158
Total recognised income and expense		(3,531)	(4,947)	1,749
Total recognised income attributable to:				
Equity holders of the Company		(3,597)	(4,947)	1,749
Minority interest		66	-	-
		(3,531)	(4,947)	1,749

The accompanying notes form an integral part of these interim financial statements.

Balance Sheet
As At 31 December 2009

	Note	Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Audited 12 months to June 2009 \$ 000's
Current Assets				
Cash and cash equivalents		2,096	2,119	8,239
Trade and other receivables	7	21,680	20,324	23,120
Prepayments		2,065	2,133	1,829
Biological assets - livestock	8	5,195	5,046	4,855
Taxation	5	2,022	1,221	137
Inventory		1,084	974	1,103
Derivative financial instruments		268	21	81
Other receivables		2,143	2,622	2,388
Total Current Assets		36,553	34,460	41,752
Non-Current Assets				
Investments in associates	15	504	294	504
Other investments	16	7,442	7,616	6,788
Property, plant and equipment	10	200,790	194,713	201,656
Biological assets - forestry		1,411	1,416	1,411
Derivative financial instruments		-	267	-
Other receivables		510	2,622	540
Intangible assets		3,217	4,820	3,491
Total Non-Current Assets		213,874	211,748	214,390
Total Assets		250,427	246,208	256,142
Less :				
Current Liabilities				
Bank overdraft		2,780	4,049	-
Trade and other payables	9	21,434	21,305	25,698
Derivative financial instruments		-	190	296
Other loans		300	480	300
Provisions	12	6,001	6,666	6,359
Total Current Liabilities		30,515	32,690	32,653
Non-Current Liabilities				
Deferred tax		7,031	4,113	7,028
Income in advance		510	-	540
Term loans	20	20,000	20,000	20,000
Provisions	12	789	829	806
Total Non-Current Liabilities		28,330	24,942	28,374
Net Assets		191,582	188,576	195,115
Equity				
Share capital		47,268	47,268	47,268
Asset revaluation reserve		92,930	90,464	92,930
Available-for-sale asset revaluation reserve	6	414	343	403
Minority interest	6	(227)	(291)	(291)
Retained earnings		51,197	50,792	54,805
Total Equity		191,582	188,576	195,115

The accompanying notes form an integral part of these interim financial statements.

S Robinson
Chair

21 February 2010

A MacPherson
Director

21 February 2010

Cash Flow Statement For the Half Year ended 31 December 2009

Note

		Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Audited 12 months to June 2009 \$ 000's
Cash received from operating activities				
Receipts from customers		73,327	73,379	158,781
Interest received		118	417	736
Dividends received		23	45	11
Net GST received		-	-	62
Income tax received		-	-	1,398
Total cash received from operating activities		73,468	73,841	160,988
Cash disbursed on operating activities				
Payments to employees		34,734	35,448	68,503
Payments to suppliers		40,153	36,165	69,597
Restructuring		252	611	1,458
Net GST paid		118	110	-
Income tax paid/(refund)		915	(907)	-
Interest paid		407	881	1,396
Total cash disbursed on operating activities		76,579	72,308	140,954
Net cash flow from operating activities	13	(3,111)	1,533	20,034
Cash received from investing activities				
Disposal of property, plant and equipment		34	27	230
Acquisition of subsidiaries	15	-	848	848
Total cash received from investing activities		34	875	1,078
Cash disbursed on investing activities				
Investment in property, plant and equipment		5,283	10,529	18,922
Purchase of investments and intellectual property		563	1,279	1,241
Total cash disbursed on investing activities		5,846	11,808	20,163
Net cash flow from investing activities		(5,812)	(10,933)	(19,085)
Cash received on financing activities				
Other loans		-	100	-
Total cash received from financing activities		-	100	-
Cash disbursed on financing activities				
Payment of other loans		-	-	80
Total cash disbursed on financing activities		-	-	80
Net cash flow from financing activities		-	100	(80)
Total net cash flow		(8,923)	(9,300)	869
Cash at beginning of the period		8,239	7,370	7,370
Cash at end of the period		(684)	(1,930)	8,239

The accompanying notes form an integral part of these interim financial statements.

Notes to and Forming Part of the Financial Statements For the Half Year ended 31 December 2009

1 Presentation and accounting policies

These unaudited consolidated condensed interim financial statements of AgResearch Limited (the Company) and its subsidiaries (the Group) have been prepared in accordance with New Zealand Equivalent to International Accounting Standard (NZIAS) 34 Interim Financial Reporting, issued by the New Zealand Institute of Chartered Accountants. The Company and Group are profit oriented entities.

These unaudited consolidated condensed interim financial statements of the Group for the half year ended 31 December 2009 have been prepared applying the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group's Annual Report for the year ended 30 June 2009.

The same significant judgments, estimates and assumptions included in the notes to the financial statements in the Group's Annual Report for the year ended 30 June 2009 have been applied to these interim financial statements.

The financial statements were authorised for issue by the Directors on 21 February 2010.

2 Other revenue

	Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Audited 12 months to June 2009 \$ 000's
Interest from bank deposits	118	418	768
Dividends	23	45	11
Royalties	3,785	3,986	8,668
Rental	842	961	1,846
	4,768	5,410	11,293

3 Operating expenditure

	Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Audited 12 months to June 2009 \$ 000's
Employee benefit expense	34,962	37,120	70,401
Depreciation	4,832	4,608	9,431
Operating lease costs	1,784	2,003	3,946
Other operating expenses	11,167	12,287	26,794
Site and property costs	3,329	3,519	6,762
Supplies	6,795	6,013	13,332
Science 3rd party sub-contracts	5,347	4,315	17,351
Auditors' remuneration - for services as auditors	2	-	277
Bad debts	52	-	86
Change in provision for doubtful debts	146	186	412
Directors' fees	153	170	351
Donations	301	302	303
Financial and legal costs	965	894	2,118
Amortisation of intangible assets	390	422	1,553
Impairment of intangible assets	-	-	607
Impairment of available-for-sale financial assets	239	119	580
Impairment reversal of investments in associates	-	(100)	(249)
Write down of assets	-	-	1,158
	70,464	71,858	155,213

**Notes to and Forming Part of the Financial Statements
For the Half Year ended 31 December 2009**

4 Other gains and (losses)	Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Audited 12 months to June 2009 \$ 000's
Net gain/(loss) from foreign currency exchange	(692)	791	573
Net gain/(loss) on derivatives	483	55	(258)
Net gain/(loss) on sale of property, plant and equipment	37	31	(79)
Net gain/(loss) on sale of other investments	(195)	-	(67)
Change in fair value of forestry	-	-	(100)
Change in fair value of livestock	24	-	(153)
	(343)	877	(84)

5 Taxation

Taxation for the half year ended 31 December 2009 has been provided on the basis of estimated tax expense/benefit based on the accounting result. Taxation for the year ended 30 June 2009 is as disclosed in the Annual Report.

6 Equity

	Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Audited 12 months to June 2009 \$ 000's
Retained earnings			
Balance at beginning of period	54,805	55,452	55,452
Net surplus/(deficit) attributable to equity holders of the parent	(3,608)	(4,660)	(754)
Transfer from available-for-sale revaluation reserve	-	-	107
Balance at end of period	51,197	50,792	54,805
Available-for-sale revaluation reserve			
Balance at beginning of period	403	591	591
Revaluation increases/(decreases)	15	(410)	(225)
Transfer to income statement	-	39	77
Transfer to retained earnings	-	-	(107)
Transfer to deferred tax	(4)	123	67
Balance at end of period	414	343	403

The available-for-sale revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit or loss.

Minority interest

Balance at beginning of period	(291)	(291)	(291)
Share of surplus/(deficit) for the year	66	-	-
Net change in minority interest capital contributions	(2)	-	-
Balance at end of period	(227)	(291)	(291)

7 Trade and other receivables

	Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Audited 12 months to June 2009 \$ 000's
Trade receivables	20,816	16,599	19,994
Receivables from associates	177	1,948	694
Receivables from other related parties	885	2,042	2,923
Total receivables	21,878	20,589	23,611
Less provision for doubtful debts	198	265	491
Net receivables	21,680	20,324	23,120

**Notes to and Forming Part of the Financial Statements
For the Half Year ended 31 December 2009**

8 Biological assets - livestock

Livestock was valued by reference to market evidence of recent transactions for similar livestock.

The change in fair value less estimated point-of-sale costs was:

	Sheep \$ 000's	Beef Cattle \$ 000's	Dairy Cattle \$ 000's	Deer \$ 000's	Total \$ 000's
2009					
Change in fair value less estimated point-of-sale costs	(136)	-	203	(43)	24
2008					
Change in fair value less estimated point-of-sale costs	-	-	-	-	-

9 Trade and other payables

	Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Audited 12 months to June 2009 \$ 000's
Trade payables	7,886	10,748	17,678
Payables to associates	-	-	8
Payables to other related parties	-	-	69
Goods and services tax (GST)	795	793	915
Payables to Directors	-	-	34
Revenue in advance	11,346	7,682	6,048
Accrued salaries and wages	1,407	2,082	946
Total payables	21,434	21,305	25,698

10 Property, plant and equipment

	Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Audited 12 months to June 2009 \$ 000's
Balance at beginning of period	201,656	187,845	187,845
Additions	3,982	11,503	19,982
Disposals	(16)	(27)	(637)
Revaluations	-	-	3,897
Depreciation	(4,832)	(4,608)	(9,431)
Balance at end of period	200,790	194,713	201,656

11 Commitments

Asset purchases committed and contracted for subsequent to the end of the half year period total \$146,465 (2008: \$3,483,742).

12 Provisions

	Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Audited 12 months to June 2009 \$ 000's
Current			
Restructuring	-	458	3
Remediation	-	179	-
ACC Levies	538	595	607
Employee entitlements	5,463	5,434	5,749
Total current	6,001	6,666	6,359
Non-Current			
Employee entitlements	789	829	806
Total Provisions	6,790	7,495	7,165

**Notes to and Forming Part of the Financial Statements
For the Half Year ended 31 December 2009**

**13 Reconciliation of net surplus after tax with net cash inflow
from operating activities**

	Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Audited 12 months to June 2009 \$ 000's
Net surplus/(deficit) after tax	(3,542)	(4,660)	(754)
Non-cash items:			
Depreciation	4,832	4,608	9,431
Intellectual property amortisation and impairment	390	423	2,160
Provision for long term staff liabilities	(17)	(76)	(99)
Equity accounted (profit)/loss	-	52	(30)
Investment write down and revaluation	239	19	331
Change in fair value of forestry	-	-	100
Asset impairment adjustment/asset write down	-	-	1,158
Provision for doubtful debts	146	186	412
Unrealised (gain)/loss on foreign currency exchange	692	(791)	(573)
Unrealised (gain)/loss on derivative financial instruments	(483)	(55)	258
Change in current taxation	(1,885)	(1,516)	475
Change in deferred tax	-	-	261
Movements in working capital:			
(Increase)/decrease in inventory	19	-	(129)
(Increase)/decrease in livestock	(340)	49	240
(Increase)/decrease in receivables	1,685	5,016	4,842
(Increase)/decrease in prepayments	(236)	(246)	(638)
Increase/(decrease) in provisions	(358)	375	68
Increase/(decrease) in accounts payable	(4,264)	245	4,638
Items classified as investing activities:			
Net (gain)/loss on sale of property, plant and equipment	(37)	(31)	79
Net (gain)/loss on sale of investments and intangible assets	195	-	67
Accrual property, plant & equipment, intellectual property & investments (net)	554	(780)	(959)
Add items reclassified as investing activities	(701)	(1,285)	(1,304)
Net cash inflow from operations	(3,111)	1,533	20,034

14 Contingent liabilities

There has been no changes to contingent liabilities since 30 June 2009.

15 Investments

In August 2008 the Group acquired the outstanding shares not already held in Covita Limited and Paraco Limited.

The flow of cash to acquire the business, net of cash acquired was:

	\$ 000's
Cash consideration	(375)
Cash and cash equivalents in subsidiary acquired	1,223
Cash inflow on acquisition	848

Details of the assets and liabilities acquired are disclosed in Note 19 to the Group's annual financial statements for the year ended 30 June 2009.

There were no changes to the percentage held by the Group in subsidiaries or associates for the six months ended 31 December 2009.

**Notes to and Forming Part of the Financial Statements
For the Half Year ended 31 December 2009**

16 Other investments	Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Audited 12 months to June 2009 \$ 000's
Available-for-sale financial assets	<u>7,442</u>	7,616	<u>6,788</u>
Details of other investments			
Fonterra Cooperative Group	2,289	1,920	1,336
BioPacific Ventures	2,719	3,193	3,043
Finistere-AgResearch Strategic Investment Fund Limited Partnership	198	1,868	1,790
Metamorphix Incorporated *	1,592	-	-
Other investments	<u>644</u>	<u>635</u>	<u>619</u>
	<u>7,442</u>	<u>7,616</u>	<u>6,788</u>

* The investment in Metamorphix Incorporated was previously held by the Finistere-AgResearch Strategic Investment Fund Limited Partnership. On the 31 December 2009 the investment was transferred to AgResearch Limited. The investment is convertible notes which are now past their due date. It is planned that the notes will be converted to equity and that the company will enter into an IPO to raise funds. The effect of this will be to dilute the equity holding of the converted note holders but will allow the company to continue to operate with a view to increasing the value for the shareholders. Without a successful IPO the company is facing liquidation and note holders are unlikely to receive repayment.

17 Significant subsequent events

There were no significant events after 31 December 2009 that would have a material effect on the financial statements.

18 Seasonality of business

The nature of the negotiations in respect of research contracts gives rise to a higher level of income in the second half of the year.

19 Related party transactions

The ultimate shareholder of the Group is the Crown. The Group undertakes many transactions with other Crown Entities, State Owned Enterprises and Government Departments, which are carried out on a commercial and arms length basis. A summary of the transactions is detailed below:

Transactions with the Crown

Research, development and other services	Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Audited 12 months to June 2009 \$ 000's
Sale of services	41,667	37,407	84,409
Due from	<u>1,962</u>	<u>3,782</u>	<u>3,749</u>
Research, development and other services			
Purchase of services	8,637	9,895	19,412
Due to	<u>935</u>	<u>1,540</u>	<u>1,700</u>

**Notes to and Forming Part of the Financial Statements
For the Half Year ended 31 December 2009**

19 Related party transactions cont

Transactions with related parties

Transactions between AgResearch Limited and related parties are disclosed below:

	Unaudited 6 months to December 09 \$ 000's	Unaudited 6 months to December 08 \$ 000's	Audited 12 months to June 2009 \$ 000's
Research, development and other services			
Subsidiaries			
Sale of services	1,804	2,463	4,709
Due from	941	1,758	1,125
Purchase of services	4	26	30
Due to	-	-	20
Associates			
Sale of services	2,546	2,227	7,805
Due from	177	1,948	694
Purchase of services	-	-	28
Due to	-	-	8
Jointly controlled entities			
Sale of services	617	688	1,239
Due from	347	439	337
Purchase of services	7	8	15
Due to	-	-	1
Other related parties			
Sale of services	1,955	3,506	7,654
Due from	885	2,259	2,748
Purchase of services	14	392	30
Due to	-	175	-

The amounts outstanding are unsecured, on normal trade terms and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Subsidiary companies are party to the covenanting group in respect of borrowing by AgResearch Limited. Details of the borrowing facility are reflected under Note 20. At 31 December 2009 the financial covenants have been met and subsidiary companies have no liability under the negative pledge covenant agreement (2008: Nil).

20 Term loans

The Group has a term loan (\$20 million) secured by way of a negative pledge covenant agreement. The Group had outstanding borrowings of \$20 million at 31 December 2009 (2008: \$20m). In addition AgResearch Limited has a multi-option credit facility of up to \$5 million (2008: \$15m) secured by way of a negative pledge covenant agreement against which \$2.780m (2008: \$4.049m) was drawn at 31 December 2009.

The interest on the term loan is on a floating basis and resets quarterly. At 31 December 2009 the loan carries interest at 3.15% per annum (2008: 8.45% per annum). This loan is repayable on 8 July 2012. Interest only is repayable until maturity date. The annualised weighted average effective interest rate was 3.61% (2008: 8.68%).