

Annual Report
&
Financial Statements
of the
**AGRICULTURAL AND MARKETING
RESEARCH AND DEVELOPMENT
TRUST**

*Pursuant to section 17 of the Deed of Trust
dated 20 October 1987*

30th June 1988

The Minister of Agriculture
and Fisheries
Parliament Buildings
WELLINGTON

Dear Sir,

I have the honour to transmit to you the annual report of The Agricultural and Marketing Research and Development Trust for the period ended 30 June 1988.

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

Yours faithfully,

W. M. D. BREMNER
Chairman of Trustees

The Agricultural and Marketing Research and Development Trust

STATEMENT OF OBJECTIVES

The objectives of the Trust are prescribed in detail in the Trust Deed. A principal objective is the promotion and encouragement in the national interest of greater production and marketing efficiencies in the agricultural, pastoral, horticultural and forestry industries of New Zealand. In the first full year of operation (commencing 1 July 1988), the Trustees aim to approve the disbursement of grants and awards of an amount which, after inflation proofing the Capital Fund, is expected to be between \$1.5 and \$2 million.

TRUSTEES REPORT

ESTABLISHMENT

Following the formal constitution of the Trust with the signing of the Trust Deed on 20 October 1987, the Trust established itself in the offices of the Phosphate Commission of New Zealand in Auckland, also utilising the services of the Phosphate Commission staff. Since the Commission has not yet been wound up, both the accommodation and the staff services have been obtained at a very considerable saving to the Trust funds. A Secretary was appointed on a temporary basis.

APPLICATIONS

Applications for grants were invited by advertisement in the national press, and some 240 applications covering a wide variety of purposes were received. These amounted to a total of over \$40,000,000. Grants totalling \$1,368 million were then approved, this being the approximate amount of the funds available at that time. Grants were, in general directed towards the production area, and were recommended by various sponsoring bodies. These were:

The New Zealand Dairy Board
The Ministry of Agriculture & Fisheries
The Department of Scientific and Industrial Research
Lincoln College
Massey University

and the Trustees would like to place on record their appreciation for the assistance afforded.

CONSULTANTS

In March 1988 the Trust commissioned overseas consultants to investigate the development of overseas markets with potential for the food and fibre products of New Zealand. A report is expected before the end of 1988.

FUNDING

It is clear that the proportion of funds available for distribution in this and following years will be severely curtailed by the necessity for inflation-proofing the capital sum. In this connection, and given the uncertainty of interest rates in the future, the Trustees believe that a realistic estimate for annual disbursements by grants and awards would be between \$1.5 and \$2 million only, provided also that the Trust continues to enjoy its Income Tax exempt status.

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REPORT OF THE AUDIT OFFICE

The Audit Office, having been appointed in terms of Clause 17 of the Deed of Trust dated 20 October 1987, has audited the financial statements of The Agricultural and Marketing Research and Development Trust.

The audit was conducted in accordance with generally accepted auditing standards and practices.

In the opinion of the Audit Office, the financial statements appearing on pages 4 to 8 fairly reflect the financial position as at 30 June 1988 and the financial results of operations for the period ended on that date.

(M. D. Nuttall)
for Controller and Auditor-General

7 November 1988

The Agricultural and Marketing Research and Development Trust

STATEMENT OF INCOME AND EXPENDITURE FOR THE EIGHT MONTH PERIOD ENDED 30 JUNE 1988

	\$	\$
INCOME		
Interest earned on short term investments (Note 6)	1,651,478	
Exchange gains (Note 1.2.2)	<u>3,706</u>	
		1,655,184
LESS Operating Expenses		
Administration Costs	70,625	
Audit fee	<u>3,000</u>	
		<u>73,625</u>
Surplus Income		1,581,559
LESS Provisions for Grants & Sponsored Research		
Costs of providing Grants & Sponsored Research	12,983	
Grants & Sponsored Research Made (Note 5)	156,993	
Transfer to Contingent Grants & Sponsored Research (Note 5)	<u>1,474,420</u>	
		<u>1,644,396</u>
Surplus (Deficit) of Income over Expenditure (Note 7)		(62,837)
Balance of Accumulated Income at Beginning of Period		<u>-</u>
Accumulated Income Carried Forward		<u><u>\$ (62,837)</u></u>

The notes to the financial statements on pages 7 to 8 form an integral part of these accounts.




The Agricultural and Marketing Research and Development Trust

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 1988

TRUST FUNDS		30.06.88
	\$	\$
Capital (Note 3)	32,000,000	
Special Income Reserve (Note 4)	3,500,000	
Accumulated Income	(62,837)	
Contingent Grants & Sponsored Research (Note 5)	1,474,420	
		\$36,911,583
 REPRESENTED BY:		
CURRENT ASSETS		
Cash at Bank	21,122	
Money Market Call Deposits	80,000	
Interest Receivable	15,862	
Term Deposits (Note 6)	36,800,000	
		36,916,984
 CURRENT LIABILITIES		
Accrued Expenses	5,401	
		5,401
Net Working Capital		\$36,911,583

The notes to these financial statements on pages 7 to 8 form an integral part of these accounts.

Signed by the Trustees:

Mr W. M. D. Bremner	
Dr A. T. Johns	
Prof. B. J. Ross	

The Agricultural and Marketing Research and Development Trust

STATEMENT OF CASH FLOWS FOR THE EIGHT MONTH PERIOD ENDED 30 JUNE 1988

	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was disbursed to:		
Payments to Suppliers and Employees	(81,207)	
Payments for Grants and Sponsored Research	<u>(153,287)</u>	
Net Cash Flows from Operating Activities		(234,494)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Interest Earned	1,635,616	
Cash was applied to:		
Term Deposits	<u>(36,800,000)</u>	
Net Cash Used in Investing Activities		(35,164,384)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Capital Settled	32,000,000	
Special Income Reserve Settled	<u>3,500,000</u>	
Net Cash Available from Financing Activities		<u>35,500,000</u>
Net Increase (Decrease) in Cash Held		101,122
Add Opening Cash Brought Forward		<u>—</u>
Ending Cash Carried Forward		<u><u>\$101,122</u></u>

The Agricultural and Marketing Research and Development Trust

FOR THE PERIOD ENDED 30 JUNE 1988

1. STATEMENT OF ACCOUNTING POLICIES

The Agricultural and Marketing 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.

1.1 GENERAL ACCOUNTING POLICIES

The measurement base adopted is that of historical cost. Reliance is placed on the fact that the Trust is a going concern. Accrual accounting is used to match expenses and revenues.

1.2 PARTICULAR ACCOUNTING POLICIES

1.2.1 Asset Valuation

Investments are shown at cost.

1.2.2 Foreign Currency Transactions

Foreign currency transactions have been converted to New Zealand dollars at the rate of exchange ruling at the date of each transaction. Any realised exchange gains and losses have been included in the statement of income and expenditure. Included in Contingent Grants & Sponsored Research are contingent foreign currency liabilities of US\$70,000 which have been converted to New Zealand dollars at the rate of exchange ruling at balance date (Refer Note 5).

1.2.3 Income Tax

There is no provision for income tax in these financial statements. Under current legislation, income derived by the Trust, being a registered Charitable Trust, is exempt in terms of sections 61 (25) and 61 (27) of the Income Tax Act 1976.

1.2.4 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. GST of \$16,961 was included in administrative expenses.

1.2.5 Revenue Recognition

Interest income is recognised on an accruals basis.

1.2.6 Contingent Grants & Sponsored Research

Any Grants & Sponsored Research approved by the Trustees and subject to any unfulfilled requirements or agreements are transferred to Contingent Grants and Sponsored Research within the classification of Trust Funds. As at 30 June 1988 this represents the only commitments made by the Trust.

1.2.7 Income Allocation

For periods commencing from 1 July 1988 it is the Trustees intention to allocate all surplus income after making provision to protect the real capital of the Trust and after administrative costs to provide grants and to sponsor research in furtherance of the objects of the Trust.

1.3 CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the period under review.

2. COMPARATIVE VALUES AND ACCOUNTING PERIOD

The Trust was formed under a Deed of Trust on 20 October 1987.

These financial statements thus disclose the Trusts activities for an eight month period only and hence there are no comparative figures.

3. CAPITAL

The capital of the Trust was set by clause 1 (b) of the Deed of Trust to be \$32,000,000. This capital was settled in April 1988 and is to be retained in perpetuity and used to generate income for the Trust. In terms of Clause 4 (b), only with the approval of the Minister of Agriculture and Fisheries may any of the capital be applied toward the objects of the Trust.

4. SPECIAL INCOME RESERVE

In terms of Clause 1 (a) of the Deed of Trust, an initial amount of \$3,500,000 was received by the Trust in November 1987. This payment was deemed not to be capital of the Trust but instead to form part of the net income of the Trust Fund.

5. GRANTS & ENGAGEMENTS PROVIDED

During the period to 30 June 1988 the Trust engaged the Battelle Memorial Institute to undertake research. Costs to that date amounted to \$156,993 with further payments amounting to US\$70,000 due but contingent upon satisfactory progress reports being received.

In addition to this engagement, grants to New Zealand organisations totalling \$1,367,875, have been approved by the Trustees prior to balance date. It is intended that these grants will be paid out in quarterly instalments subject to satisfactory progress reports and predetermined conditions being met.

6. SHORT TERM INVESTMENTS

The capital of the Trust (see note 3) had only been available for investment for a limited period prior to balance date. At 30 June 1988, apart from Cash at Bank of \$21,122 and Money Market Call Deposits of \$80,000 all other funds, totalling \$36,800,000, were held on Term Deposit earning 15.7% pa and due to mature on 1 August 1988.

7. SURPLUS (DEFICIT) OF INCOME OVER EXPENDITURE

As disclosed in Note 5 above, contingent grants to New Zealand organisations are intended to be paid out in quarterly instalments. It is anticipated that income earned during the following year will ensure that no actual deficit in accumulated income will occur.