

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 1989

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 year ended 30 June 1989.

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

To promote and encourage in New Zealand's interest the agricultural, pastoral and horticultural industries through:

- * Improved marketing and, where there are market opportunities, increased production;
- * The development of existing and new products;
- * Greater efficiency in production, processing and distribution;
- * Research in relation to these objectives.

TRUSTEES REPORT

APPLICATIONS

In view of the overwhelming response to its advertisement last year, the Trustees determined in the current year to apply more specific parameters to their invitation for applications for grants. Thus it was decided to consider applications under the general heading of "Innovations in the production and marketing of beef". Following advertising in the national press, a total of 84 applications were received, in total amounting to \$18,328,421.

Among these applications was a suggestion from the New Zealand Meat Board that a national seminar be held, bringing together most interested parties, in order to set national priorities in the area of beef research which could be of great assistance both to the Board and to the Trust. The Trustees decided to accept this suggestion, and agreed to sponsor the seminar. A grant to this effect was approved, although the time to organise the seminar has taken somewhat longer than expected, and payment has therefore been delayed.

One major application, involving a project considered to be high in the national interest would, if approved, entail a significant proportion of the available funds. A specific report was commissioned on this application, as a matter of urgency, and the remainder of the applications deemed worthy of support were deferred pending receipt of this report, which was received after the end of the financial year under review. After careful consideration, this application was eventually declined.

A number of applications received last year, and intended to encompass more than one year in research were re-examined and further funds allocated for the current year. The number of these cases was 11, and amounted to funding of a further \$812,875.

CONSULTANTS

In November 1988 the report of the Trust's overseas consultants was received, under the title of "Improvements to New Zealand's Long Term Agricultural Positioning." This report was initially submitted to the Minister of Agriculture & Fisheries, and subsequently, with his approval, circulated widely to interested bodies.

RESEARCH RESULTS

The grants authorised by the Trustees during the 1988 year covered the period up to 30 June 1989, and in all cases satisfactory progress reports were received from the sponsoring bodies of the recipients. Final reports are not yet to hand in most cases, but from those already received it is clear that significant progress has been made in some areas, and the support of the Trust has been gratefully acknowledged. The Trustees look forward to reporting specific advances in agricultural and marketing knowledge and expertise in future reports.

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 9 fairly reflect the financial position as at 30 June 1989 and the financial results of operations and the cashflows for the period ended on that date.

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

23 February 1990

The Agricultural and Marketing Research and Development Trust

STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 1989

	Year to 30.6.89 \$	Period to 30.6.88 \$
INCOME		
Interest earned on short term investments	5,482,912	1,651,478
LESS Operating Expenses		
Administration Costs.....	157,534	66,919
Audit fee.....	7,356	3,000
	164,890	69,919
Surplus Income	5,318,022	1,581,559
LESS Provisions for Grants & Sponsored Research		
Costs of providing Grants & Sponsored Research.....	19,697	12,983
Grants & Sponsored Research Made.....	19,644	156,993
Transfer to Contingent Grants & Sponsored Research (Note 1.2.6).....	1,621,071	1,474,420
	1,660,412	1,644,396
Surplus (Deficit) of Income over Expenditure	3,657,610	(62,837)
Balance of Accumulated Income (Deficit) at Beginning of Year.....	(62,837)	-
Transfer to Special Income Reserve (Note 5).....	(490,000)	-
Provision for the Maintenance of the Capital Fund (Note 4).....	(1,600,000)	-
Accumulated Income Carried Forward.....	\$1,504,773	\$ (62,837)

The notes to the financial statements on pages 7 to 9 form an integral part of these accounts.

The Agricultural and Marketing Research and Development Trust

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 1989

	As At 30.6.89 \$	As At 30.6.88 \$
TRUST FUNDS		
Capital (Note 3).....	32,000,000	32,000,000
Capital Fund Maintenance Reserve (Note 4).....	1,600,000	-
Special Income Reserve (Note 5).....	3,990,000	3,500,000
Accumulated Income.....	1,504,773	(62,837)
Contingent Grants and Sponsored Research (Note 6).....	1,777,446	1,474,420
	<u>\$40,872,219</u>	<u>\$36,911,583</u>
 REPRESENTED BY:		
CURRENT ASSETS		
Cash at Bank.....	17,271	21,122
Call Deposits.....	368,849	80,000
Interest Receivable on Bank Deposits.....	389,902	15,862
Term Deposit (Note 7).....	19,425,000	36,800,000
Treasury Bills (Note 7).....	20,684,007	-
	<u>40,885,029</u>	<u>36,916,984</u>
 CURRENT LIABILITIES		
Accrued Expenses.....	12,810	5,401
Net Working Capital.....	<u>\$40,872,219</u>	<u>\$36,911,583</u>

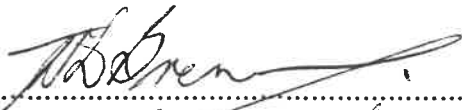
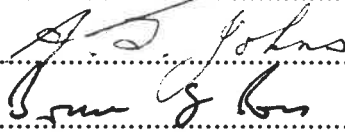
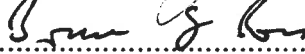
The notes to these financial statements on pages 7 to 9 form an integral part of these accounts.

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 YEAR ENDED 30 JUNE 1989

	30.6.89	30.6.88
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Interest earned	4,923,372	1,635,616
Cash was disbursed to:		
Payments to Suppliers and Employees	(177,178)	(81,207)
Payments for Grants and Sponsored Research	(1,337,689)	(153,287)
	(1,514,867)	(234,494)
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,408,505	1,401,122
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from		
Capital settled	-	32,000,000
Special Income Reserve settled	-	3,500,000
	-	35,500,000
NET CASH FLOWS FROM FINANCING ACTIVITIES	3,408,505	36,901,122
Net Increase in Cash and Deposits Held	36,901,122	-
Add Opening Cash and Deposits Brought Forward	\$40,309,627	\$36,901,122
Ending Cash and Deposits Carried Forward	\$40,309,627	\$36,901,122
Note		
Ending Cash and Deposits in Balance Sheet at 30 June 1989	40,495,127	36,901,122
Less accrued interest included in Treasury Bills total of \$20,684,007	185,500	-
Ending Cash and Deposits carried forward as above	\$40,309,627	\$36,901,122

The Agricultural and Marketing Research and Development Trust

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1989

1. STATEMENT OF ACCOUNTING POLICIES

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.

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. Marketable securities are recorded at cost plus accrued interest.

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.

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 section 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. In total GST of \$8751 was incurred during the year and has been included in the Statement of Income and Expenditure.

1.2.5 Revenue Recognition

Interest income is recognised on an accrual basis.

1.2.6 Contingent Grants & Sponsored Research

Any Grants and 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 1989 this represents the only commitments made by the Trust.

1.2.7 Allocations of Income

Provisions are included in the Statement of Income and Expenditure to allocate income sufficient to maintain the real value of the trust capital and to account for the transfer to the Special Income Reserve in terms of Note 5.

1.3 CHANGES IN ACCOUNTING POLICIES

Allocations of income, provided to maintain the real value of the trust capital and to account for deemed growth of the Special Income Reserve are incorporated in the Statement of Income and Expenditure. The effect of this change in the current year has been to reduce surplus income as transferred to Accumulated Income by \$2,090,000.

With this exception there have been no changes in the above accounting policies which have been applied on bases consistent with those used in the previous period.

The Agricultural and Marketing Research and Development Trust

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 1989

2. COMPARATIVE VALUES AND ACCOUNTING PERIOD

The Trust was formed under a Deed of Trust on 20 October 1987. Accordingly the comparatives are for an eight month period only.

3. CAPITAL

The capital of the Trust was set by clause l(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. PROVISION FOR THE MAINTENANCE OF THE CAPITAL FUND

An objective of the Trust is to maintain the real value of the capital fund since 1 July 1988. An amount of \$1,600,000 has been provided for in the current year, representing 5% of the capital sum of \$32,000,000.

5. SPECIAL INCOME RESERVE

In terms of Clause l(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.

The Trustees have resolved to credit this Reserve Fund with an estimate of income derived from the opening balance. The movement in the Reserve during this year is as follows:

	\$
Balance 1 July 1988	3,500,000
Income Transferred	<u>490,000</u>
Balance 30 June 1989	<u><u>\$3,990,000</u></u>

6. CONTINGENT GRANTS AND SPONSORED RESEARCH

Balance 1 July 1988		1,474,420
Less Grants and Sponsored Research payments during the year		(1,333,045)
Add Grants and Sponsored Research applications approved during the year		<u>1,636,071</u>
Balance 30 June 1989		<u><u>\$1,777,446</u></u>
Comprising:		
1988 Grants not paid out		156,375
1989 Grants	1,636,071	
Less paid by 30 June 1989	<u>15,000</u>	
		<u><u>1,621,071</u></u>
		<u><u>\$1,777,446</u></u>

The Agricultural and Marketing Research and Development Trust

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 1989

7. SHORT TERM INVESTMENTS

As at 30 June 1989, apart from Cash at Bank of \$17,271 and money market call deposits of \$368,849, all other funds, totalling \$40,109,007 were represented by the following short term investments:

Nature of Investment	Term Days	Interest Rate	Maturity Date	Amount Face Value	Cost Plus Accrued Interest
				\$	\$
Treasury Bills	27	13.20%	5 July 1989	5,550,000	5,542,055
Treasury Bills	64	13.19%	9 August 1989	5,120,000	5,049,472
Treasury Bills	85	13.23%	30 August 1989	10,310,000	10,092,480
				<u>\$20,980,000</u>	<u>\$20,684,007</u>
Term Deposit	60	13.75%	7 July 1989	<u>\$19,425,000</u>	<u>\$19,425,000</u>

8. CONTINGENT LIABILITIES

The Trust has no contingent liabilities at balance date other than those referred to in note 6.