



1998
annual
REPORT
financial statements

AGMARDT

The Agricultural and Marketing Research and Development Trust

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The Minister for Food, Fibre, Biosecurity and Border Control
Parliament Buildings
WELLINGTON

Dear Sir

We 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 1998.

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

Yours faithfully



C J Moyle
For the Board of Trustees

statement of Objectives

The Trust was settled by the Crown in terms of a Trust Deed dated 20 October 1987, which sets out the objects of the Trust. The Trustees, having considered the Trust Deed and the role of the Trust, have determined the following Statement of Objectives:

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

- Improved marketing and, where there are market opportunities, increased production;
- Development of existing and new products;
- Greater efficiency in production, processing and distribution;
- Research in relation to these objectives;
- The training of individuals towards appropriate advanced expertise in these industries;
- The collection and dissemination of information arising from any research undertaken in pursuance of the foregoing objectives.

trustees' Report

The Board of Trustees is pleased to provide this report on the activities of AGMARDT for the year ended 30 June 1998.

Financial Results

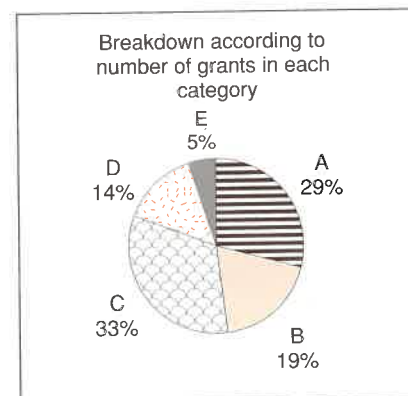
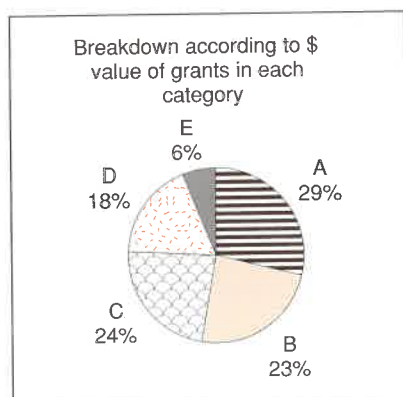
The Investment Portfolio achieved an overall return of 12.9% for the year due to a strong performance from overseas equities. Although the reserves are healthy, the amount to be allocated in grants over the coming year will be maintained at a conservative level in accordance with the Trust's reserving policy which takes into account market volatility.

Following the acquisition of Southpac Investment Management Limited in November 1997, AMP Asset Management New Zealand Limited became the sole fund manager for AGMARDT's investments, although the overseas portfolios are serviced by offshore managers.

Funding Programmes

Progressive Farming Grants:

This programme continued to attract a steady number of applications in its second year of operation and 21 grants totalling \$1,172,813 were awarded to farmer groups for the year ended 30 June 1998. The accompanying graphs provide an analysis of the number and dollar value of grants in each category.



Key:

		\$	No.	
A	Pastoral	Beef, dairy, deer, sheep, animal welfare	344,642	6
B	Horticulture	Fruit, flowers	265,400	4
C	Crops	Vegetables, grains, tree crops, pests, disease control	284,177	7
D	Land	Sustainable management of land resources, fertilisers, soil, weeds, pests	210,694	3
E	Forestry		67,900	1
			\$1,172,813	21

Young Farmer Contest:

In December 1997 AGMARDT was pleased to announce that it had joined with Wrightson in a three year sponsorship agreement with the Young Farmers Association to continue the Young Farmer of the Year Competition after the withdrawal of the previous major sponsors.

The AGMARDT Progressive Farming Grants Programme formed part of the Young Farmer Contest this year. At the regional finals each of the contestants had to prepare an initial application for a grant and the seven finalists had to review existing Progressive Farming projects and provide written reports and presentations to the Board of Trustees.

This sponsorship provides AGMARDT with a link to the farming community at a grass roots level and the opportunity to increase awareness of AGMARDT's Progressive Farming Grants Programme.

Doctoral Scholarships:

The AGMARDT Doctoral Scholarship Programme is now in its fifth year. To date, seven of the 44 scholars have been awarded their doctorates and a further eight are expected to complete their degrees by the end of the year.

Post-Doctoral Fellowships:

Over 30 applications were received for the first funding round for Post-Doctoral Fellowships. The members of the Advisory Panel were impressed by the high calibre of the applicants and based on their recommendations, the Trustees awarded two fellowships for study at New Zealand host organisations, being the Wool Research Organisation of New Zealand (Inc) and the Horticulture and Food Research Institute of New Zealand Limited, and one for study at the United States Department of Agriculture.

Trustees

In April 1998 the Minister of Agriculture reappointed Mr Adhurji Valabh as a Trustee to AGMARDT for a term of three years.

Grants

approved during the year ended 30 June 1998

Grant No.	Organisation	Project Title	Grant \$
9801	Almut Arneht	Travel Sponsorship - 5th International Carbon Dioxide Conference	1,850
9802	Rural Dimension Communications	Production of NZ Rural Science & Management Digest	5,000
9803	Rodney/Kaipara MRDC Monitor Farm Group	Bio-control of Scotch thistles by the gall fly	48,488
9804	New Zealand Citrus Growers Incorporated	Control of citrus flower thrips	40,400
9805	Wendon Valley Trace Element Monitor Group	Trace element status and impact on animal performance	100,000
9806	New Zealand Boysenberry Council Limited	Defining boysenberry characteristics and quality standards	100,000
9807	New Zealand Farm Forestry Association (Inc)	Biological control of <i>Cardiaspina fiscella</i> on eucalyptus species in New Zealand	67,900
9808	The Perendale Sheep Society of New Zealand (Inc)	Identify market signals and attributes for Perendale wool	29,351
9809	Fertilizer & Lime Research Centre	Sponsorship for the FLRC Workshop	1,688
9810	Waiotira & Maungaturoto Farm Study Group	Monitoring quality beef production to meet 12 month supply contract (extension to Grant No. 9748)	5,000
9811	Summer Milk Demonstration Group	Demonstration and extension of drought strategy on dairy farms	40,272
9812	Parasites Notes Editorial Committee	Parasites Notes - publication support	20,000
9813	World Merino Conference Organising Committee	World Merino Conference 1998 - visiting speaker sponsorship	5,625
9814	New Zealand Federation of Young Farmers Clubs	Sponsorship of Young Farmer Contest	489,375
9815	New Zealand Asparagus Council Research Committee Farmer Members	Plant density studies in asparagus	39,000
9816	Massey University	Advancing New Zealand dairy farmers knowledge and skill in feeding dairy cows	361,756
9817	Chestnut Action Group	NZ chestnut nationwide quality survey	20,000

Grant No.	Organisation	Project Title	Grant \$
9818	Royal Society of New Zealand	Approach to science: rumen nutrition and clothing resource	5,400
9819	Nursery & Garden Industry Association of New Zealand	Development of an advanced management training course	6,750
9820	Canterbury Precision Farming Group	Optimising yield and profit with precision farming	57,809
9821	The New Zealand Vegetable and Potato Growers' Federation Inc	Implementation of quality assurance in the vegetable industry	60,000
9822	Cereal Weed Management Group	Cereal weed management	66,100
9823	Blackcurrants NZ Limited	Improving pesticide-free blackcurrant juice yields	80,000
9824	1998 Agribusiness Conference Committee	Sponsorship of overseas speaker at the 1998 Agribusiness Conference	10,000
9825	New Zealand Olive Association	Regional performance of olives	43,880
9826	Amuri Broom Group	To advance biocontrol of Scotch broom in North Canterbury	99,594
9880	Doctoral Scholarship: Lazar Drazeta	Plant growth regulator modification of xylem development for improved calcium nutrition in apple fruit crops	59,000
9881	Doctoral Scholarship: Daniel Fraser	Internal fruit quality assessment using NIR	59,000
9882	Doctoral Scholarship: Stephen Giddens	Biological control of fireblight: antibiosis of <i>Erwinia amylovora</i> , the fire-blight pathogen, by the potential biocontrol agent <i>Erwinia herbicola</i>	59,000
9883	Doctoral Scholarship: Jason Johnston (withdrawn)	Apple storage potential	59,000
9884	Doctoral Scholarship: Sheree Knox	Minimising pollution from fertiliser-N in spring	59,000
9885	Doctoral Scholarship: John Menneer	Impact of intensive grazing management in the Waikato on N ₂ fixation by white clover and the availability of nitrogen to grasses	59,000
9886	Doctoral Scholarship: Paul Petrie	The photosynthetic capacity of New Zealand vineyards	59,000
9887	Doctoral Scholarship: Benjamin Reddiex	Dynamics of rabbit calicivirus disease: effect of predators	59,000
9888	Doctoral Scholarship: Elizabeth Reid	Improving the nutritional quality of processed feed proteins	59,000
9890	Post-Doctoral Fellowship: Robert Kelly	The production of new biomaterials from wool and wool wastes	140,000
9891	Post-Doctoral Fellowship: Brett Robinson	The phytoremediation of heavy-metal contaminated sites in New Zealand using poplar	140,000
9892	Post-Doctoral Fellowship: Craig Phillips	Biological control of the clover root weevil, <i>Sitona lepidus</i> Gyllenhal	140,000

Grant No.	Organisation	Project Title	Grant \$
	Increase in stipend for Doctoral Scholarships which commenced in the 1996 and 1997 academic years		27,833
Provision for Grants subject to acceptance of terms:			
	Tui Farmers	Strategic supplement use in pasture based dairy systems	110,000
	Conscientious Chestnut Orchardists	Orchard spray programme to control fungal rots in chestnuts	15,000
	New Zealand Sheepbreeders' Association	Ultrasonic scanning breeding stock for lean meat production	60,019
	Porina Advisory Group	Wairarapa/Hawkes Bay Porina Advisory Group	45,000
	Export Cymbidium Orchid Grower Group	Control of Tyrophagus mites in cymbidium orchids	45,000
	Total Grants		\$3,059,090

statement of **Responsibility**

for the year ended 30 June 1998

In terms of Section 42 of the Public Finance Act 1989, we certify that:

1. We have been responsible for the preparation of these financial statements and the judgement used therein;
and,
2. We have been responsible 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. We are of the opinion that these financial statements fairly reflect the financial position as at 30 June 1998 and the results of operations for the year ended on that date.

On behalf of the Trust



C J Moyle
Chairman



S M Christie
Secretary Manager

28 October 1998

report of the **Audit Office**

to the Readers of the Financial Statements of The Agricultural and Marketing Research and Development Trust

for the year ended 30 June 1998

We have audited the financial statements on pages 9 to 16. The financial statements provide information about the past financial performance of The Agricultural and Marketing Research and Development Trust and its financial position as at 30 June 1998. This information is stated in accordance with the accounting policies set out on page 13.

Responsibilities of the Trust

The Public Finance Act 1989 requires the Trust to prepare financial statements in accordance with generally accepted accounting practice which fairly reflect the financial position of The Agricultural and Marketing Research and Development Trust as at 30 June 1998 and the results of its operations and cash flows for the year ended 30 June 1998.

Auditor's Responsibilities

Section 43(I) of the Public Finance Act 1989 requires the Audit Office to audit the financial statements presented by the Trust. It is the responsibility of the Audit Office to express an independent opinion on the financial statements and report its opinion to you.

The Controller and Auditor-General has appointed B H Halford, of Audit New Zealand, to undertake the audit.

Basis of Opinion

An audit includes examining on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Trust in the preparation of the financial statements; and
- whether the accounting policies are appropriate to The Agricultural and Marketing Research and Development Trust's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in The Agricultural and Marketing Research and Development Trust.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of The Agricultural and Marketing Research and Development Trust on pages 9 to 16

- comply with generally accepted accounting practice; and
- fairly reflect:
 - the financial position as at 30 June 1998; and
 - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 28 October 1998 and our unqualified opinion is expressed as at that date.



B H Halford
Audit New Zealand
On behalf of the Controller and Auditor-General,
Auckland, New Zealand

statement of Financial Performance

for the year ended 30 June 1998

	1998 Actual	1998 Budget	1997 Actual
Income			
Interest earned on short term investments	292,240	318,500	382,183
Profit on Investment Portfolio	2,380,585	3,704,400	4,390,800
Sundry income	—	—	10,168
	<u>2,672,825</u>	<u>4,022,900</u>	<u>4,783,151</u>
Less Expenses			
Administration costs	165,528	265,200	230,008
Audit fee	7,000	9,000	8,884
Depreciation and loss on sale of fixed assets	4,057	5,000	5,737
Portfolio investment advice	40,804	41,000	33,873
Portfolio management fees	154,325	150,000	140,967
Rental of premises	13,301	13,500	13,301
Trustees' remuneration	77,760	78,000	77,760
	<u>462,775</u>	<u>561,700</u>	<u>510,530</u>
	<u>2,210,050</u>	<u>3,461,200</u>	<u>4,272,621</u>
Add Unrealised investment fluctuation	4,316,574	—	3,760,324
	<u>4,316,574</u>	<u>—</u>	<u>3,760,324</u>
Surplus of Income over Expenditure Before Allocation of Grants and Loans	6,526,624	3,461,200	8,032,945
Allocation of Grants and Loans			
Grants made this year (Accounting policy 2.4, Note 4)	3,059,090	3,215,000	2,178,322
Grants relinquished this year (Accounting policy 2.4, Note 4)	(727,793)	—	(365,040)
Loans repaid this year	—	—	(80,830)
	<u>2,331,297</u>	<u>3,215,000</u>	<u>1,732,452</u>
Surplus of Income over Expenditure After Allocation of Grants and Loans	4,195,327	246,200	6,300,493
Balance of Accumulated Income at beginning of year	4,390,940	4,390,940	324,450
Transfer to Income Fluctuation Reserve (Note 3)	(134,259)	—	(1,774,613)
Provision for the Maintenance of the Capital Fund (Note 2)	(688,508)	(572,000)	(459,390)
Balance of Accumulated Income at end of year	\$7,763,500	\$4,065,140	\$4,390,940

The notes to the financial statements on pages 13 to 16 form an integral part of these accounts and should be read in conjunction with these accounts.

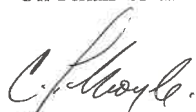
statement of Financial Position

as at 30 June 1998

	1998 Actual	1998 Budget	1997 Actual
Trust Funds			
Capital (Note 1)	32,000,000	32,000,000	32,000,000
Capital Reserves			
Capital Fund Maintenance Reserve (Note 2)	10,164,867	10,048,359	9,476,359
Income Fluctuation Reserve (Note 3)	8,222,149	8,087,890	8,087,890
Revenue Reserves			
Accumulated Income	7,763,500	4,065,140	4,390,940
Total Trust Funds	<u>58,150,516</u>	<u>54,201,389</u>	<u>53,955,189</u>
Provision for Non-Current Grants (Note 4)	1,836,062	1,424,530	1,335,921
Total Funds	<u>\$59,986,578</u>	<u>\$55,625,919</u>	<u>\$55,291,110</u>
Represented by:			
Current Assets			
Cash at bank and call deposit	567,765	686,583	573,789
Accounts receivable	-	-	266
Interest receivable	112	-	-
Payments in advance	650	-	423
Total Current Assets	<u>568,527</u>	<u>686,583</u>	<u>574,478</u>
Less Current Liabilities			
Accounts payable and accruals	28,004	30,000	39,695
Provision for Current Grants (Note 4)	2,552,260	3,323,902	3,197,511
Total Current Liabilities	<u>2,580,264</u>	<u>3,353,902</u>	<u>3,237,206</u>
Working Capital	(2,011,737)	(2,667,319)	(2,662,728)
Investments (Note 5)	61,979,464	58,277,921	57,943,521
Fixed Assets (Note 6)	<u>18,851</u>	<u>15,317</u>	<u>10,317</u>
Net Assets	<u>\$59,986,578</u>	<u>\$55,625,919</u>	<u>\$55,291,110</u>

The notes to the financial statements on pages 13 to 16 form an integral part of these accounts and should be read in conjunction with these accounts.

On behalf of the Trust Board


 J Moyle
 Chairman
 28 October 1998


 S M Christie
 Secretary Manager

statement of **Movements in Equity**

for the year ended 30 June 1998

	1998 Actual	1997 Actual
Equity at the start of the year	53,955,189	47,654,696
Net Surplus for the year	<u>4,195,327</u>	<u>6,300,493</u>
Total recognised revenues and expenses	<u>4,195,327</u>	<u>6,300,493</u>
<i>Equity at the end of the year</i>	<u>\$58,150,516</u>	<u>\$53,955,189</u>

The notes to the financial statements on pages 13 to 16 form an integral part of these accounts and should be read in conjunction with these accounts.

statement of Cash Flows

for the year ended 30 June 1998

	1998 Actual	1998 Budget	1997 Actual
Cash Flows from Operating Activities			
Cash was provided from:			
Interest and dividends received	3,756,216	4,022,900	3,274,590
Loans repaid	—	—	80,830
Sundry income received	—	—	10,167
	<u>3,756,216</u>	<u>4,022,900</u>	<u>3,365,587</u>
Cash was applied to:			
Payments to suppliers and employees	516,812	565,706	550,361
Payments for Grants	2,486,949	3,000,000	2,751,099
	<u>3,003,761</u>	<u>3,565,706</u>	<u>3,301,460</u>
Net cash inflow from operating activities (Note 9)	752,455	457,194	64,127
Cash Flows from Investing Activities			
Cash was provided from:			
Maturity and sale of investments	50,393,947	51,000,000	70,428,432
Sale of fixed assets	—	—	500
	<u>50,393,947</u>	<u>51,000,000</u>	<u>70,428,932</u>
Cash was applied to:			
Purchase of investments	46,540,721	47,000,000	83,892,742
Purchase of fixed assets	12,592	10,000	4,165
	<u>46,553,313</u>	<u>47,010,000</u>	<u>83,896,907</u>
Net cash inflow/(outflow) from investing activities	3,840,634	3,990,000	(13,467,975)
Net increase/(decrease) in cash held	4,593,089	4,447,194	(13,403,848)
Add cash at the start of the year	14,883,123	14,883,123	28,286,971
Cash at the end of the year	\$19,476,212	\$19,330,317	\$14,883,123
Cash at the end of the year represented by:			
Cash at bank and call deposit	567,765	686,583	573,789
Fund Manager's cash deposits (Note 5)	18,908,447	18,643,734	14,309,334
	<u>\$19,476,212</u>	<u>\$19,330,317</u>	<u>\$14,883,123</u>

The notes to the financial statements on pages 13 to 16 form an integral part of these accounts and should be read in conjunction with these accounts.

statement of Accounting Policies

for the year ended 30 June 1998

The Agricultural and Marketing Research and Development Trust was established by a Deed of Trust dated 20 October 1987 and the financial statements have been prepared pursuant to Clause 17 of the said Deed and S. 41 of the Public Finance Act 1989.

1. General Accounting Policies

1.1 The measurement base adopted for investments is market value based on New Zealand Stock Exchange selling quotations for equities and closing market yields for fixed interest investments. Other assets are recorded at historical cost. Reliance is placed on the fact that the Trust is a going concern. Accrual accounting is used to match expenses and revenues.

2. Particular Accounting Policies

2.1 *Asset Valuation* — Investments are valued at market value with any resultant increase or decrease over cost being reflected in the Statement of Financial Performance. Physical assets, which comprise office equipment, are recorded at cost less accumulated depreciation. Depreciation is provided on a straight line basis at rates calculated to allocate the cost or valuation of an asset, less any estimated residual value, over its estimated useful life. The estimated useful life of the office equipment is 5 years.

2.2 *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 6I (25) and 6I (27) of the Income Tax Act 1976.

2.3 *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.

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

2.5 *Loans* — Any loans approved by the Trustees are transferred to Provision for Loans within the classification of Total Funds and Current Liabilities. This treatment is in accordance with the treatment of Provision for Grants. The Trustees have resolved not to recognise the loans paid as an asset of the Trust on the basis that the recoverable value cannot be established with any certainty.

2.6 *Allocations of Income* — Provisions are included in the Statement of Financial Performance to allocate sufficient income to maintain the real value of the Trust Capital and to account for the transfer to or from the Income Fluctuation Reserve in terms of Note 3.

2.7 *Hedging Instruments* — The Trust, through its Fund Manager, enters into hedging instruments such as futures, options and forward exchange contracts. These are converted to the New Zealand Dollar rate at balance date with all realised and unrealised gains and losses being recognised in the Statement of Financial Performance.

2.8 *Foreign Currencies* — Transactions recognised in foreign currencies are translated to New Zealand Dollars at the exchange rate prevailing at the transaction date. All amounts denominated in foreign currencies are converted to New Zealand Dollars at balance date and all realised and unrealised gains and losses are recognised in the Statement of Financial Performance.

3. Changes in Accounting Policies

There have been no changes in the above accounting policies which have been applied on bases consistent with those used in the previous year.

notes to the Financial Statements

for the year ended 30 June 1998

1. Capital

The Capital of the Trust was set by Clause I(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 for Food, Fibre, Biosecurity and Border Control may any of the capital be applied toward the objects of the Trust.

2. 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 \$688,508 (1997: \$459,390) has been provided for in the current year, representing 1.66% (based on the Consumer Price Index movement for the year ended 30 June 1998) of the total capital sum of \$32,000,000 and the opening balance of the Capital Fund Maintenance Reserve.

3. Income Fluctuation Reserve

The Trust has implemented a reserving policy in order to meet its investment objectives and manage the fluctuations in investment earnings. An amount has been transferred from income to the Income Fluctuation Reserve to bring the value of the Trust Fund up to the Upper Reserving Limit.

	1998	1997
Balance 1 July 1997	8,087,890	6,313,277
Transfer from Accumulated Income	134,259	1,774,613
Balance 30 June 1998	\$8,222,149	\$8,087,890
4. Provision for Grants		
Balance 1 July 1997	4,533,432	5,483,913
Add		
Grant applications approved	3,059,090	2,178,322
Less grants relinquished	(727,793)	(365,040)
	<u>2,331,297</u>	<u>1,813,282</u>
	6,864,729	7,297,195
Less grants paid and accrued	(2,476,407)	(2,763,763)
Balance 30 June 1998 (Note (a))	\$4,388,322	\$4,533,432
Comprising grants made in the following years which have not been paid out:		
1993	—	86,548
1994	174,826	380,337
1995	53,280	848,455
1996	515,313	1,381,378
1997	1,095,881	1,836,714
1998	2,549,022	—
	<u>\$4,388,322</u>	<u>\$4,533,432</u>
Note (a): Provision for Grants comprising:		
Current	2,552,260	3,197,511
Non-Current	1,836,062	1,335,921
Total Provision for Grants	\$4,388,322	\$4,533,432

The Agricultural and Marketing Research and Development Trust

5. Investments

<i>Managed Funds</i>	1998	1997
Fixed Interest: Domestic	15,026,863	11,144,494
Offshore	12,682,182	12,483,814
Equities: Domestic	5,132,864	7,228,095
Offshore	10,021,909	11,330,499
Short Term Deposits (<i>Note (a)</i>)	19,115,646	15,756,619
<i>Total Investments</i>	\$61,979,464	\$57,943,521

The historic cost of these investments is \$53,445,980.

The face value of financial instruments entered into in relation to the offshore equities and bonds not recognised in the financial statements is \$19,441,945.

Note (a). Short Term Deposits comprising:

Debtors	247,089	21,850
Creditors - Purchase of investments	—	(192,962)
- Other expenses	(63)	—
- Management Fees	(39,827)	(49,452)
Cash	18,908,447	14,309,334
Short Term Investments	—	1,667,849
<i>Total Short Term Deposits</i>	\$19,115,646	\$15,756,619

6. Fixed Assets

Office equipment		
Cost as at 30 June 1998	27,123	19,031
Less accumulated depreciation	8,272	8,714
<i>Total Fixed Assets</i>	\$18,851	\$10,317

7. Lease Commitments

There were no lease commitments under operating leases as at 30 June 1998. (1997: Nil)

8. Contingent Liabilities and Financial Commitments

The Trust has no contingent liabilities and no financial commitments as at 30 June 1998 other than those referred to in Note 4 (1997: Nil)

The Agricultural and Marketing Research and Development Trust

9. Reconciliation with Reported Operating Surplus

	1998 Actual	1998 Budget	1997 Actual
Reported surplus	4,195,327	246,200	6,300,493
Add (less) non-cash items:			
Change in market value of investments	(3,117,052)	—	(5,342,185)
Depreciation	4,057	5,000	5,737
	<u>(3,112,995)</u>	<u>5,000</u>	<u>(5,336,448)</u>
	1,082,332	251,200	964,045
Add (less) movements in other working capital items:			
Accounts receivable	266	266	(266)
Accounts payable and accruals	(11,691)	(9,695)	9,273
Interest receivable	(112)	—	2,226
Payments in advance	(227)	423	(423)
Managed Funds working capital	(173,003)	—	39,752
Provision for Grants made this year	(145,110)	215,000	(950,480)
	<u>(329,877)</u>	<u>205,994</u>	<u>(899,918)</u>
Net cash inflow from operating activities	<u>\$752,455</u>	<u>\$457,194</u>	<u>\$64,127</u>

10. Financial Instruments

The financial instruments are subject to the normal market risks associated with markets in which they are traded. However there is no credit risk relating to the Fund Manager or the Custodian and because of the diversification of investments, there are no significant concentrations of credit risk within the investment portfolios. Foreign currency hedges are taken out by the Fund Manager to minimise the exposure to exchange fluctuations. The International Fixed Interest Portfolio is fully hedged back to the New Zealand dollar and the International Equities Portfolio is 75% hedged. The maximum deviation from the neutral exposure for both portfolios is +/- 5%. No comparison is provided between the carrying value and estimated fair value of financial instruments due to the carrying value reflecting market price.

	1998	1997
New Zealand		
Bonds and Deposits	34,142,509	26,901,113
Equities	5,132,864	7,228,095
	<u>39,275,373</u>	<u>34,129,208</u>
Global		
Bonds and Deposits	12,682,182	12,483,814
Equities	10,021,909	11,330,499
	<u>22,704,091</u>	<u>23,814,313</u>
Total		
Bonds and Deposits	46,824,691	39,384,927
Equities	15,154,773	18,558,594
	<u>\$61,979,464</u>	<u>\$57,943,521</u>

Directory

Board of Trustees

The Hon. Colin Moyle (Chairman)
Mr Alistair Betts
Mr Gordon Hogg
Mr Adhurji Valabh

Management

Mrs Susan Christie
Secretary Manager

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Frank Russell Company (NZ) Ltd

Auditor

Audit New Zealand

Bankers

Bank of New Zealand

Solicitors

Bell Gully

AGMARDT