

Audit New Zealand

REPORT OF THE AUDIT OFFICE

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE ROYAL SOCIETY OF NEW ZEALAND FOR THE YEAR ENDED 31 DECEMBER 1998

We have audited the financial statements on pages 1 to 11. The financial statements provide information about the past financial performance of the Royal Society of New Zealand and its financial position as at 31 December 1998. This information is stated in accordance with the accounting policies set out on pages 6 to 7.

Responsibilities of the Council

The Royal Society of New Zealand Act 1997 requires the Council to prepare financial statements in accordance with generally accepted accounting practice which fairly reflect the financial position of the Royal Society of New Zealand as at 31 December 1998 and the results of its operations and cash flows for the year ended 31 December 1998.

Auditor's responsibilities

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 John O'Connell, 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 Council in the preparation of the financial statements *and*
- ▲ whether the accounting policies are appropriate to the Royal Society of New Zealand'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 Society.

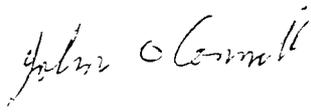
Unqualified opinion

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

In our opinion the financial statements of the Royal Society of New Zealand on pages 1 to 11:

- ▲ comply with generally accepted accounting practice *and*
- ▲ fairly reflect:
 - the financial position as at 31 December 1998 *and*
 - the results of its operations and cash flows for the year ended on that date

Our audit was completed on 7 May 1999 and our unqualified opinion is expressed as at that date.

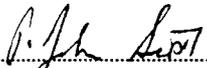


John O'Connell
Audit New Zealand
On behalf of the Controller and Auditor-General
Wellington, New Zealand

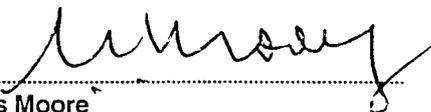
**THE ROYAL SOCIETY OF NEW ZEALAND
STATEMENT OF RESPONSIBILITY
FOR THE YEAR ENDED 31 DECEMBER 1998**

The financial statements in our opinion fairly reflect the financial position and operations of the Royal Society of New Zealand for the year ended 31 December 1998.

Management is responsible for the judgements used in the preparation of the financial statements, and for establishing and maintaining the system of internal control that provides reasonable assurances as to the integrity and reliability of financial reporting.



John Scott KBE, FRSNZ
President
7th May 1999



Ross Moore
Chief Executive Officer
7th May 1999

**THE ROYAL SOCIETY OF NEW ZEALAND
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 1998**

	Note	1998 (12 mths) \$	1997 (18 mths) \$
INCOME			
Crown Purchase Agreement	9	2,065,146	2,188,928
Other	10	2,443,852	3,333,384
Exchange Gains		11,783	6,157
Interest		<u>38,188</u>	<u>37,525</u>
		4,558,969	5,565,994
Designated Funds	6	<u>38,417</u>	<u>76,299</u>
TOTAL INCOME		<u>4,597,386</u>	<u>5,642,293</u>
EXPENDITURE			
Audit Fees		27,000	30,400
Auditors Remuneration Other		674	0
Bad Debts		9,468	12,211
Depreciation	11	132,137	173,116
Loss on Sale of Fixed Assets	3	29,393	0
Operating		2,477,416	2,676,639
Personnel		1,796,400	2,397,736
Professional Fees		<u>15,945</u>	<u>23,824</u>
		4,488,433	5,313,926
Designated Funds	6	<u>29,756</u>	<u>59,650</u>
TOTAL EXPENDITURE		<u>4,518,189</u>	<u>5,373,576</u>
TOTAL NET SURPLUS INCOME (DEFICIT)		<u>79,197</u>	<u>268,717</u>
ATTRIBUTABLE TO DESIGNATED FUNDS		8,661	16,649
ATTRIBUTABLE TO GENERAL FUNDS		70,536	252,068

The Notes and Statement of Accounting Policies form an integral part of these Financial statements.

**THE ROYAL SOCIETY OF NEW ZEALAND
STATEMENT OF MOVEMENT IN ACCUMULATED FUNDS
AS AT 31 DECEMBER 1998**

	Note	1998 (12 mths) \$	1997 (18 mths) \$
ACCUMULATED FUNDS AS AT 1 JANUARY 1998		3,306,361	1,972,710
Revaluation of Land and Buildings	5	0	1,081,583
Net Surplus (Deficit) for the year		70,536	252,068
Total Recognised Revenue and Expenses for the year		<u>70,536</u>	<u>1,333,651</u>
ACCUMULATED FUNDS AS AT 31 DECEMBER 1998		<u><u>3,376,897</u></u>	<u><u>3,306,361</u></u>

The Notes and Statement of Accounting Policies form an integral part of these Financial statements.

**THE ROYAL SOCIETY OF NEW ZEALAND
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 1998**

	Note	1998	1997
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash & Bank		52,744	193,679
Short Term Investments		444,537	527,354
Accounts Receivable	18	388,539	247,511
Payments in Advance		18,931	17,906
Publications Stock		5,000	10,502
Science & Technology Medals Stock		27,440	7,800
Work in Progress		0	29,215
TOTAL CURRENT ASSETS		<u>937,191</u>	<u>1,033,967</u>
DESIGNATED FUND INVESTMENTS		329,840	145,675
NON CURRENT ASSETS			
Fixed Assets	3	<u>3,234,016</u>	<u>3,340,835</u>
TOTAL NON CURRENT ASSETS		<u>3,234,016</u>	<u>3,340,835</u>
TOTAL ASSETS		<u>4,501,047</u>	<u>4,520,477</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable		473,885	446,939
Income in Advance	7	184,614	327,388
Employee Entitlements		<u>136,600</u>	<u>119,399</u>
TOTAL CURRENT LIABILITIES		<u>795,099</u>	<u>893,726</u>
NET ASSETS		<u>3,705,948</u>	<u>3,626,751</u>
ACCUMULATED & DESIGNATED PURPOSE FUNDS			
Accumulated Funds	4	1,401,873	1,331,337
Asset Revaluation Reserve	5	<u>1,975,024</u>	<u>1,975,024</u>
TOTAL ACCUMULATED FUNDS & RESERVES		3,376,897	3,306,361
Designated Funds	6	<u>329,051</u>	<u>320,390</u>
TOTAL ACCUMULATED & DESIGNATED PURPOSE FUNDS		<u>3,705,948</u>	<u>3,626,751</u>

The Notes and Statement of Accounting Policies form an integral part of these Financial statements.

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John Scott KBE, FRSNZ
President
May 1999

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Ross Moore
Chief Executive Officer
May 1999

**THE ROYAL SOCIETY OF NEW ZEALAND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 1998**

	Note	1,998 (12 mths)	1,997 (18 mths)
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Operations		4,254,411	5,858,158
Designated Funds		38,417	76,299
Interest Received from Investments		38,188	37,525
		<u>4,331,016</u>	<u>5,971,982</u>
Cash was disbursed to:			
Operations		4,297,919	5,006,245
Designated Funds		29,756	63,932
		<u>4,327,675</u>	<u>5,070,177</u>
Net Cash Flows from Operating Activities	13	<u>3,341</u>	<u>901,805</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of Fixed Assets		20,754	9,422
Investments		82,817	0
		<u>103,571</u>	<u>9,422</u>
Cash was disbursed to:			
Purchase of Fixed Assets		75,465	234,659
Investments		0	328,215
Designated Funds Investments		184,165	145,675
		<u>259,630</u>	<u>708,549</u>
Net Cash Flows from Investing Activities		<u>(156,059)</u>	<u>(699,127)</u>
Net Increase (Decrease) in Cash Held		(152,718)	202,678
Exchange Rate Gain (Net) on Foreign Currency Balance		11,783	6,157
Add Opening Cash Brought Forward		193,679	(15,156)
Ending Cash Carried Forward		<u>52,744</u>	<u>193,679</u>

The Notes and Statement of Accounting Policies form an integral part of these Financial statements

**THE ROYAL SOCIETY OF NEW ZEALAND
STATEMENT OF AGENCY FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1998**

	Note	Total	Marsden Fund	ISAT Linkages	Promotion Contestable	Teacher Fellowships	CJC Fellowships
		\$	\$	\$	\$	\$	\$
AGENCY FUNDS AS AT 1 JANUARY 1998		9,198,224	8,114,194	116,455	102,568	451,139	413,868
INCOME							
Grants		23,575,131	21,839,000	256,037	238,000	648,761	593,333
Interest		602,802	553,207	4,519	3,707	23,019	18,350
TOTAL INCOME		<u>24,177,933</u>	<u>22,392,207</u>	<u>260,556</u>	<u>241,707</u>	<u>671,780</u>	<u>611,683</u>
EXPENDITURE							
Grants		20,609,662	18,582,726	245,004	327,112	780,138	674,682
Sundry		1,159	925	17	5	139	73
TOTAL EXPENDITURE		<u>20,610,821</u>	<u>18,583,651</u>	<u>245,021</u>	<u>327,117</u>	<u>780,277</u>	<u>674,755</u>
AGENCY FUNDS AS AT 31 DECEMBER 1998	8	<u>12,765,336</u>	<u>11,922,750</u>	<u>131,990</u>	<u>17,158</u>	<u>342,642</u>	<u>350,796</u>

The Notes and Statement of Accounting Policies form an integral part of these Financial statements.

THE ROYAL SOCIETY OF NEW ZEALAND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1998
NOTE 1: PRINCIPAL ACTIVITY

The Royal Society of New Zealand is an independent statutory body incorporating the national academy of science and technology, and a constituency of scientific and technological societies, regional societies, Fellows and individual members. The Society includes the fundamental, applied and human dimensions of the biological, earth, engineering, mathematical, medical, physical, social and technological sciences. The Society is charged with the statutory responsibility to foster a culture supportive of science and technology and it provides considered, expert advice on important public issues to the government and the community. The Society advances and promotes science and technology in New Zealand, recognises excellence in research, establishes ethical standards, encourages science and technology education, publishes scientific journals and education resources and encourages professional development through research grants and fellowships. Established in 1867 as The New Zealand Institute, the Society is incorporated under The Royal Society of New Zealand Act 1997.

Statutory Base

The financial statements are prepared in accordance with section 36 and schedule 10 of The Royal Society of New Zealand Act 1997. The statement of financial position, financial performance, movement in accumulated funds and cash flows have been prepared as at and for the year ended 31 December 1998.

NOTE 2: STATEMENT OF ACCOUNTING POLICIES

(i) GENERAL ACCOUNTING POLICIES

The measurement base adopted is that of historical cost, varied by the revaluation of certain assets. Accrual accounting is used to match expenses and revenues except for Agency Funds and Donations (refer Note 2(ii) (b) and (d)).

(ii) PARTICULAR ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the Society in the preparation of the accounts:

(a) Revenue Recognition

The Society derives revenue from the provision of outputs through Crown Purchase Agreements, fees for services to other parties and interest on deposits with the Bank of New Zealand. Such revenue is recognised when earned and is reported in the financial period to which it relates.

(b) Agency Funds

The Society has a number of Agency Funds which it administers. Transactions affecting these Funds have been recorded in the Statement of Agency Funds on a cash basis. These Agency Funds are not reflected in the Statement of Financial Performance, Statement of Financial Position or Statement of Cashflows.

(c) Designated Funds

The Society has a number of Designated Funds. Transactions affecting these Funds are recorded in the Income and Expenditure Statement and in Note 6.

(d) Donations

The Society accounts for Donations to General and Designated Funds when cash is received net of fundraising costs. The Society accepts no responsibility for the funds so donated until they are received.

(e) Income Tax

The Society is exempt from Income Tax pursuant to section 36 and schedule 11 of the Royal Society of New Zealand Act 1997.

(f) Accounts Receivable

Accounts Receivable are stated at their estimated net realisable value, after providing for doubtful and uncollectable debts.

(g) Publications and Science & Technology Medals Stock

Publications stock is represented primarily by remainder items and is valued at a nominal value. The Science and Technology Medals on hand at year end are valued at cost.

(h) Investments

Investments are valued at cost.

(i) Employee Entitlements

Provision has been made in respect of the Society's liability for annual leave and long service leave at balance date. This leave has been accrued for on an entitlement basis i.e. provision is made once staff are entitled to the benefit of such leave.

(j) Fixed Assets

Land and Buildings are stated at net current values as valued by an independent registered valuer, Martin J Veale ANZIV, of Robertson Young Telfer (Central) Ltd, on 28 November 1997, less depreciation since date of valuation. Revaluations are to take place every three years.

Upward revaluations of land and buildings are credited to the appropriate asset revaluation reserve. Downward revaluations of these assets are debited to the appropriate asset revaluation reserve. This results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of financial performance.

Furniture, Computers, Office Equipment and Motor Vehicles are shown at cost less depreciated value.

(k) Depreciation

Depreciation of fixed assets, other than freehold land, is provided on a straight line basis so as to allocate the cost of the assets over their useful lives.

Revalued buildings are depreciated on their revalued amount on a straight line basis over the remaining useful lives. The estimated economic useful lives are:

Buildings	40, 30 and 25 years
Furniture	10 years
Computer & Office Equipment	5 years
Motor Vehicles	5 years

(l) Foreign Currency

US \$ transactions are converted at the month end exchange rate. The US \$ Bank Account and Accounts Receivable at 31 December 1998 are converted at the Bank of New Zealand TT Buy rates on 31 December 1998. The resulting unrealised exchange gain or loss is recognised in the Statement of Financial Performance. Other exchange gains or losses, whether realised or unrealised, are recognised in the Statement of Financial Performance in the period to which they relate.

(m) Historical Memorabilia, Library and Portraits

No value is included in the financial statements for the Society's historical memorabilia, library or portraits. Any expenditure on these items is written off as incurred.

(n) Computer Databases

No value is included in the financial statements for computer databases held by the Society.

(o) Financial Instruments

The Society is a party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term investments, accounts receivable and accounts payable. Revenue and expenses in relation to financial instruments are recognised in the statement of financial performance. Bank accounts, short term investments, accounts receivable and accounts payable are recognised in the financial statements at their fair value.

(p) Goods and Services Tax (GST)

The Statement of Financial Performance and Statement of Cash Flows are exclusive of GST. The Statement of Financial Position is also exclusive of GST except for Payables and Receivables which are GST inclusive. All other statements are GST inclusive. The amount of GST owing to the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Payables.

(iii) CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since the date of the last audited financial statements.

NOTE 3: FIXED ASSETS

	1,998	1,997
Freehold Land		
At cost	0	0
At valuation 28 November 1997	2,107,610	2,107,610
Land - net current value	<u>2,107,610</u>	<u>2,107,610</u>
Buildings		
At cost	0	0
At valuation 28 November 1997	930,390	930,390
Accumulated depreciation	(32,276)	(2,483)
Buildings - net current value	<u>898,114</u>	<u>927,907</u>
Furniture & Fittings		
At cost	96,918	118,546
Accumulated depreciation	(59,802)	(79,859)
Furniture & fittings - net current value	<u>37,116</u>	<u>38,687</u>
Office Equipment		
At cost	134,423	122,430
Accumulated depreciation	(96,421)	(89,809)
Office equipment - net current value	<u>38,002</u>	<u>32,621</u>
Computer Equipment		
At cost	242,370	564,597
Accumulated depreciation	(131,303)	(386,603)
Computer equipment - net current value	<u>111,067</u>	<u>177,994</u>
Motor Vehicles		
At cost	69,545	69,545
Accumulated depreciation	(27,438)	(13,529)
Motor vehicles - net current value	<u>42,107</u>	<u>56,016</u>
Total Fixed Assets		
At cost & valuation	3,581,256	3,913,118
Accumulated depreciation	(347,240)	(572,283)
Total fixed assets- net current value	<u>3,234,016</u>	<u>3,340,835</u>

The 1998 'cost' and 'accumulated depreciation' amounts for furniture, equipment and vehicles have been adjusted by the transfer of the fixed assets of ICAIR (a trading division of the Society) to the University of Canterbury on 31 December 1998. This resulted in a loss of \$29,393.

NOTE 4: ACCUMULATED FUNDS - GENERAL

	1,998	1,997
Accumulated Funds at 1 January 1998	1,331,337	1,079,269
Plus Excess for the year ended 31 December 1998	70,536	252,068
Accumulated Funds at 31 December 1998	<u>1,401,873</u>	<u>1,331,337</u>

NOTE 5: ASSET REVALUATION RESERVE

	1,998	1,997
Asset Revaluation Reserve at 1 January 1998	1,975,024	893,441
Revaluation at 28 November 1997	0	1,081,583
Asset Revaluation Reserve at 31 December 1998	<u>1,975,024</u>	<u>1,975,024</u>

NOTE 6: DESIGNATED FUNDS

	Balance 1-Jan-98	Income	Expenditure	Balance 31-Dec-98
Award Fund	171,569	11,902	5,292	178,179
Bates Memorial Scholarship	74,935	5,325	5,834	74,426
Academy Fund	26,408	6,614	785	32,237
Presidents Fund	10,252	623	105	10,770
Thomson Biographic Fund	37,226	13,953	17,740	33,439
Total	<u>320,390</u>	<u>38,417</u>	<u>29,756</u>	<u>329,051</u>

Funds are held in separate bank or investment accounts with respect to designated funds held at year end. Interest has been calculated at bank deposit rates of the monthly balance held and has been credited to the fund balance.

NOTE 7: INCOME IN ADVANCE

	1998	1997
Crown Purchase Agreements	15,307	120,525
Subscriptions - Publishing	126,811	64,542
Other	42,496	142,321
	<u>184,614</u>	<u>327,388</u>

NOTE 8: AGENCY FUNDS

The Royal Society has contracted with the Ministry of Research, Science and Technology (MoRST) in the year to administer the CJC Fellowship, Science Teacher Fellowship, ISAT Linkages, Promotion Contestable and the Marsden Fund providing grants for scientific purposes. These funds have been treated as agency funds and separate bank & investment accounts have been set up to record activities and reflect fund balances. The receipts and payments in respect to these funds have been recorded in the Statement of Agency Funds.

These agency funds are represented by short term investments held at the Bank of New Zealand.

Maturity Date	1998		1997	
	Amount	Interest Rate	Amount	Interest Rate
At Call	2,041	0.50%	1,900,080	1.00%
At Call	125,234	1.00%	184,104	5.75%
At Call	22,459	2.25%	7,114,040	7.70%
At Call	128,462	3.00%		
At Call	<u>12,487,140</u>	3.50%	<u>9,198,224</u>	
	<u>12,765,336</u>		<u>9,198,224</u>	

The Society has committed the following amounts to grants at 31 December 1998 provided that the agreed level of funding received from MoRST is maintained.

	1998	1997
Marsden Fund	37,073,675	19,416,283
Science Teacher Fellowship	920,438	764,083
James Cook Fellowship Fund	725,933	908,266
ISAT Linkages Contestable F	257,346	168,969
Promotions Contestable Fun	268,362	55,000

NOTE 9: CROWN PURCHASE AGREEMENTS INCOME

The Society contracts with the Minister of Research, Science and Technology for the provision of services relating to science and technology including contract management of Agency Funds, publications, promotion, international memberships and related activities.

The Society also contracts with the Ministry of Research, Science and Technology for the provision of technical advice for the development of public policy and servicing of three national science strategy committees.

All other non recurring contracts or grants with the Crown are included as other income.

NOTE 10: OTHER INCOME

	1,998	1,997
Publication Sales	669,473	835,295
Consulting	675,953	766,595
Grants, Sponsorship, Conference, Management Fees	642,480	1,192,933
Property	151,232	177,159
Society Membership	124,915	126,901
Other	179,799	234,501
	<u>2,443,852</u>	<u>3,333,384</u>

NOTE 11: DEPRECIATION

	1,998	1,997
Buildings	29,793	29,701
Furniture, Office Equipment & Vehicle	102,344	143,415
	<u>132,137</u>	<u>173,116</u>

NOTE 12: COMPARATIVES

The statement of financial performance covers a period of 12 months. However, the comparatives for 1997 relate to a period of 18 months due to a change of balance date in compliance with the Royal Society of New Zealand Act 1997.

NOTE 13: STATEMENT OF CASH FLOWS

(i) Cash comprises cash on hand and balances held with banks in New Zealand and overseas.

	1,998	1,997
Cash on Hand	599	963
New Zealand - Banks	15,037	158,183
Overseas - Bank	37,108	34,533
	<u>52,744</u>	<u>193,679</u>

(ii) Operating activities comprise those arising principally from the publication of scientific journals, the provision of scientific and technological advice to the New Zealand Government, the advancement and dissemination of science and technology in New Zealand, the encouragement of science and technology education and the promotion of international scientific relationships.

(iii) Investing activities comprise the purchase and disposal of interest bearing investments.

(iv) Reconciliation with reported Operating Surplus (Deficit)

	1,998	1,997
Reported Net Surplus		
- General Funds	70,536	252,068
- Designated Funds	8,661	16,649
Non Cash Items		
Loss on sale of assets	29,393	4,196
Depreciation	132,137	173,116
Exchange Rate Gain (Loss) (Net)	(11,783)	(6,157)
Sub-Total	<u>228,944</u>	<u>439,872</u>
Add (Less) Movements in Other Working Capital Items		
Decrease (Increase) in Receivables	(141,028)	239,893
Decrease (Increase) in Stock on Hand	(14,138)	15,633
Decrease (Increase) in Work in Progress	29,215	29,785
Decrease (Increase) in Payments in Advance	(1,025)	31,376
Increase (Decrease) in Payables	26,946	64,679
Increase (Decrease) in Income in Advance	(142,774)	66,168
Increase (Decrease) in Provision for Employee Entitlement	17,201	14,399
Sub-Total Working Capital Items	<u>(225,603)</u>	<u>461,933</u>
Net Cash Inflow (Outflow) from Operating Activities	<u>3,341</u>	<u>901,805</u>

NOTE 14: ANZCCART INVESTMENT

The Society is part owner of Australian and New Zealand Council for the Care of Animals in Research and Teaching Limited (ANZCCART). ANZCCART is a company registered in the Australian Capital Territory as an incorporated company and is limited by guarantee. No capital has been subscribed and it is not anticipated that any will be called. The Society is not aware of any contingencies in relation to this investment.

NOTE 15: RELATED PARTY

The Minister of Research, Science and Technology provides significant funding to the Royal Society of New Zealand through Non Department Output Classes (NONDOC's) and other grants as appropriated through the estimates approved by Parliament annually.

The total balance owing by the Ministry of Research, Science and Technology (MoRST) to the Royal Society as at 31 December 1998 was \$0 (1997 \$23,353).

No debts were forgiven or written off during the period.

All transactions between the two parties were undertaken at arms length.

NOTE 16: FINANCIAL INSTRUMENTS

(i) Credit Risk

The financial instruments which expose the Society to credit risk are principally bank balances, short term investments and accounts receivable. The Society monitors credit risk on an ongoing basis. Bank balances are held with New Zealand and Sydney registered banks in accordance with the Society's rules. Short term investments are held with a New Zealand registered bank in accordance with the Society's rules. A provision for doubtful debts is maintained in respect of accounts receivable and this is reassessed on a regular basis. No collateral is held by the Society in respect of bank balances, short term investments or accounts receivable.

(ii) Currency Risk

Currency risk is the risk that debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rates. The Society has exposure to exchange rate risk as a result of its normal operating activities of providing consultancy services and publications to overseas parties.

The Society does not enter into forward exchange contracts in respect of its foreign exchange transactions.

(iii) Interest Rate Risk

The interest rate risk on funds held is managed through the use of short term investments in accordance with the Society's rules.

	Amount	Maturity Date	Interest Rate
RSNZ Funds	4,307	At call	0.50%
RSNZ Funds	440,230	At call	3.50%

NOTE 17: COMMITMENTS AND CONTINGENT LIABILITIES

The Society has the following contingent liability:

A \$30,000 letter of credit with the Bank of New Zealand for the payroll schedule (1997 \$30,000).

There are no commitments as at balance date with respect to general funds (1997 Nil).

NOTE 18: ACCOUNTS RECEIVABLE

	1998	1997
Gross Accounts Receivable	399,539	251,511
Less Provision for Doubtful Debts	11,000	4,000
Net Accounts Receivable	<u>388,539</u>	<u>247,511</u>

NOTE 19: ICAIR

The International Centre for Antarctic Information and Research (ICAIR) is a trading division of the Society based at the Antarctic Centre in Christchurch. ICAIR has been administered by the Society since 1992 in terms of an arrangement with the Ministry of Foreign Affairs and Trade. The unit transferred to the University of Canterbury with effect from 1 January 1999.



Audit New Zealand

REPORT OF THE AUDIT OFFICE

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE ROYAL SOCIETY OF NEW ZEALAND FOR THE YEAR ENDED 31 DECEMBER 1999

We have audited the financial statements on pages 1 to 12. The financial statements provide information about the past financial performance of the Royal Society of New Zealand and its financial position as at 31 December 1999. This information is stated in accordance with the accounting policies set out on pages 6 to 8.

Responsibilities of the Council

The Royal Society of New Zealand Act 1997 requires the Council to prepare financial statements in accordance with generally accepted accounting practice which fairly reflect the financial position of the Royal Society of New Zealand as at 31 December 1999 and the results of its operations and cash flows for the year ended 31 December 1999.

Auditor's responsibilities

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 Stephen Lewis, 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 Council in the preparation of the financial statements; *and*
- ▲ whether the accounting policies are appropriate to the Royal Society of New Zealand's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards, including the Auditing Standards issued by the Institute of Chartered Accountants of 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 Royal Society of New Zealand.

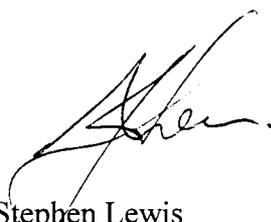
Unqualified opinion

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

In our opinion the financial statements of the Royal Society of New Zealand on pages 1 to 12:

- ▲ comply with generally accepted accounting practice; *and*
- ▲ fairly reflect:
 - the financial position as at 31 December 1999; *and*
 - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 15 August 2000 and our unqualified opinion is expressed as at that date.

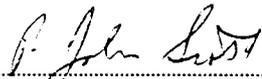


Stephen Lewis
Audit New Zealand
On behalf of the Controller and Auditor-General
Wellington, New Zealand

**THE ROYAL SOCIETY OF NEW ZEALAND
STATEMENT OF RESPONSIBILITY
FOR THE YEAR ENDED 31 DECEMBER 1999**

The financial statements in our opinion fairly reflect the financial position and operations of the Royal Society of New Zealand for the year ended 31 December 1999.

Management is responsible for the judgements used in the preparation of the financial statements, and for establishing and maintaining the system of internal control that provides reasonable assurances as to the integrity and reliability of financial reporting.



John Scott KBE, FRSNZ

President

July 2000



Ross Moore

Chief Executive Officer

July 2000

**THE ROYAL SOCIETY OF NEW ZEALAND
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 1999**

	Note	1,999 \$	1,998 \$
INCOME			
Crown Purchase Agreements	3	1,781,942	2,065,146
Other	4	2,134,460	2,443,852
Exchange Gains		2,427	11,783
Interest		<u>25,244</u>	<u>38,188</u>
		3,944,073	4,558,969
Designated Funds	5	<u>20,202</u>	<u>38,417</u>
TOTAL INCOME		<u>3,964,275</u>	<u>4,597,386</u>
EXPENDITURE			
Audit Fees		27,000	27,000
Auditors Remuneration Other		0	674
Bad Debts		0	9,468
Depreciation	6	100,717	132,137
Loss on Sale of Fixed Assets		0	29,393
Operating		2,083,150	2,477,416
Personnel		1,644,555	1,796,400
Professional Fees		<u>3,897</u>	<u>15,945</u>
		3,859,319	4,488,433
Designated Funds	5	<u>21,209</u>	<u>29,756</u>
TOTAL EXPENDITURE		<u>3,880,528</u>	<u>4,518,189</u>
TOTAL NET SURPLUS INCOME (DEFICIT)		<u>83,747</u>	<u>79,197</u>
ATTRIBUTABLE TO DESIGNATED FUNDS		(1,007)	8,661
ATTRIBUTABLE TO GENERAL FUNDS		84,754	70,536

The Notes and Statement of Accounting Policies form an integral part of these Financial statements.

**THE ROYAL SOCIETY OF NEW ZEALAND
STATEMENT OF MOVEMENT IN ACCUMULATED FUNDS
AS AT 31 DECEMBER 1999**

	Note	1,999	1,998
		\$	\$
ACCUMULATED FUNDS AS AT 1 JANUARY 1999		3,376,897	3,306,361
Net Surplus (Deficit) for the year		84,754	70,536
Total Recognised Revenue and Expenses for the year		84,754	70,536
Transfer to Designated Funds	5	(200,000)	0
ACCUMULATED FUNDS AS AT 31 DECEMBER 1999		3,261,651	3,376,897

**The Notes and Statement of Accounting Policies
form an integral part of these Financial statements.**

**THE ROYAL SOCIETY OF NEW ZEALAND
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 1999**

	Note	1,999 \$	1,998 \$
ASSETS			
CURRENT ASSETS			
Cash & Bank		63,310	52,744
Short Term Investments		707,908	444,537
Accounts Receivable	7	341,201	388,539
Payments in Advance		44,632	18,931
Publications Stock		5,000	5,000
Science & Technology Medals Stock		0	27,440
Work in Progress		<u>10,176</u>	<u>0</u>
TOTAL CURRENT ASSETS		<u>1,172,227</u>	<u>937,191</u>
DESIGNATED FUND INVESTMENTS		329,137	329,840
NON CURRENT ASSETS			
Fixed Assets	8	<u>3,156,744</u>	<u>3,234,016</u>
TOTAL NON CURRENT ASSETS		<u>3,156,744</u>	<u>3,234,016</u>
TOTAL ASSETS		<u>4,658,108</u>	<u>4,501,047</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable		508,201	473,885
Income in Advance	9	234,517	184,614
Employee Entitlements		<u>125,695</u>	<u>136,600</u>
TOTAL CURRENT LIABILITIES		<u>868,413</u>	<u>795,099</u>
NET ASSETS		<u>3,789,695</u>	<u>3,705,948</u>
ACCUMULATED & DESIGNATED PURPOSE FUNDS			
Accumulated Funds	10	1,286,627	1,401,873
Asset Revaluation Reserve	11	<u>1,975,024</u>	<u>1,975,024</u>
TOTAL ACCUMULATED FUNDS & RESERVES		3,261,651	3,376,897
Designated Funds	5	<u>528,044</u>	<u>329,051</u>
TOTAL ACCUMULATED & DESIGNATED PURPOSE FUNDS		<u>3,789,695</u>	<u>3,705,948</u>

The Notes and Statement of Accounting Policies form an integral part of these Financial statements.

John Scott KBE, FRSNZ
President
July 2000

Ross Moore
Chief Executive Officer
July 2000

**THE ROYAL SOCIETY OF NEW ZEALAND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 1999**

	Note	1,999	1,998
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Operations		4,003,467	4,254,411
Designated Funds		20,202	38,417
Interest Received from Investments		25,244	38,188
		<u>4,048,913</u>	<u>4,331,016</u>
Cash was disbursed to:			
Operations		3,733,452	4,297,919
Designated Funds		21,209	29,756
		<u>3,754,661</u>	<u>4,327,675</u>
Net Cash Flows from Operating Activities	12	<u>294,252</u>	<u>3,341</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of Fixed Assets		17,005	20,754
Investments		0	82,817
Designated Funds Investments		703	0
		<u>17,708</u>	<u>103,571</u>
Cash was disbursed to:			
Purchase of Fixed Assets		40,450	75,465
Investments		263,371	0
Designated Funds Investments		0	184,165
		<u>303,821</u>	<u>259,630</u>
Net Cash Flows from Investing Activities		<u>(286,113)</u>	<u>(156,059)</u>
Net Increase (Decrease) in Cash Held		8,139	(152,718)
Exchange Rate Gain (Net) on Foreign Currency Balance		2,427	11,783
Add Opening Cash Brought Forward		52,744	193,679
Ending Cash Carried Forward		<u>63,310</u>	<u>52,744</u>

**The Notes and Statement of Accounting Policies
form an integral part of these Financial statements**

**THE ROYAL SOCIETY OF NEW ZEALAND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1999**

NOTE 1: PRINCIPAL ACTIVITY

The Royal Society of New Zealand is an independent statutory body incorporating the national academy of science and technology, and a constituency of scientific and technological societies, regional societies, Fellows and individual members. The Society includes the fundamental, applied and human dimensions of the biological, earth, engineering, mathematical, medical, physical, social and technological sciences.

The Society is charged with the statutory responsibility to foster a culture supportive of science and technology and it provides considered, expert advice on important public issues to the government and the community. The Society advances and promotes science and technology in New Zealand, recognises excellence in research, establishes ethical standards, encourages science and technology education, publishes scientific journals and education resources and encourages professional development through research grants and fellowships. Established in 1867 as The New Zealand Institute, the Society is incorporated under The Royal Society of New Zealand Act 1997.

Statutory Base

The financial statements are prepared in accordance with section 36 and schedule 10 of The Royal Society of New Zealand Act 1997. The statement of financial position, financial performance, movement in accumulated funds and cash flows have been prepared as at and for the year ended 31 December 1999.

NOTE 2: STATEMENT OF ACCOUNTING POLICIES

(i) GENERAL ACCOUNTING POLICIES

The measurement base adopted is that of historical cost, varied by the revaluation of certain assets.

Accrual accounting is used to match expenses and revenues except for Agency Funds and Donations (refer Note 2(ii) (b) and (d)).

(ii) PARTICULAR ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the Society in the preparation of the accounts

(a) Revenue Recognition

The Society derives revenue from the provision of outputs through Crown Purchase Agreements, for services to other parties and interest on deposits with the Bank of New Zealand. Such revenue is recognised when earned and is reported in the financial period to which it relates.

(b) Agency Funds

The Society has a number of Agency Funds which it administers. Transactions affecting these Funds have been recorded in the Statement of Agency Funds on a cash basis. These Agency Funds are not recorded in the Statement of Financial Performance, Statement of Financial Position or Statement of Cashflows.

(c) Designated Funds

The Society has a number of Designated Funds. These are Funds that the Society has set aside for specific purposes. Transactions affecting these Funds are recorded both in the Income and Expenditure Statement and in Note 5.

(d) Donations

The Society accounts for Donations to General and Designated Funds when cash is received net of any fundraising costs. The Society accepts no responsibility for the funds so donated until they are received.

(e) Income Tax

The Society is exempt from Income Tax pursuant to section 36 and schedule 11 of the Royal Society of New Zealand Act 1997.

(f) Accounts Receivable

Accounts Receivable are stated at their estimated net realisable value, after providing for doubtful and uncollectable debts.

(g) Publications and Science & Technology Medals Stock

Publications stock is represented primarily by remainder items and is valued at a nominal value. The Science and Technology Medals on hand at year end are recorded at nil value.

(h) Work in Progress

The Work in Progress relates to a contract the Society has with the Ministry of Education. It has been calculated on the basis of percentage of work completed on the contract.

(i) Investments

Investments are valued at cost. This is considered to approximate their fair value.

(j) Employee Entitlements

Provision has been made in respect of the Society's liability for annual leave and long service leave at balance date. This has been accrued for on an entitlement basis i.e. provision is made once staff are entitled to the benefit of such leave.

(k) Fixed Assets

Land and Buildings are stated at net current values as valued by an independent registered valuer, Martin J Veale ANZIV of Robertson Young Telfer (Central) Ltd, on 28 November 1997, less depreciation since date of valuation. Revaluations are to take place every three years.

Upward revaluations of land and buildings are credited to the appropriate asset revaluation reserve.

Downward revaluations of these assets are debited to the appropriate asset revaluation reserve. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of financial performance.

Furniture, Computers, Office Equipment and Motor Vehicles are shown at cost less depreciation.

(l) Depreciation

Depreciation of fixed assets, other than freehold land, is provided on a straight line basis so as to allocate the cost of the assets over their useful lives.

Revalued buildings are depreciated on their revalued amount on a straight line basis over their remaining useful lives.

The estimated economic useful lives are:

Buildings	40, 30 and 25 years
Furniture	10 years
Computer (pre 1999) & Office Equipment	5 years
Computer Equipment (since 1 January 1999)	3 years
Motor Vehicles	5 years

(m) Foreign Currency

US \$ transactions are converted at the month end exchange rate. The US \$ Bank Account and Accounts Receivable at 31 December 1999 are converted at the Bank of New Zealand TT Buying rates on 31 December 1999. The resulting unrealised exchange gain or loss is recognised in the Statement of Financial Performance. Other exchange gains or losses whether realised or unrealised, are recognised in the Statement of Financial Performance in the period to which they relate.

(n) Historical Memorabilia, Library and Portraits

No value is included in the financial statements for the Society's historical memorabilia, library or portraits. Any expenditure on these items is written off as incurred.

(o) Computer Databases

No value is included in the financial statements for computer databases held by the Society.

(p) Financial Instruments

The Society is a party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term investments, accounts receivable and accounts payable. Revenue and expenses in relation to financial instruments are recognised in the statement of financial performance. Bank accounts, short term investments, accounts receivable and accounts payable are recognised in the financial statements at their fair value.

(q) Goods and Services Tax (GST)

The Statement of Financial Performance and Statement of Cash Flows are exclusive of GST. The Statement of Financial Position is also exclusive of GST except for Payables and Receivables which are GST inclusive. All other statements are GST inclusive. The amount of GST owing to the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Payables.

(iii) CHANGES IN ACCOUNTING POLICIES

There has been a change in the accounting treatment of the Science and Technology Medals purchased. The medal stock has been expensed straight away instead of recording the stock as an asset as in previous years.

There have been no other changes in accounting policies since the date of the last audited financial statements.

NOTE 3: CROWN PURCHASE AGREEMENTS INCOME

The Society contracts with the Minister of Research, Science and Technology for the provision of services relating to science and technology including contract management of Agency Funds, publications, promotion, international memberships and related activities.

The Society also contracted with the Ministry of Research, Science and Technology for servicing of three national science strategy committees to 30 June 1999.

All other non recurring contracts or grants with the Crown are included as other income.

NOTE 4: OTHER INCOME

	1999	1998
Publication Sales	594,742	669,473
Consulting	24,517	675,953
Grants, Sponsorship, Conference, Management Fees	987,268	642,480
Property	159,487	151,232
Society Membership	134,656	124,915
Other	233,790	179,799
	<u>2,134,460</u>	<u>2,443,852</u>

NOTE 5: DESIGNATED FUNDS

	Balance 1-Jan-99	Income	Expenditure	Transfer	Balance 31-Dec-99
Royal Society Foundation	178,179	11,000	8,611	200,000	380,568
Bates Memorial Scholarsh	74,426	3,674	6,031		72,069
Academy Fund	32,237	3,798	342		35,693
Presidents Fund	10,770	450	109		11,111
Thomson Biographic Fund	33,439	1,280	6,116		28,603
Total	<u>329,051</u>	<u>20,202</u>	<u>21,209</u>	<u>200,000</u>	<u>528,044</u>

The Society has a number of designated funds. These funds are set aside for various purposes.

The Awards Fund has been renamed the Royal Society Foundation. This fund has been added to by way of a transfer from accumulated funds of \$200,000 at 31 December 1999. This fund balance, together with ongoing fundraising will enable the Society to provide for existing Society awards from the interest accumulating on this fund, rather than from the operating income of the Society.

A physical transfer of the \$200,000 was made to a separate bank account in the year 2000.

Funds are held in separate bank or investment accounts with respect to all other designated funds held at year end.

Interest has been calculated at bank deposit rates of the monthly balance held and has been credited to the fund balance.

Maturity Date	1999		1998	
	Amount	Interest Rate	Amount	Interest Rate
At Call	118	0.50%	6,024	2.25%
At Call	933	1.00%	9,057	1.00%
At Call	328,085	4.90%	314,758	3.50%

NOTE 6: DEPRECIATION

	1999	1998
Buildings	29,791	29,793
Furniture, Office Equipment & Vehicle	70,926	102,344
	<u>100,717</u>	<u>132,137</u>

NOTE 7: ACCOUNTS RECEIVABLE

	1999	1998
Gross Accounts Receivable	343,701	399,539
Less Provision for Doubtful Debts	2,500	11,000
Net Accounts Receivable	<u>341,201</u>	<u>388,539</u>

NOTE 8: FIXED ASSETS

	1999	1998
Freehold Land		
At cost	-	-
At valuation 28 November 1997	2,107,610	2,107,610
Land - net book value	<u>2,107,610</u>	<u>2,107,610</u>

Buildings

At cost	-	-
At valuation 28 November 1997	930,390	930,390
Accumulated depreciation	(62,065)	(32,276)
Buildings - net book value	<u>868,325</u>	<u>898,114</u>

Furniture & Fittings

At cost	104,858	96,918
Accumulated depreciation	(65,060)	(59,802)
Furniture & fittings - net book value	<u>39,798</u>	<u>37,116</u>

Office Equipment

At cost	136,172	134,423
Accumulated depreciation	(104,618)	(96,421)
Office equipment - net book value	<u>31,554</u>	<u>38,002</u>

Computer Equipment

At cost	272,417	242,370
Accumulated depreciation	(181,297)	(131,303)
Computer equipment - net book value	<u>91,120</u>	<u>111,067</u>

Motor Vehicles

At cost	36,674	69,545
Accumulated depreciation	(18,337)	(27,438)
Motor vehicles - net book value	<u>18,337</u>	<u>42,107</u>

Total Fixed Assets

At cost & valuation	3,588,121	3,581,256
Accumulated depreciation	(431,377)	(347,240)
Total fixed assets- net book value	<u>3,156,744</u>	<u>3,234,016</u>

NOTE 9: INCOME IN ADVANCE

	1,999	1,998
Crown Purchase Agreements	75,778	15,307
Subscriptions - Publishing	90,833	126,811
Other	67,906	42,496
	<u>234,517</u>	<u>184,614</u>

NOTE 10: ACCUMULATED FUNDS - GENERAL

	1,999	1,998
Accumulated Funds at 1 January 1999	1,401,873	1,331,337
Plus Surplus for the year ended 31 December 1999	84,754	70,536
Transfer to Designated Funds (see note 5)	(200,000)	-
Accumulated Funds at 31 December 1999	<u>1,286,627</u>	<u>1,401,873</u>

NOTE 11: ASSET REVALUATION RESERVE

	1,999	1,998
Asset Revaluation Reserve at 1 January 1999	1,975,024	1,975,024
Revaluation during the year	-	-
Asset Revaluation Reserve at 31 December 1999	<u>1,975,024</u>	<u>1,975,024</u>

NOTE 12: STATEMENT OF CASH FLOWS

(i) Cash comprises cash on hand and balances held with banks in New Zealand and overseas.

	1,999	1,998
Cash on Hand	609	599
New Zealand - Bank	56,870	15,037
Overseas - Bank	5,831	37,108
	<u>63,310</u>	<u>52,744</u>

(ii) Operating activities comprise those arising principally from the publication of scientific journals, the provision of scientific and technological advice to the New Zealand Government, the advancement and dissemination of science and technology in New Zealand, the encouragement of science and technology education and the promotion of international scientific relationships.

(iii) Investing activities comprise the purchase and disposal of interest bearing investments.

(iv) Reconciliation with reported Operating Surplus

	1,999	1,998
Reported Net Surplus		
- General Funds	84,754	70,536
- Designated Funds	(1,007)	8,661
Non Cash Items		
Loss on sale of assets	-	29,393
Depreciation	100,717	132,137
Exchange Rate Gain (Net)	(2,427)	(11,783)
	<u>182,037</u>	<u>228,944</u>
Add (Less) Movements in Other Working Capital Items		
Decrease (Increase) in Receivables	47,338	(141,028)
Decrease (Increase) in Stock on Hand	27,440	(14,138)
Decrease (Increase) in Work in Progress	(10,176)	29,215
Decrease (Increase) in Payments in Advance	(25,701)	(1,025)
Increase (Decrease) in Payables	34,316	26,946
Increase (Decrease) in Income in Advance	49,903	(142,774)
Increase (Decrease) in Provision for Employee Entitlements	(10,905)	17,201
	<u>112,215</u>	<u>(225,603)</u>
Net Cash Inflow (Outflow) from Operating Activities	<u>294,252</u>	<u>3,341</u>

NOTE 13: AGENCY FUNDS

The Royal Society has contracted with the Ministry of Research, Science and Technology (MoRST) in the year to administer the CJC Fellowship, Science Teacher Fellowship, ISAT Linkages, Promotion Contestable and the Marsden Fund providing grants for scientific purposes. The Royal Society receives this money and pays it out to recipients as grants. These funds have been treated as agency funds and separate bank & investment accounts have been set up to record activities and reflect fund balances. The receipts and payments in respect to these funds have been recorded in the Statement of Agency Funds.

These agency funds are represented by short term investments held at the Bank of New Zealand. Interest earned on these investments is reinvested in the funds.

Maturity Date	1999		1998	
	Amount	Interest Rate	Amount	Interest Rate
At Call	107,801	1.00%	2,041	0.50%
At Call	13,896	2.50%	125,234	1.00%
At Call	187,897	3.00%	22,459	2.25%
At Call	10,216,664	4.90%	128,462	3.00%
At Call			12,487,140	3.50%
	<u>10,526,258</u>		<u>12,765,336</u>	

The Society has committed the following amounts to grants at 31 December 1999 provided that the agreed level of funding received from MoRST is maintained.

	1999	1998
Marsden Fund	59,022,479	37,073,675
Science Teacher Fellowship Fund	1,890,791	920,438
James Cook Fellowship Fund	563,200	725,933
ISAT Linkages Contestable Fund	183,835	257,346
Promotions Contestable Fund	301,865	268,362

NOTE 14: COMPARATIVES

The 1998 comparatives included the International Centre for Antarctic Information and Research (ICAIR), a trading division of the Society based at the Antarctic Centre in Christchurch. The unit was transferred to the University of Canterbury with effect from 1 January 1999.

NOTE 15: ANZCCART INVESTMENT

The Society is part owner of Australian and New Zealand Council for the Care of Animals in Research and Teaching Limited (ANZCCART). ANZCCART is a company registered in the Australian Capital Territory as an incorporated company and is limited by guarantee. No capital has been subscribed and it is not anticipated that any will be called. The Society is not aware of any contingencies in relation to this investment.

NOTE 16: RELATED PARTY

The Minister of Research, Science and Technology provides significant funding to the Royal Society of New Zealand through Non Department Output Classes (NONDOC's) and other grants as appropriated through the estimates approved by Parliament annually.

The total balance owing by the Ministry of Research, Science and Technology (MoRST) to the Royal Society as at 31 December 1999 was \$Nil (1998 \$Nil).

No debts were forgiven or written off during the period.

All transactions between the two parties were undertaken at arms length.

NOTE 17: FINANCIAL INSTRUMENTS

(i) Credit Risk

The financial instruments which expose the Society to credit risk are principally bank balances, short term investments and accounts receivable. The Society monitors credit risk on an ongoing basis.

Bank balances are held with New Zealand and Sydney registered banks in accordance with the Society's rules. Short term investments are held with a New Zealand registered bank in accordance with the Society's rules. A provision for doubtful debts is maintained in respect of accounts receivable and this is reassessed on a regular basis. No collateral is held by the Society in respect of bank balances, short term investments or accounts receivable.

(ii) Currency Risk

Currency risk is the risk that debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rates. The Society has exposure to exchange rate risk as a result of its normal operating activities of providing consultancy services and publications to overseas parties.

The Society does not enter into forward exchange contracts in respect of its foreign exchange transactions.

(iii) Interest Rate Risk

The interest rate risk on funds held is managed through the use of short term investments in accordance with the Society's rules.

	Amount	Maturity Date	Interest Rate
RSNZ Funds	4,329	At call	0.50%
RSNZ Funds	703,579	At call	4.90%

NOTE 18: COMMITMENTS AND CONTINGENT LIABILITIES

The Society has the following contingent liability:

A \$30,000 letter of credit with the Bank of New Zealand for the payroll schedule (1998 \$30,000).

There are no commitments as at balance date with respect to general funds (1998 \$Nil).