



Kiwifruit Vine Health Incorporated

Annual report

for the year ended 30th June 2014

Kiwifruit Vine Health Incorporated

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Kiwifruit Vine Health Incorporated

Approval of Annual Report

The Board has approved the Financial Statements of Kiwifruit Vine Health Incorporated for the year ended 30th June 2014.

For and on behalf of the Board

Peter Ombler day of 2014
Chairman

Michael Chapman day of 2014
Director / Board Secretary

Kiwifruit Vine Health Incorporated

Statement of Financial Performance

For the year ended 30 June 2014

	Note	12 months 2014 \$'000	12 months 2013 \$'000
Funding Income	2	2,321	4,625
Interest Income		4	14
Total Income		<u>2,325</u>	<u>4,638</u>
Operational Costs:			
Financial Support Agreement Payments	3	(16)	-
Orchard Surveillance		77	290
Disease Disposal	4	-	2
Crop Protection		152	106
Operations		325	275
Pest Management		287	195
Technical Transfer		130	237
Education and Awareness	5	119	-
Research and Development		44	2,481
Wider Biosecurity		293	-
Overheads	6	613	1,052
Donations		300	-
Total Costs		<u>2,325</u>	<u>4,638</u>
Net Surplus/(Deficit) Before Tax		<u>-</u>	<u>-</u>
Taxation		-	-
Net Surplus/(Deficit)		<u>-</u>	<u>-</u>

These financial statements should be read in conjunction with the accompanying notes and audit report.

Kiwifruit Vine Health Incorporated

Statement of Movements in Equity

For the year ended 30 June 2014

	12 months 2014 \$'000	12 months 2013 \$'000
Net Surplus/(Deficit) Before Tax	<u>0</u>	<u>0</u>
Total Recognised Revenues and Expenses for the year	0	0
Members funds at start of the period	<u>0</u>	<u>0</u>
Members funds at end of the period	<u>0</u>	<u>0</u>

These financial statements should be read in conjunction with the accompanying notes and audit report.

Kiwifruit Vine Health Incorporated

Statement of Financial Position

At 30 June 2014

	Note	2014 \$'000	2013 \$'000
Assets			
Accounts Receivable		191	-
Bank		66	281
GST Recoverable		10	162
Taxation Recoverable	9b	1	5
Accrued Income		245	1,869
Prepayments		12	14
Total Current Assets		<u>525</u>	<u>2,331</u>
Fixed Assets	11	<u>34</u>	<u>27</u>
Total Non-Current Assets		<u>34</u>	<u>27</u>
Total Assets		<u>559</u>	<u>2,358</u>
Liabilities			
Accounts Payable		509	1,104
PAYE payable		-	21
Accruals		49	101
Provisions for future contracted costs	12	<u>-</u>	<u>1,132</u>
Total Current Liabilities		<u>559</u>	<u>2,358</u>
Provisions for future contracted costs	12	<u>-</u>	<u>-</u>
Total Non-Current Liabilities		<u>-</u>	<u>-</u>
Total Liabilities		<u>559</u>	<u>2,358</u>
Net Assets		<u>-</u>	<u>-</u>
Members Funds		<u>-</u>	<u>-</u>

Signed, for an on behalf of the Society, on the 1st day of October 2014

Peter Ombler, Chairman

Michael Chapman, Director / Board Secretary

These financial statements should be read in conjunction with the accompanying notes and audit report.

Kiwifruit Vine Health Incorporated

Statement of Cash Flow

For the year ended 30 June 2014

		12 months	12 months
	Notes	2014 \$'000	2013 \$'000
Cash Flow from Operating Activities			
Funding Receipts	2	4,044	6,555
Payments to Suppliers and Employees		(4,251)	(6,750)
Interest Received		4	14
Income Tax Refunded	9	4	
Net Inflow from Operating Activities		<u>(198)</u>	<u>(181)</u>
Purchase of fixed assets		<u>(17)</u>	
Net Inflow from Investing Activities		<u>(17)</u>	
Net Increase/(Decrease) in Cash Held		<u>(215)</u>	<u>(181)</u>
Cash at the Beginning of the Year		<u>281</u>	<u>464</u>
Cash at the End of the Year		<u>66</u>	<u>283</u>
Cash Reserves held as:			
Westpac Bank Transaction Account		70	31
Westpac Bank On Call Account		1	254
Westpac Credit Card		<u>(5)</u>	<u>(4)</u>
		<u>66</u>	<u>281</u>

These financial statements should be read in conjunction with the accompanying notes and audit report.

Kiwifruit Vine Health Incorporated

Statement of Cash Flow (continued)

Reconciliation of Surplus/(Deficit) to Cash Flows from Operating Activities	Notes	12 months	12 months
		2014 \$'000	2013 \$'000
Operating Surplus/(Deficit) after Tax for the Year		-	-
Non Cash Items			
Depreciation		10	14
Movement in Working Capital			
Decrease/(Increase) in Receivables and Prepayments		(33)	77
Decrease/(Increase) in Accrued Income		1,624	1,821
(Decrease)/Increase in Accounts Payable, PAYE Payable and Accruals		(667)	689
(Decrease)/Increase in Provisions		(1,132)	(2,782)
Net Cash Inflow from Operating Activities		<hr/> (198) <hr/>	<hr/> (181) <hr/>

These financial statements should be read in conjunction with the accompanying notes and audit report.

Kiwifruit Vine Health Incorporated

Notes to the Financial Statements

1. Significant Accounting Policies

Reporting Entity

Kiwifruit Vine Health Incorporated (KVH) is an independent pan-industry organisation leading the kiwifruit industry response to the Psa incursion. It was established following agreement of the Industry Advisory Council (IAC) to transition the management of the Psa response from MAF Biosecurity NZ and ZESPRI to a separate entity.

KVH was registered as an incorporated society on 6 December 2010 and operates as a non-profit organisation.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand.

Measurement Basis

The measurement basis adopted is that of historical cost. Reliance is placed on the fact that the entity is a going concern with funding in place for the next 12 months. Revenue earned is matched with expenses using accrual accounting concepts.

Differential Reporting

The entity qualifies for differential reporting because it is not publically accountable and is not large as defined in the Framework for Differential Reporting.

The entity has applied all differential reporting exemptions with the exception that it has prepared a Statement of Cash Flows which complies with Financial Reporting Standard 10 (Statement of Cash Flows) and has disclosed Directors Remuneration.

Specific Accounting Policies

(a) Fixed Assets

Fixed Assets are stated at cost, including costs directly attributable to bringing the assets to their working condition. KVH currently has two classes of assets:

Computer Equipment
Office Furniture

(b) Depreciation

Depreciation has been calculated using the rates provided for taxation purposes in the Income Tax Act on a diminishing value basis. The rates used are:

Computer Equipment	25% to 50%
Office Furniture	13% to 16%

(c) Accounts Receivable

Accounts Receivable are stated at their anticipated realisable value.

Notes to the Financial Statements (continued)

(d) Cash and cash equivalents

Cash and cash equivalents comprise of current accounts and cash held in on-demand deposits. All cash and cash equivalents are readily convertible to known amounts of cash.

(e) Taxation

Income tax is accounted for using the taxes payable method i.e. any taxation expense charged to the Statement of Financial Performance is the estimated total taxation liability for the year in accordance with the taxation return to be filed with the Inland Revenue Department.

Deferred Tax is not accounted for.

(f) Provisions

KVH records provisions when it has a legal or constructive obligation to satisfy a claim as a result of a past event; it is more likely than not that an outflow of resources will be required to satisfy the obligation; and a reliable estimate of the amount can be made.

The amount recognised as a provision is the net present value of the best estimate of the outflows required to settle the obligation.

(g) Goods and Services Tax

These financial statements have been prepared on a GST exclusive basis except for Trade Debtors and Trade Creditors which are shown inclusive of GST.

(h) Income

Income is recognised to the extent that it is probable that economic benefit will flow to the Society and can be reliably measured.

Funding Income:

Funding income is recognised in the period to which it relates, with any amount owing at the balance date being included as a current asset.

Interest income:

Interest is recognised in the Statement of Financial Performance as it accrues, using the effective interest method.

(i) Leases

KVH has entered into certain leases for office equipment and office space. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items are recognised in the determination of the operating surplus or deficit in equal instalments over the lease term.

Notes to the Financial Statements (continued)

(j) Staff Costs

Staff costs include all relevant employee costs and costs of office based contractors providing services to KVH.

Employee costs include salaries, wages and annual leave which are recognised when they accrue to employees. Liabilities for employee benefits are carried at the value of the estimated future cash flows required to settle the obligation arising from services rendered by employees up until balance date.

(k) Research and Development

Research and development expenditure is expensed in the period incurred.

(l) Statement of Cash Flows

The following definitions are the terms used in the Statements of Cash Flows:

- i. Cash and cash equivalents are cash held in current accounts and on-demand deposits.
- ii. Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets.
- iii. Operating activities include all transactions and other events which are not investing activities.

(m) Change in Accounting Policies

There have been no changes in accounting policies in the period.

(n) Comparative Information

KVH was incorporated on 6th December 2010. The comparative figures given are for the 12 month from 1st July 2012 to 30th June 2013.

Kiwifruit Vine Health Incorporated

Notes to the Financial Statements (continued)

2. Funding Income

	12 months	12 months
	2014	2013
	\$'000	\$'000
Income Received:		
Levy Funding income received from Growers	1,616	-
Funding income received from the Ministry of Primary Industries	1,070	3,215
Funding income received from ZESPRI Group Limited	1,258	3,215
	<u>3,945</u>	<u>6,430</u>
Accrued Income:		
Accrued Levy Funding income received from Growers	(499)	555
Accrued funding income from the Ministry of Primary Industries	(562)	(1,180)
Accrued funding income from ZESPRI Group Limited	(562)	(1,180)
	<u>2,321</u>	<u>4,625</u>

The Ministry of Primary Industries and ZESPRI Group Limited have entered into a joint agreement to provide funding to Kiwifruit Vine Health Incorporated up to \$50m. The funding provided is to cover costs incurred by KVH and is to be contributed equally between the Ministry of Primary Industries and ZESPRI Group Limited.

As part of the \$50m funding the Ministry of Primary Industries incurred \$2.5m in initial response costs to the Psa threat which are deducted from their contribution to the funding of KVH.

Of the \$25m funding agreed to by ZESPRI Group Limited, \$10.8m was funded from the reserves of ZESPRI Group Limited that were targeted for spending on GOLD promotions and defending the GOLD Plant Varietal Rights. The remaining \$14.2m is to be funded via reduced grower loyalty payments and a Gold Psa Levy charge on growers.

In addition to the above funding the Biosecurity (PSA-V Kiwifruit Levy) Order 2013 came in to force on 17 May 2013. The levy imposed is payable on exported kiwifruit grown in New Zealand to Kiwifruit Vine Health Incorporated as the management agency.

The maximum rate of levy enforced by the Order is;

- For levy rate 1, 0.01 cents per tray of green (*Actinidia deliciosa*) kiwifruit exported
- For levy rate 2, 0.02 cents per tray of gold and red (*Actinidia chinensis*) kiwifruit exported
- For Levy rate 3, which applies to cultivars not referred to in (a) or (b). No levy is payable in respect of levy rate 3.

Kiwifruit Vine Health Incorporated

Notes to the Financial Statements (continued)

3. Financial Support Agreement Payments

	12 months	12 months
	2014	2013
	\$'000	\$'000
Regeneration payments made up to 30 June 2014	1,116	2,782
	<hr/> 1,116	<hr/> 2,782
Provision/(release) for future Regeneration payments	(1,132)	(2,782)
	<hr/> (16)	<hr/> -

Costs in respect of cut out and disposal of waste as part of those contracts is accrued under Disease Disposal (Note 5)

4. Disease Disposal

	12 months	12 months
	2014	2013
	\$'000	\$'000
Trucking and Disposal costs	-	1
Other Costs	-	1
	<hr/> -	<hr/> 2

5. Education and Awareness

Education and Awareness is reported as a separate line item in the 30th June 2014 Statement of Financial Performance. During the year ending 30th June 2013 these costs were included within Overheads as outlined below in note 6.

Kiwifruit Vine Health Incorporated

Notes to the Financial Statements (continued)

6. Overheads

		12 months	12 months
	Note	2014	2013
		\$'000	\$'000
Management and Administration Staff Costs		393	557
Education and Awareness	5	-	286
Travel and Meeting Costs		26	15
Professional Services		91	72
Office Expenses		71	93
Computer Expenses		33	29
		<u>613</u>	<u>1,052</u>

Education and Awareness costs have been reported as an individual line item in the 30th June 2014 Statement of Financial Performance. During the 30th June 2013 year Education and Awareness expenses were included within Overheads.

7. Board Remuneration

	12 months	12 months
	2014	2013
	\$'000	\$'000
Board remuneration	<u>79</u>	<u>111</u>

Board remuneration is included within Management and Administration Staff Costs within Overheads (Note 6). The total number of Board meetings during the year to 30th June 2014 was 11 (2013: 7).

8. Auditors Remuneration

	12 months	12 months
	2014	2013
	\$'000	\$'000
Audit of financial statements	<u>3</u>	<u>3</u>

Kiwifruit Vine Health Incorporated

Notes to the Financial Statements (continued)

9. Taxation

(a) Taxation Expense

	12 Months 2014 \$'000	12 Months 2013 \$'000
Income per Statement of Financial Performance	-	-
Plus:		
Income Accruals Movement	1,115	2,361
Costs Paid to Members	-	22
Expenditure Funded from Excluded Ministry of Primary Industries Income	1,070	3,481
Less:		
Accrued Expenses Movement	(1,123)	(2,782)
Excluded Income from Ministry of Primary Industries	(1,070)	(3,211)
Profit (Loss) for Tax Purposes - Current Year	<u>(8)</u>	<u>(130)</u>
Loss Carried Forward from Prior Years	(207)	(77)
Profit (Loss) for Tax Purposes - Current Year	<u>(8)</u>	<u>(130)</u>
Net Profit (Loss) Before Taxation	<u>(215)</u>	<u>(207)</u>
Current Year	-	-
Income Tax charge	<u>-</u>	<u>-</u>

9. Taxation (Continued)

(b) Taxation Recoverable

	12 Months 2014 \$'000	12 Months 2013 \$'000
Taxation Charge	-	-
Resident Withholding Tax Credits	<u>(1)</u>	<u>(5)</u>
Taxation Recoverable	<u>(1)</u>	<u>(5)</u>

Kiwifruit Vine Health Incorporated

Notes to the Financial Statements (continued)

10. Operating Leases

	12 months	12 months
	2014	2013
	\$'000	\$'000
Non-Cancellable Operating Leases:		
Due within 1 year	54	51
Due 1 to 2 years	0	5
	<u>56</u>	<u>56</u>

KVH has entered into commercial leases for office premises, photocopiers and telephones where it has been in the best interest of the Society not to purchase the asset. These leases have an average life of 2 years with renewal terms included in the contracts.

11. Fixed Assets

	2014	2013
	\$'000	\$'000
Cost	86	70
Accumulated Depreciation	<u>52</u>	<u>43</u>
Net Book Value 30 June	<u>34</u>	<u>27</u>

	2014	Net book Value 1-Jul \$'000	Additions \$'000	Disposals \$'000	Depreciation Expense \$'000	Net Book Value 30-Jun \$'000
Computer Equipment		13	15	-	8	20
Office furniture		14	2	-	2	14
		<u>27</u>	<u>17</u>	<u>-</u>	<u>10</u>	<u>34</u>
	2013	Net book Value 1-Jul \$'000	Additions \$'000	Disposals \$'000	Depreciation Expense \$'000	Net Book Value 30-Jun \$'000
Computer Equipment		24	3	1	11	13
Office furniture		16	1	-	2	14
		<u>40</u>	<u>4</u>	<u>1</u>	<u>13</u>	<u>27</u>

Kiwifruit Vine Health Incorporated

Notes to the Financial Statements (continued)

12. Provision for Future Contracted Costs

	12 months	12 months
	2014	2013
	\$'000	\$'000
Provision for future contracted costs – less than 1 year	-	1,132
	<hr/>	<hr/>
	-	1,132

The provision relates to future contracted costs arising from Financial Support Agreements and Nursery Compensation Agreements. All Financial Support Agreements and Nursery Compensation Agreements were settled in full by the 30th of June 2014.

13. Commitments

The capital expenditure commitments at 30th June 2014 were \$nil (2013: \$nil).

14. Related Party Disclosures

There are transactions between KVH and its members in the normal course of business. The following entities were related parties to KVH by virtue of their membership of the Society:

ZESPRI Group Limited, Gisborne Kiwifruit Trust, Mainland Kiwi Grower Entity Limited, OPAC Growers Supply Limited, Trevelyan Growers Limited, Satara Kiwifruit Supply Limited, Southlink Supply Limited, Integrated Fruit Supply and Logistics Limited, Aotearoa Kiwifruit Exports Limited, DMS Pro growers Supply Entity Limited, Apata Suppliers Limited, Aongatete Coolstores Limited, Mount Growers Supply Limited, Auckland Growers Supply Limited, G6 Kiwi Supply Limited and Orangewood Growers 2010 Limited.

The following entities were related to the Society by virtue of common directorship or management. All transactions were in the normal course of business:

ZESPRI Group Limited, Ministry of Primary Industries, New Zealand Kiwifruit Growers Inc, Punchbowl Kiwifruit Services Ltd, Opotiki Packing & Cool Storage Ltd, DMS Limited and The KVH Foundation Incorporated.

15. Contingent Liabilities

In April 2014 Kiwifruit Vine Health Incorporated received a notice from the Inland Revenue Department informing the directors that the deductibility of regeneration payments to growers was being reviewed.

Having sought appropriate specialist taxation and legal advice the directors have responded to this notice with information to support the current tax treatment of the regeneration payments made during the financial years ended 30 June 2012 to 30 June 2014.

The directors are therefore comfortable that the most likely outcome of this investigation is that the current income tax treatment will be ratified by Inland Revenue and no additional income tax liability will result. However, at this stage there has been no confirmation from the Inland Revenue Department that this will in fact be the case, so the directors would like to note that they have calculated the maximum

Notes to the Financial Statements (continued)

income tax liability to be \$2,856,000 which could also be subject to interest in the region of \$541,000 making the total contingent liability of \$3,297,000.

Contingent liabilities as at 30 June 2013 were \$nil.

16. Post Balance Sheet Events

There have been no events occurring after the balance sheet date that have a material effect in the financial statements.

Kiwifruit Vine Health Incorporated

Directory

Incorporated Society Number	2542737
Incorporation Date	6 th December 2010
Registered Office	25 Miro Street, Mount Maunganui, 3116
Board Members	Peter Ombler (Chairman, Appointed April 2013) Paul Jones (Resigned July 2014) Michael Chapman Simon Limmer Tony Murray (Resigned September 2014) Craig Thompson Nathan Flowerday
Chief Executive	Barry O'Neil
Bankers	Westpac Bank, Auckland
Auditors	Bennett's Proactive Accountants Limited, Te Puke
Tax Advisors	KPMG, Tauranga
Lawyers	Cooney Lees Morgan, Tauranga