



Kiwifruit Vine Health Incorporated

Special purpose financial report
for the year ended 31 March 2017

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Audit report

Audit report

Approval of Special purpose financial report

The Board has approved the special purpose financial statements of Kiwifruit Vine Health Incorporated, for the year ended 31 March 2017.

For and on behalf of the Board

Adrian Gault
Chairman

Nathan Flowerday
Director

Dated:

Entity information

as at 31 March 2017

Nature of business	The primary purpose of the Society is to become a Management Agency under the Biosecurity Act 1993 and to do all things required of the Society for the management of a National Pest Management Plan for <i>Pseudomonas syringae pv. actinidiae</i> (Psa) within New Zealand for the NZ kiwifruit industry.
Incorporated Society Number	254737
Incorporation date	6th of December 2010
Registered Office	Level 1 Customhouse Building 314 Maunganui Road Mount Maunganui
IRD number	106-272-964
Auditors	Ingham Mora 60 Durham Street Tauranga
Bankers	Westpac Bank Auckland
Solicitors	Cooney Lees Morgan Level 3 247 Cameron Road Tauranga
Chief Executive	Barry O'Neil
Board Members	Adrian Gault (chair) (elected 1 September 2016) Graeme Marshall (deputy chair) (elected 31 August 2016) Simon Cook (elected 1 September 2016) Nathan Flowerday (reappointed 1 November 2016) Alister Hawkey (appointed 1 October 2015) David Tanner (elected 1 September 2016) Peter Ombler (resigned 31 August 2016) Jarred Mair (resigned 31 July 2016)
Associate Director	Sonia Whiteman (appointed 1 January 2017) Lorry Leydon (resigned 31 December 2016)
Board Secretary	Richard Procter (appointed 1 February 2016)

Statement of financial performance

for the year ended 31 March 2017

	Note	2017 \$	2016 \$
Income			
Funding income	1	3,164,828	3,398,347
Total income		3,164,828	3,398,347
Expenses			
Operating			
Weather monitoring		139,840	152,235
Education and awareness		71,574	66,746
Operations		408,063	493,605
Monitoring		22,514	26,970
NPMP costs		120,786	124,711
Research and development	2	1,000,000	2,024,567
Testing		16,609	25,724
Wider biosecurity		-	-
		1,779,385	2,914,558
Administration			
Bad debts		100	-
Bank charges		320	305
Computer expenses		14,623	15,155
Management and admin staff costs		109,562	347,057
Office expenses		62,047	115,425
Professional services		57,631	118,373
Travel and meeting costs		4,356	24,462
		248,639	620,777
Non-cash items			
Depreciation		14,468	15,057
		14,468	15,057
Total expenses		2,042,492	3,550,391
Net business surplus/(deficit)		1,122,336	(152,045)
Other income			
Interest received		2,804	11,850
Other income	3	594,557	140,195
		597,361	152,045
Operating surplus/(deficit) before tax		1,719,697	-
Tax expense		3,561	-
Net surplus/(deficit)		1,716,136	-

These statements are to be read in conjunction with the audit report and with the notes to the financial statements

Statement of movements in equity

for the year ended 31 March 2017

	Note	2017 \$	2016 \$
Net surplus/(deficit)		1,716,136	-
Movements in equity for the period		1,716,136	-
Equity at beginning of period		-	-
Equity at end of year		1,716,136	-

These statements are to be read in conjunction with the audit report and with the notes to the financial statements

Statement of financial position

as at 31 March 2017

	Note	2017 \$	2016 \$
Equity		1,716,136	-
Current assets			
Cash and bank balances	4	941,086	616,805
Accounts receivable	5	1,232,907	1,293,899
Prepayments		17,289	18,864
GST refund due		-	44,832
Income tax refund		123	6,631
		2,191,406	1,981,031
Non current assets			
Property, plant and equipment	6	29,704	31,796
Total assets		2,221,109	2,012,827
Current liabilities			
Accounts payable		213,118	1,662,531
Deferred income		-	283,126
Accrued charges		161,401	67,170
GST payable		130,455	-
		504,974	2,012,827
Total liabilities		504,974	2,012,827
Net assets/(liabilities)		1,716,136	-

These statements are to be read in conjunction with the audit report and with the notes to the financial statements

Statement of cash flows

for the year ended 31 March 2017

Note	2017	2016
	\$	\$
Cash flow from operating activities		
<i>Cash was received from:</i>		
Funding receipts	3,176,860	3,984,212
Interest received	2,804	11,850
Income tax refunded	3,732	-
<i>Cash was applied to:</i>		
Payments to suppliers and employees	(2,851,877)	(3,675,469)
Income tax paid	-	(3,907)
Net cash flows from operating activities	331,519	316,686
Cash flow from investing activities		
<i>Cash was applied to:</i>		
Purchase of assets	(12,207)	(21,079)
Net cash flows from investing activities	(12,207)	(21,079)
Net increase/(decrease) in cash held	319,312	295,607
Opening cash	612,336	316,729
Closing cash	931,648	612,336
This is represented by:		
Westpac cheque account	114,175	239,401
Westpac online saver account	826,912	377,404
Westpac credit card	(9,438)	(4,469)
	931,648	612,336

These statements are to be read in conjunction with the audit report and with the notes to the financial statements

Statement of accounting policies

for the year ended 31 March 2017

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 management of the Psa response from MPI and ZESPRI to a separate entity.

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

Basis of preparation

The financial statements have been prepared on the basis 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.

The financial statements have been prepared applying the Special Purpose Financial Reporting Framework for use by For Profit Entities as published by Chartered Accountants Australia and New Zealand. The directors have agreed that this is an appropriate framework. The financial statements have been prepared for the entity's members, as such the financial statements may not be suitable for any other purpose.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation.

Where an item of property, plant or equipment is disposed of, the gain or loss recognised in the statement of financial performance is calculated as the difference between the sale price and the carrying amount of the asset.

Depreciation

Depreciation is charged to the statement of financial performance at the same rate as allowed by the Income Tax Act 2007. The following rates have been used:

Computer equipment 25.0% - 50.0% diminishing value

Office equipment 13.0% - 25.0% diminishing value

Receivables

Receivables are stated at estimated realisable value after providing against debts where collection is doubtful. Bad debts are written off during the period in which they are identified.

Taxation

Kiwifruit Vine Health Incorporated derives all of its income from non-taxable member transactions, except for interest income. No income tax arises in relation to the member transactions, however, the interest income is taxable using the taxes payable method.

Goods and services tax

All amounts are shown exclusive of Goods & Services Tax (GST), except for receivables and payables which are shown inclusive of GST.

These statements are to be read in conjunction with the audit report and with the notes to the financial statements

Statement of accounting policies

for the year ended 31 March 2017

Provisions

Kiwifruit Vine Health Incorporated 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 satisfy the obligation.

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 to Kiwifruit Vine Health Incorporated at balance date being included as a current asset, and any amount owed by Kiwifruit Vine Health Incorporated at balance date being included as a current liability.

Levy income:

Levies are invoiced each financial year based on the kiwifruit season throughput of class 1 kiwifruit categories. Any levies collected are not refundable.

Interest income:

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

Leases

Kiwifruit Vine Health Incorporated 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.

Management staff costs

Management staff costs include all relevant employee costs and costs of office based contractors providing services to Kiwifruit Vine Health Incorporated.

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.

Statement of cash flows

The following definitions are the terms used in the Statement 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.

Research and development

Research and development is expensed in the period incurred.

These statements are to be read in conjunction with the audit report and with the notes to the financial statements

Statement of accounting policies

for the year ended 31 March 2017

Changes in accounting policies

During the year, KVHI changed the revenue policy for levy income. Previously, levy income was recorded in the period in which the service was provided. In the current year levy income is recorded in the year when the revenue is levied. The Board determined that the new policy provides a more reliable and relevant representation of levy income earned under the Biosecurity Order 2013 and the Biosecurity Order 2015.

The effect of these changes has been applied prospectively in the current financial year. As a result, no deferred income liability is recognized in the current financial year.

Changes in accounting estimates

Inter-entity recharges are based on an estimate of time and cost incurred in KVH Inc. and KVH Foundation Inc. that relates to Psa prevention and response (KVH Inc.) or general biosecurity operations (KVH Foundation Inc.). During the year, the Board reviewed the allocation of time and costs spent between Psa operations and general biosecurity operations relating to the years ending 31 March 2016 and 31 March 2017. This more accurately reflects the actual time and costs incurred.

As a result, a one-off change of \$433,108 relating to the recovery of the costs for the year ending 31 March 2016 is included in other revenue in the year ending 31 March 2017.

Notes to the financial statements

1 Funding income	2017	2016
	\$	\$
Funding - Levy	2,124,811	1,525,579
Funding - MPI	750,325	936,384
Funding - Zespri	289,692	936,384
	3,164,828	3,398,347

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

The Ministry of Primary Industries incurred \$2.5m in initial response costs to the Psa threat which were deducted from their \$25m contribution to the funding of KVH.

There is a mismatch in funding income of MPI and Zespri shown in the 2015 and 2017 years due to timing differences. Across the lifetime of the agreement, KVHI has received \$22.5m from MPI and \$25m from Zespri. Therefore, all funding in relation to this agreement has now been received.

In addition to the above funding the Biosecurity (PSA-V - Kiwifruit Levy) order 2013 came into force on the 17th of May 2013. The levy imposed is payable to Kiwifruit Vine Health Incorporated, as the management agency, on kiwifruit grown in New Zealand and exported to countries other than Australia.

The maximum rate of levy enforced by the order, and current rate agreed by members is;

- a) For levy rate 1, 1 cents per tray of green (*Actinidia deliciosa*) kiwifruit exported
- b) For levy rate 2, 2 cents per tray of gold and red (*Actinidia chinensis*) kiwifruit exported
- c) 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.

2 Research and development

In the year ended 31 March 2017 KVHI funded Psa research and development to \$1,000,000, with Zespri funding Psa research and development over and above this. In the year ending 31 March 2016 KVHI was responsible for funding all PSA research and development.

Notes to the financial statements

3 Other income

Kiwifruit Vine Health Incorporated and The KVH Foundation Incorporated have entered into an agreement to reallocate costs incurred by KVHI to KVHF to reflect the change in nature of the business, where greater emphasis and as such expenses has been placed on Biosecurity.

The costs of \$1,034,941 reallocated relate to both the 2016 and 2017 financial years and were invoiced from KVHI to KVHF in March 2017. This has resulted in a large accounts receivable balance in KVHI, as well as a large accounts payable balance in KVHF.

The reallocation of costs relating to 2016 of \$433,108 has been recorded under other income in the statement of financial performance, which has resulted in a significant increase compared to the prior year.

The reallocation of costs relating to 2017 of \$601,833 have been offset against the expenses to which they relate, which has resulted in a decrease of various expenses.

4 Cash and bank balances

	2017 \$	2016 \$
Westpac cheque account	114,175	239,401
Westpac online saver	826,912	377,405
	941,086	616,805
Total cash and bank balances classified as follows:		
Current assets	941,086	616,805
	941,086	616,805

5 Accounts receivable

	2017 \$	2016 \$
The KVH Foundation Incorporated	1,190,182	9,229
Other	42,725	1,284,670
	1,232,907	1,293,899

Notes to the financial statements

6 Property, plant and equipment

	Cost \$	Depreciation \$	Acc depn \$	Carrying value \$
Computer equipment	96,632	12,423	78,317	18,315
Office equipment	23,831	2,045	12,442	11,389
Balance as at 31 March 2017	120,463	14,468	90,759	29,704

	Cost \$	Depreciation \$	Acc depn \$	Carrying value \$
Computer equipment	84,773	12,661	65,894	18,879
Office equipment	23,315	2,396	10,397	12,918
Balance as at 31 March 2016	108,087	15,057	76,291	31,796

Further information can be found in the supplementary summary Statement of property, plant and equipment included at the back of this financial report.

7 Board remuneration

	2017	2016
Remuneration	101,615	70,863

At the 2015 KVH AGM it was agreed that the membership of the KVH Board be increased to six directors: 3 grower directors, an independent director, a Zespri appointed director and a director appointed by Registered Suppliers from the 2016 KVH AGM. During the transition to the new board structure, the existing directors continued in office until the 2016 AGM. Therefore the Board remuneration has increased for the 2017 year due to the increased number of board members.

8 Auditors remuneration

	2017	2016
Audit fee	5,000	5,000

9 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, Aongatete Coolstores Limited, Auckland Growers Supply Limited, Apata Suppliers Limited, DMS Pro growers Supply Entity, G6 Kiwi Supply Limited, Gisborne Kiwifruit Trust, Intergrated Fruit Supply Limited, Mainland Kiwi Grower Entity Limited, Mount Growers Supply Limited, OPAC Growers Supply Limited, Orangewood Growers 2010 Limited, Southlink Supply Limited, Trevelyan Growers Limited.

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

ZESPRI Group Limited, ZESPRI International Limited, New Zealand Kiwifruit Growers Inc, The KVH Foundation Incorporated.

The KVH Foundation Incorporated has oncharged costs of \$481,025 to Kiwifruit Vine Health Incorporated (2016:\$2,522,160). The KVH Foundation Incorporated has been charged costs of \$1,159,274 by Kiwifruit Vine Health Incorporated (2016:\$230,364).

These notes are to be read subject to the audit report on page 2 of this report

Notes to the financial statements

Zespri Group Limited has oncharged costs of \$690,000 to Kiwifruit Vine Health Incorporated (2016: Nil). Zespri Group Limited has been charged costs of \$1,841,296 by Kiwifruit Vine Health Incorporated (2016: \$1,522,980).

Zespri International Limited has charged costs of \$59,823 to Kiwifruit Vine Health Incorporated (2016: \$1,201,492). Zespri International Limited has been charged costs of \$351,783 by Kiwifruit Vine Health Incorporated (2016: \$1,852,405). Kiwifruit Vine Health Incorporated owed \$59,127 to Zespri International Limited as at 31 March 2017 (2106: \$1,381,165). Zespri International Limited owed \$632,500 to Kiwifruit Vine Health Incorporated as at 31 March 2016.

New Zealand Kiwifruit Growers Incorporated has been charged costs of \$63,089 by Kiwifruit Vine Health Incorporated (2016: \$7,808).

10 Contingent liabilities

There were no contingent liabilities at balance date (2016:\$nil).

11 Post balance sheet events

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

12 Capital expenditure commitments

There were no commitments for capital expenditure as at balance date (2016:\$nil).

13 Salary and contractors expense

	2017	2016
	\$	\$
Salaries	287,641	432,345
Contractors	22,845	437,643
	310,486	869,988