

Your AGM pack



Dear Grower/KVH Member,

Please see enclosed your papers for our AGM along with a copy of the KVH Annual Update 2017/18.

The AGM is being held in Suite 1, ASB Arena, Truman Lane, Mt Maunganui on Thursday 26 July at 9am and we would very much welcome your attendance.

Jacqui Craig has been appointed as the Returning Officer for the 2018 AGM and Directors elections. This year KVH has also appointed Warwick Lampp of electionz.com to process the online and postal voting for this year's elections, including contact with KVH members during the voting period.

The AGM material includes your voting paper for the AGM resolutions and grower directors to the KVH Board. Explanatory notes to the resolutions and candidate profiles are also included. You are welcome to contact me or a KVH Director to clarify any queries you may have about this material.

Members can either vote online, return their vote by post, or vote at the AGM if intending to attend.

We look forward to hopefully seeing you at our AGM.

Kind regards,

Stu Hutchings
KVH Chief Executive



Agenda

Annual General Meeting

Kiwifruit Vine Health Incorporated

Thursday 26 July 2018 at 9.00am

Suite 1, ASB Arena, Truman Lane, Mt Maunganui

Please join the KVH Board for morning tea after the meeting

1. Apologies and Confirmation of Quorum (quorum of 20 members required, inclusive of body corporates)
2. Approval of the Minutes of the Annual General Meeting of Kiwifruit Vine Health Incorporated held on 24 August 2017 and Matters Arising from those Minutes – Chairman, David Tanner*
3. Chairman & Chief Executive Reports and KVHI Annual Update - Chairman, David Tanner*
4. Kiwifruit Vine Health Incorporated's Financial Reports and Statements – Chief Executive, Stu Hutchings*
5. Approval of the 2019-20 Biosecurity (Readiness and Response – Kiwifruit Levy) Order 2015 and the Biosecurity (Psa-V—Kiwifruit Levy) Order 2013 Levy Rates - Chief Executive, Stu Hutchings*
6. Kiwifruit Vine Health Incorporated's budget for 2019-20 - Chief Executive, Stu Hutchings*
7. Appointment of the Auditor for Kiwifruit Vine Health Incorporated - Chairman, David Tanner*
8. Appointment of an Independent Director - Chairman, David Tanner*
9. Directors Remuneration – Chairman, David Tanner*
10. Director Elections
11. General business
Business to be taken from people in attendance at the meeting provided that no motions are required to be passed. It is a requirement of the Rules that all Members must be given at least three business days' written notice of the business to be conducted of any Society meeting.¹

Explanation of Voting at AGM and of Grower Directors

The business to be conducted at the AGM is set out in the above agenda. Voting put to the AGM is by postal ballot and by voting at the AGM on the separate voting form circulated with the AGM papers. Unless otherwise specified voting papers submitted to KVH by post or by Members attending the AGM by the end of the AGM will be counted. The Boards will declare the result of the voting on resolutions put to the AGM following the AGM on the website and in the KVH Bulletin on 1 August 2018.

¹Rule 10.4 requires that all Members must be given at least three business days' written notice of the business to be conducted of any Society meeting. Two additional business days should be allowed to be able to deliver that written notice to all Members.

Annual General Meetings

Kiwifruit Vine Health Incorporated and The KVH Foundation Incorporated

24 August 2017 at 9am

Held at: Suite 1, ASB Arena, Truman Lane, Mount Maunganui

A quorum of at least 20 members being present, the meeting was declared open by the Chairman.

Members In attendance:

Adrian Gault (Chair), Nathan Flowerday (Director), Alister Hawkey (Director), Simon Cook (Director), David Tanner (Director), Barry O'Neil (Chief Executive), Ross Bawden, Austin Benn, Anton Boeyen, Doug Brown, Bruce Cameron, Sean Carnahan, Sandi Clink, John Cook, Viv & Trevor Cooper, Carol Craig, Tom Davies, Paul Edkins, Craig Pooley, Ian Coventry, Allan Fleming, Sally Gardiner, Julie Gault, Jim Gray, Andre Hickson, Mark Hudson, Mark Mayston, David Jensen, Paul Jones, Don Kemp, Tony Leicester, Dermott Malley, Carl Muller, Hamish Simson, James Trevelyan, Graeme Reopati, Andy Roche, Karen Roche, Sandy Scarrow, Autou Te Houta, Neil Te Kani, Paul Thomas, Merle Thompson, Graeme Thompson, Sue Willetts, Trev Williamson.

Attending the Meeting:

Sonia Whiteman (Associate Director), Richard Procter (Board Secretary), Jacqui Craig, Mike Chapman, Lisa Gibbison, Sue Groenowald, Robert Hill, Nicki Johnson, Nick Lawrence, Rob Lee, Lorry Leydon, Tom MacMorrان, John Mather, Lynda McCalman, Katy McGinity, Peter Mourits, Mike Murphy, Elyse Patchett, Linda Peacock & Tiffany Rowe.

Apologies: John Erikson, Phil Jones, Graeme Marshall (Director), Julian Raine and Craig Thompson

Item	Discussion
Meeting Administration	<p>Those present were welcomed to the meeting. No media were present.</p> <p>The Meeting accepted the apologies.</p> <p>The Chairman advised that Jacqui Craig was the Returning Officer and voting papers would be collected at the end of the meeting.</p> <p>The Chairman introduced the Board Members, and recorded his thanks for their contribution to the work of KVH, to Alister Hawkey particularly who would be standing down after the AGM, and to Lorry Leydon, whose term as Associate Director expired in December 2016. The Chairman then went on to acknowledge the work of the KVH team, and advised that regretfully that this was the Chief Executive's last Annual General Meeting. The process to employ a replacement is under way.</p>

Item	Discussion
	<p>Minutes of the Annual General Meeting held on 31 August 2016. The Meeting considered the minutes of the previous meetings, which were distributed with the agenda papers.</p> <p>Resolved that: The minutes of the Annual General Meetings of Kiwifruit Vine Health Incorporated and The KVH Foundation Incorporated held on 31 August 2016 be approved as a true and accurate record. <i>Moved: Alister Hawkey/John Cook</i></p> <p>Matters Arising There were no matters arising from the minutes.</p>
Chairman's Report	<p>Adrian Gault and Barry O'Neil introduced the Chairman's and Chief Executive's Report distributed with the meeting papers, which was taken as read.</p> <p>The Chair noted the biosecurity risk to New Zealand's borders was growing, heightened by an increasing number of tourists, container movements and mail, and the industry needed to take a proactive biosecurity stance to protect grower investment. There are many examples of potential for incursions, for example <i>Ceratocystis fimbriata</i> that is currently affecting Hawaii, and Brown Marmorated Stink Bug, intercepted at New Zealand's borders 147 times in the summer of 2016/17, of single to multiple insects at each interception.</p> <p>No questions or issues were raised and no comments made.</p> <p>Resolved that: That the Chairman and Chief Executive's Report, and the KVH Annual Report for Kiwifruit Vine Health Incorporated and The KVH Foundation Incorporated be approved. <i>Moved: Adrian Gault /Mark Hudson</i></p>
Financial Reports	<p>A full set of the Annual Accounts was available on KVH's web site and a full copy made available at the meeting</p> <p>A summary of the financial report and statements was presented by Barry O'Neil, noting that:</p> <ul style="list-style-type: none"> • KPMG was available at the meeting to answer any questions • The accounts were presented in accordance with the financial reporting act, as a special purpose financial report, and in accordance with the Public Benefit Entity Simple Reporting – Accrual (Not for Profit) basis respectively. • An unqualified audit opinion has been signed off for both Kiwifruit Vine Health Incorporated and The KVH Foundation Incorporated. • Compared with budget, tray numbers were higher resulting in increased levy income • Research and development of one million had been incurred (with the balance being undertaken and funded by Zespri, and

Item	Discussion
	<ul style="list-style-type: none"> The general movement in the balance of the activities undertaken by KVH from Psa to wider biosecurity, also reflected in the rundown in wider biosecurity reserves. <p>No questions or issues were raised and no comments made.</p> <p>Resolved that: That Kiwifruit Vine Health Incorporated's and The KVH Foundation Incorporated's Financial Reports for the twelve months ending 31 March 2017 be approved. <i>Moved: Nathan Flowerday /Paul Jones</i></p>
Appointment of Auditor	<p>Ingham Mora was appointed auditor of Kiwifruit Vine Health Incorporated and of The KVH Foundation Incorporated for the 2016-2017 financial year, and it was recommended they be re-appointed for the 2017-18 financial year.</p> <p>No questions or issues were raised and no comments made.</p> <p>Resolved that: Ingham Mora be appointed as the auditor of Kiwifruit Vine Health Incorporated and of The KVH Foundation Incorporated for the 2017 / 2018 financial year. <i>Moved: Dave Tanner /David Jensen</i></p>
2018/19 Budget	<p>The budget for Kiwifruit Vine Health Incorporated was circulated with the meeting papers, and also a copy circulated at the meeting.</p> <p>Barry O'Neil noted as follows:</p> <ul style="list-style-type: none"> Since all activities have been moved to a single legal entity, a revised forecast for 2017-18 has also been included, for comparison purposes. KVHI budget is presented as separate cost centres, as for levy funding purposes the Psa-V and wider biosecurity activities are kept separate. For the 2018-19 budget, tray numbers have been decreased from a budgeted level of 140 million trays in 2017/18 to a predicted 122 million trays, and levy income has been revised down accordingly. The focus of KVH is now more directed toward wider biosecurity, and Members in subsequent business of the Annual General Meeting will be asked to reverse the current levies so that the Psa-V levy is 6/10ths of a cent and the wider biosecurity levy is set at one cent per tray The GIA operational agreement cost sharing now commences on 1 July 2018, and the 2018-19 budget includes readiness costs of \$235,000 for Fruit fly, and an additional \$100,000 for the Kiwifruit Sector and Brown Marmorated Stink Bug Operational Agreements. Wild kiwifruit costs have been increased to \$200,000 following the regional council reviewing its pest management plan and seeking increased funding from the kiwifruit industry as the core exacerbator. Total revenue and expenses are similar to those approved at the last AGM for the 2017/18 financial year. KVH would like to build reserves of \$1.6 million (50% of current GIA response

Item	Discussion
	<p>liability costs) to be able to fund its committed share of GIA incursion costs.</p> <p>In response to a question, the meeting was advised that people costs include staff and contractor costs.</p> <p>Resolved that: Kiwifruit Vine Health Incorporated's Budget for the 2018 / 2019 year be approved. <i>Moved: Simon Cook /James Trevelyan</i></p>
2017 National Pest Management Plan Levy Rate	<p>The proposal for the 2017 NPMP levy rate was presented by Adrian Gault and Barry O'Neil, noting that:</p> <ul style="list-style-type: none"> • Consistent with the change in emphasis in KVH's activities toward wider biosecurity, it is proposed that the current NPMP levy rate be reduced to 6/10ths cent per tray, and • The budgets are based on the proposed 2018 NPMP rate. <p>No questions or issues were raised and no comments made.</p> <p>Resolved that: The Biosecurity (Psa-V Kiwifruit Levy) Order 2013 rate be reduced to apply at a rate of 6/10ths of a cent per tray for the 2018-2019 financial year for all varieties of kiwifruit except <i>Actinidia arguta</i>, exported to markets other than Australia. <i>Moved: Alister Hawkey/Dave Tanner</i></p>
2017 Wider Biosecurity Levy Rate	<p>The proposal for the 2017 wider biosecurity levy rate was presented by Adrian Gault and Barry O'Neil, noting that the budgets are based on an increase in the levy rate to one cent per tray.</p> <p>No questions or issues were raised and no comments made.</p> <p>Resolved that: That the Biosecurity (Readiness and Response Kiwifruit Levy) Order 2015 rate be increased for the 2018-2019 financial year to one cent per tray equivalent for all varieties of kiwifruit except <i>Actinidia arguta</i>, exported to markets other than Australia. <i>Moved: Alister Hawkey/Dave Tanner</i></p>
Directors Remuneration	<p>The proposal for Directors' fees as circulated with the meeting papers was presented by Adrian Gault, noting that the Directors have agreed an external review of Director's fees, the outcome of which will be reported to the 2018 AGM.</p> <p>No questions or issues were raised and no comments made.</p> <p>Resolved that: That the Directors fees be adjusted by the CPI inflation rate of 2.2% from 1 April 2017. <i>Moved: David Jensen/John Cook</i></p>
Liquidation of	<p>The proposal for liquidation of KVHF was presented by Adrian Gault, noting that:</p>

Item	Discussion
KVHF	<ul style="list-style-type: none"> As from 1 April 2017, KVHI has assumed the operational delivery of all work previously undertaken by KVHI and KVHF. While it had funds to do so, KVHF continued to meet the cost of wider biosecurity, by reimbursement of KVHI for the costs of that wider biosecurity work. It is proposed that KVHF be liquidated. It is a requirement of the KVHF Rules and the Incorporated Societies Act that to liquidate KVHF involves a two stage process. It is proposed that the required second meeting be held in conjunction with the NZKGI meeting in October or November (to be advised). Different voting arrangements, of one vote per Member applies to this proposed resolution. <p>Resolved that: That KVHF be liquidated, subject to confirmation of this resolution and the appointment of a liquidator at a Special General Meeting to be held at a time approved by the Directors of KVHF, but not earlier than 30 days following the 2017 AGM. <i>Moved: Nathan Flowerday/Sandy Scarrow</i></p>
Director's Election Rule Change	<p>The proposal for a change to the election of Directors of KVHI was presented by Adrian Gault, noting that:</p> <ul style="list-style-type: none"> Potentially having the majority of the Board retiring at once is not best governance practice The proposed changes to the rules allow for transition to a process such that two Directors retire, and two Directors are appointed/reappointed each year <p>Resolved that: That the Rules of KVHI be changed so that two of the six Directors be appointed in rotation each year, and the appropriate transition arrangements be included to allow this to be implemented at the 2018 Annual General Meeting. <i>Moved: Dave Tanner/Jim Gray</i></p>
Signing of Documents, Execution of financial decision documents, and Delegated Authorities.	<p>The proposal for a change to the rules in respect of delegated authorities was presented by Adrian Gault. The Board is seeking to change the current Rule 11 to allow it to put in place Delegated Authorities that are in line with section 180 and section 181 of the Companies Act.</p> <p>Resolved that: That the Rules of KVHI be altered to allow the delegation of the signing of documents, execution of financial decision documents and delegated authorities in line with those in the Companies Act. <i>Moved: Simon Cook/Jim Gray</i></p>
General Business	There was no general business raised by Members.

Item	Discussion
	<p>A number of questions and comments followed, and in conjunction with a further presentation by Barry O'Neil. In summary, the comments and responses were as follows:</p> <ul style="list-style-type: none"> • Zespri is a marketer, and does not have a dedicated focus on biosecurity, which it is believed is required. Over 90 significant pests and pathogens relevant to kiwifruit have been identified. The culture of the industry needs to recognise the ongoing risks from biosecurity and actively manage those risks. There is value to the kiwifruit industry from being prepared for incursions of known and unknown threats to minimise potential loss to growers. • Recent photos of BMSB damage to kiwifruit indicates most damage is only obvious internally. Overseas evidence shows fruit drop occurs 7 days after emergence of signs of damage on skin with about 30% fruit loss in total including storage loss. • As a result of the increasing biosecurity risks resulting in an increase in GIA obligations of KVH, an increased biosecurity levy is to be sought following consultation with growers for their feedback. Levies enacted under NZ law are not applicable overseas, and the levy cannot be applied to ZGS's activities. However, ZGS do assist KVH, particularly with overseas research and observations, to KVH's benefit. • Other industries, such as avocado, are increasingly supporting the GIA approach. • As in the event of an incursion, growers themselves may be under pressure, a significant up front funded fighting fund held by KVH is preferable. <p>Voting papers were then collected from the meeting. The Chairman thanked all for their attendance, and closed the meeting at 10.20am.</p>

Confirmed as a true and correct record.

Signed:

Chairman

Date



Explanation of Resolutions

Kiwifruit Vine Health Incorporated - 2018 Annual General Meeting

2017 Annual General Meeting – Resolution 1 (Item 2 of Agenda)

Proposed resolution:

That the minutes of the Annual General Meeting of Kiwifruit Vine Health Incorporated held on 24 August 2017 be approved as a true and accurate record.

Explanatory Information

The minutes for the last Annual General Meeting, held on 24 August 2017 have been distributed with the agenda papers. The Chairman will invite members to discuss the content of the previous minutes and to ask any questions. The Chairman will then put the above resolution to the meeting.

The resolution requires 50% or more of the votes cast by Members to be in favour of the resolution for it to pass.

Board recommendation:

The KVHI Board recommends that Members approve the minutes of the Annual General Meeting held on 24 August 2017.

Chairman's and Chief Executive's Reports, and KVHI Annual Update Resolution 2 (Item 3 of Agenda)

Proposed resolution:

That the Chairman and Chief Executive's Reports, and the Annual Update for Kiwifruit Vine Health Incorporated be approved.

Explanatory Information

These reports have been distributed with the agenda papers. The Chairman and Chief Executive will speak to their reports and invite members to discuss the content of the reports and ask any questions. The Chairman will then put the above resolution to the meeting.

The resolution requires 50% or more of the votes cast by Members to be in favour of the resolution for it to pass.

Board recommendation:

The KVHI Board recommends that Members approve the Chairman and Chief Executive's Reports, and the KVHI Annual Update.

Financial Reports – Resolution 3 (Item 4 of Agenda)

Proposed resolution:

That Kiwifruit Vine Health Incorporated's Financial Report for the twelve months ending 31 March 2018 be approved.

Explanatory Information

The full audited financial reports and statements for Kiwifruit Vine Health Incorporated, including an unqualified audit report, have been distributed with the agenda papers. These accounts are presented in accordance with the Special Purpose Financial Reporting Framework for use by For Profit Entities as published by the New Zealand Institute of Chartered Accountants Chartered Accountants.

KVHI's Chief Executive will present the financial statements and invite members to question any aspect of the statements. The Chairman will then put the above resolution to the meeting.

The resolution requires 50% or more of the votes cast by Members to be in favour of the resolution for it to pass.

Board recommendation:

The KVHI Board recommends the Members approve the Financial Statements of Kiwifruit Vine Health Incorporated.

The Biosecurity (Readiness and Response – Kiwifruit Levy) Order 2015 and The Biosecurity (Psa-V—Kiwifruit Levy) Order 2013 levies for the year ended 31 March 2020 – Resolution 4 (Item 5 of Agenda)

Proposed resolution:

That:

- i. The levy further to The Biosecurity (Readiness and Response – Kiwifruit Levy) Order 2015 ("Wider Biosecurity levy") be set at one cent per tray equivalent, and the levy further to the Biosecurity (Psa-V—Kiwifruit Levy) Order 2013 ("Psa-V levy") be set at a rate of six tenths of a cent ($\frac{6}{10}$ of a cent) per tray equivalent, for the remainder of the 2018/2019 financial year on all varieties of kiwifruit except *Actinidia arguta*, exported to markets other than Australia.
- ii. From 1 April 2019, pending the completion of the approval process to increase the maximum levy cap allowable under the Biosecurity levy, the levy under that Order be increased to a rate of one and four tenths of a cent ($1\frac{4}{10}$ of a cent) per tray equivalent and the Psa-V levy be reduced to a rate of two tenths of a cent ($\frac{2}{10}$ of a cent) per tray equivalent on all varieties of kiwifruit except *Actinidia arguta*, exported to all markets other than Australia.

Explanatory Information

The Biosecurity (Psa-V—Kiwifruit Levy) Order 2013 and the Biosecurity (Readiness and Response – Kiwifruit Levy) Order 2013 each allow for levies on trays of kiwifruit exported other than to Australia.

Over time the work of KVHI has re-focused from its initial Psa-V related activities into wider biosecurity, including readiness and response, and the respective levies adjusted accordingly. The trend in the activities of KVHI toward biosecurity is expected to continue. Currently (for the 2018-19 year) the amounts collected under the orders are one cent per tray equivalent and six tenths of a cent per tray equivalent, for Biosecurity readiness and response and Psa-V respectively. For the year ended 31 March 2020 it is proposed that the levies be adjusted as set out in Resolution 4 above.

The Government Industry Agreement for Biosecurity Readiness and Response (GIA) is a partnership between government and industry for improving New Zealand's biosecurity. Under GIA, industry organisations (such as KVHI on behalf of the kiwifruit industry) and the Ministry for Primary Industries (MPI) sign a Deed that formally establishes the biosecurity partnership. The GIA Deed outlines the principles for the partnership and the commitments that each signatory makes including joint decision making and cost sharing for readiness and response. Under GIA, industries are able to identify the biosecurity risks of greatest concern to them, and jointly by way of operational agreements, agree with government what readiness and response approaches are required.

KVHI signed the GIA Deed in May 2014, and has entered into three Operational Agreements ("OA"):

- (i) the first OA under GIA was the multi-sector agreement for the management of fruit fly in New Zealand,*
- (ii) in March 2017 KVHI signed a second OA, on behalf of the kiwifruit and kiwiberry sectors, to help manage the impacts of four kiwifruit sector specific threats - Ceratocystis fimbriata, Verticillium wilt, Psa-non NZ strains and Invasive Phytophthoras, and*
- (iii) A third multi sector OA for Brown Marmorated Stink Bug (BMSB) was finalised in mid-July 2017.*

The OAs establish the operational details for readiness and response activities, including the roles and responsibilities of all the parties before, during and after a response, as well as cost- sharing detail.

The programme of preparedness (readiness) under each OA is developed and funded on an agreed basis as the work programme is agreed and costs are incurred. These are part of KVHI's annual operating budget. Conversely, response costs are incurred only if an incursion occurs, and costs will vary depending on the scale of the response. KVHI's liability to response costs is capped under the OA's.

Currently KVHI's financial obligations under the GIA and OA's are voluntary as the legal basis for cost sharing by non-GIA participants is still being developed by MPI, but it is expected to be formalised and become binding later in 2018/2019. When binding, KVHI's total liability to response costs is estimated at \$3.4 million shared at 50% with government. KVHI plans to provide for this liability by a combination of reserves held in KVHI, and a right to call on Members by way of an increase to the Biosecurity levy, as provided for in the levy regulations.

Currently the maximum levy cap that can be set as a biosecurity, readiness and response levy under The Biosecurity (Readiness and Response – Kiwifruit Levy) Order 2015 is one cent per tray, which is also the level of levy required to meet KVHI's current operating budget for wider biosecurity, including the costs of readiness but not response. Following consultation with the industry in 2017, KVHI has requested a change in the maximum readiness and response levy cap so as to provide for funding of its response costs obligations. When this increase in the maximum levy is approved, the proposed resolution allows for the Biosecurity readiness and response levy to increase by four tenths of a cent per tray and the Psa-V levy to decrease by four tenths of a cent per tray from 1 April 2019.

This allows for the readiness and response reserves to build within KVHI to enable to meet its response cost obligations when an incursion occurs.

The approval process for changing the maximum levy cap is required to go through cabinet and be gazetted for a period of 28 days. It is expected that this approval process will be completed either by the AGM or shortly after.

The resolution requires 50% or more of the votes cast by Members to be in favour of the resolution for it to pass.

Board recommendation:

- I. That the Biosecurity Levy and the Psa Levy remain at the same as currently for the rest of the financial year.
- II. That from 1 April 2019, pending the completion of the approval process to increase the maximum levy cap allowable under the Biosecurity levy, the Biosecurity levy be increased from 1 cent to 1 4/10ths cents and the Psa levy to be reduced by the same amount from 6/10th of a cent to 2/10ths of a cent.

2019-2020 Budget for Kiwifruit Vine Health Incorporated – Resolution 5 (item 6 of Agenda)

Proposed resolution:

That Kiwifruit Vine Health Incorporated's Budget for the 2019-2020 year be approved.

Explanatory Information

*KVHI was formed to undertake the management of the National Pest Management Plan for *Pseudomonas syringae* pv. *actinidiae* (Psa-V) within New Zealand for the New Zealand kiwifruit industry, to monitor and identify biosecurity risks to the kiwifruit industry, meet the kiwifruit industries obligations under the Government Industry Agreements, and prepare for responses to those biosecurity risks ("readiness and response"). During the 2017-18 financial year, KVHI assumed the delivery of all work previously undertaken separately by KVHI and KVHF, and the Members of KVHF agreed to place it into liquidation.*

As a result, the 2019-2020 budget is for KVHI entity, but encompassing the former activities of both KVHI and KVHF.

For the Kiwifruit Vine Health Incorporated's combined budget for 2019-2020:

1. *The levies have been included in this budget at:*
 - *as the Psa-V Levy, based on 148 million trays, a proposed rate of 2/10ths of a cent for all varieties of kiwifruit except *Actinidia arguta*, subject to Resolution 4 being approved.*
 - *For the Biosecurity Levy, also based on 148 million trays, at a proposed rate of one and four tenths (1.40) cents per tray for all varieties of kiwifruit except *Actinidia arguta*, subject to Resolution 4 being approved.*
2. *Three Operational Agreements (OAs) have been entered into by KVHI under the GIA. As part of these OAs KVHI has an obligation to fund readiness costs of \$301,000 (\$210,000 under the Fruit Fly OA, \$80,000 under the BMSB and \$11,000 under the Kiwifruit Sector OA) and this amount is included in KVHI's budget as from 1 April 2019. On the other hand, no response costs are*

included in the budget. Response costs will be incurred only when and if an incursion occurs, and costs will vary depending on the scale of the response.

3. *Noting that we have created some efficiencies within the organisation which has resulted in some decrease in expenses covering operations, office and people costs.*
4. *An unchanged amount of \$200,000 has been included as the kiwifruit industry's contribution to the control of wild kiwifruit.*

The commentary and proposed budget for KVHI have been distributed with the agenda papers. KVHI's Chief Executive will present the KVHI budget and invite members to question any aspect of it.

The resolution for approval of these budgets requires 50% or more of the votes cast by Members to be in favour of the resolution for it to pass.

Board recommendation:

The KVHI Board recommends the Members approve the KVHI 2019-2020 Budget.

Appointment of Auditor – Resolution 6 (Item 7 of Agenda)

Proposed resolution:

That William Buck be appointed as the auditor of Kiwifruit Vine Health Incorporated for the 2018-2019 financial year.

Explanatory Information

At the last AGM, Ingham Mora was appointed as the auditor of Kiwifruit Vine Health Incorporated for the 2017-18 year. In March 2018, Ingham Mora announced that as from April 1 2018, Ingham Mora's audit practice and current audit team would join mid-tier Chartered Accounting and Advisory firm William Buck, would continue to operate from the same premises in Tauranga, and lease the existing audit office space used by the audit team at Ingham Mora.

William Buck is a leading firm of Chartered Accountants and advisors with offices across Australia and New Zealand. Established in 1895, they have over 90 directors and 500 professional staff, and are wholly owned and operated in Australia and New Zealand.

The Rules provide that included in the role of Members is the appointment or re-appointment of an auditor. The resolution requires 50% or more of the votes cast by Members to be in favour of the resolution for it to pass.

Board recommendation:

The KVHI Board **recommends** that William Buck be appointed auditor for the 2018-19 financial year.

Independent Director – Resolution 7 (Item 8 of Agenda)

Proposed resolution:

That Mr Graeme Marshall be elected as the independent Director.

Explanatory Information

Kiwifruit Vine Health Incorporated's Rules specify a requirement for six Directors, three Grower Directors, one director appointed by Zespri, one director appointed by Registered Suppliers, and independent Director nominated by the Board and elected by the Society in General Meeting for a term of three years.

The current Independent Director, Mr Graeme Marshall was elected to the Board at the 2016 AGM, is eligible for re-election, and has been nominated by the Board for election by Members at the 2018 AGM. Information about Mr Marshall has been circulated with the agenda papers.

The resolution requires 50% or more of the votes cast by Members to be in favour of the resolution for it to pass.

Board recommendation:

The KVHI Board **recommends** the Members approve the appointment of Mr Graeme Marshall as the Independent Director of Kiwifruit Vine Health Incorporated.

Directors Remuneration – Resolution 8 (Item 9 of Agenda)

Proposed resolution:

That the Directors fees be adjusted to the levels recommended in the external review with effect from 1 August 2018 with a CPI adjustment applied for subsequent years with an independent review in 3 years.

Explanatory Information

The Board agreed to an external review of Director's Fees in 2017. The Zespri Directors Remuneration Review Committee agreed to undertake this review on behalf of KVHI, and reported its recommendations to KVHI on 25 June 2018.

This would increase the fees as follows:

Chairman's fees	Currently \$29,500.00	New Fees \$33,600.00
Directors fees	Currently \$16,100.00	New Fees \$16,800.00

(The new fees for the Chairman and Directors have been rounded to the next highest \$100.00)

The resolution requires 50% or more of the votes cast by Members to be in favour of the resolution for it to pass.

Board recommendation:

The KVHI Board recommends the Members agree to the increase of Directors' Fees as recommended by the external review from 1 August 2018.

KVH Board Grower Director Elections (item 10 of Agenda)

There are three grower member vacancies for the KVH Board and three candidates standing for election. Providing that they all receive votes, the three candidates are duly elected to the KVH Board however following the rule changes at the 2017 AGM, the number of votes they receive will determine the length of term each director is elected for.

- The director with the highest number of votes will be elected for a term of three years;
- The director with the second highest number of votes will be elected for a term of two years;
and
- The director with the third highest number of votes will be elected for a term of one year.

Subsequently, on expiry of appointment, the term of each Director then elected to the KVH Board will be three years.

General Business (item 11 of Agenda)

Items to be taken from those attending the meeting, but as it is a requirement of the Rules that voting can be undertaken by post, no additional resolutions are able to be taken at the Annual General Meetings.

Kiwifruit Vine Health Incorporated

Special Purpose Financial Report
for the year ended 31 March 2018

Report contents

	Page
Auditors report	2
Approval of special purpose financial report	4
Entity information	5
Financial statements	
Statement of financial performance	7
Statement of movements in equity	8
Statement of financial position	9
Statement of cash flows	10
Statement of accounting policies	11
Notes to the financial statements	14

Kiwifruit Vine Health Incorporated

Independent auditor's report to the Members

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kiwifruit Vine Health Incorporated (the Society), which comprise the statement of financial position as at 31 March 2018, and the statement of financial performance, statement of movements in equity, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Society are prepared, in all material respects, in accordance with the Special Purpose Reporting Framework for use by For-Profit Entities as published by Chartered Accountants Australia and New Zealand.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Society.

Emphasis of Matter – Basis of Accounting

We draw attention to the statement of accounting policies on page 11 of the financial statements, which describes the basis of accounting. The financial statements have been prepared to enable the Society to report to its members.

CHARTERED ACCOUNTANTS & ADVISORS

Level 2, 60 Durham Street
Tauranga 3110, New Zealand
PO Box 222
Tauranga 3140, New Zealand
Telephone: +64 7 927 1234
williambuck.co.nz

William Buck Audit (NZ) Limited

Directors' Responsibilities

The directors are responsible on behalf of the entity for the preparation of financial statements prepared in accordance with the accounting policies disclosed in the statement of accounting policies on page 11 of the financial statements, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for the selection of accounting policies that are appropriate for the entity.

In preparing the financial statements, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/>

This description forms part of our independent auditor's report. The engagement director on the audit resulting in this independent auditor's report is Richard Dey.

Restriction on Distribution and Use

This report is made solely to the Society's members, as a body. Our audit work has been undertaken so that we might state to the Society's members those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members, as a body, for our audit work, for this report or for the opinions we have formed.



William Buck Audit (NZ) Limited


Tauranga

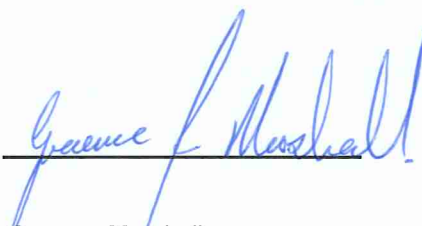
27 June 2018

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 2018.

For and on behalf of the Board



David Tanner
Chairman

Graeme Marshall
Director

Dated: 27/6/2018

Entity information

as at 31 March 2018

Legal name of entity	Kiwifruit Vine Health Incorporated ("KVHI")
Planned amalgamation of activities of KVHI and KVHF, and liquidation of KVHF	<p>Following a review of the operations of The KVH Foundation Incorporated ("KVHF") and KVHI, the Boards of both organisations took the decision to amalgamate the activities of KVHF into KVHI in a two stage process. From 1 April 2017, funding provided by way of the Biosecurity (Readiness & Response - Kiwifruit Levy) Order 2015 was novated to KVHI. The operations of the KVHF were continued until its reserves were extinguished, at which time its operations ceased. KVHF is no longer trading, and the activities previously undertaken by it are now being undertaken by KVHI.</p>
Nature of business	<p>The primary purpose of the Society is as 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.</p> <p>Other purposes of the Society are:</p> <ul style="list-style-type: none"> (a) To monitor and identify biosecurity risks to the kiwifruit industry, to undertake and arrange biosecurity surveillance, to prepare for responses to biosecurity risks to the kiwifruit industry, including ensuring adequate operational arrangements are in place, to lead biosecurity responses as required and to liaise with governments, agencies, industry groups and other agencies as appropriate in relation to any such biosecurity risks; (b) To promote and encourage in the national interest research into and the dissemination of information relating to biosecurity risk management and monitoring for kiwifruit vines in New Zealand; and (c) To do any act or thing necessary or incidental to the attainment of the above objectives.
Incorporated Society Number	254737
Incorporation date	6th December 2010
Registered Office	<p>Level 1 Customhouse Building 314 Maunganui Road Mount Maunganui</p>
IRD number	106-272-964
Auditors	<p>William Buck Audit (NZ) Limited 60 Durham Street Tauranga</p>
Bankers	<p>Westpac Bank Auckland</p>

The directory is to be read subject to the audit report on page 2 of this report

Entity information (continued)

as at 31 March 2018

Solicitors	Cooney Lees Morgan Level 3 247 Cameron Road Tauranga
Chief Executive	Stu Hutchings (appointed 26 March 2018) Barry O'Neil (retired 13 April 2018)
Board Members	David Tanner (Chair) (elected as Director 1 September 2016, elected Chair 29 March 2018) Graeme Marshall (Deputy Chair) (elected 31 August 2016) Simon Cook (elected 1 September 2016) Adrian Gault (elected as Director and Chair 1 September 2016, resigned as Chair 29 March 2018) Nathan Flowerday (reappointed 1 November 2016) Alister Hawkey (term expired 1 October 2017) Sonia Whiteman (appointed 1 November 2017; resigned 19 February 2018)
Board Secretary	Richard Procter (appointed 1 February 2016, resigned 7 May 2018)
Physical address	Level 1 Customhouse Building 314 Maunganui Road Mount Maunganui
Postal address	PO Box 4246 Mount Maunganui
Phone	0800 665 825
Fax	07 574 7591
Email	info@kvh.org.nz
Website	http://www.kvh.org.nz

The directory is to be read subject to the audit report on page 2 of this report

Statement of financial performance

for the year ended 31 March 2018

		2018 \$	2017 \$
Income			
Funding and levy income		1,907,056	3,164,828
Total income	1	1,907,056	3,164,828
Operating expenses			
Education and awareness		30,352	18,791
GIA operational agreement		21,897	3,141
Governance	2	137,889	128,281
Office expenses	3	147,596	91,570
Operations		63,391	80,028
People and travel	4	1,052,885	356,864
Professional services	5	109,808	34,003
Research & development	6	-	1,000,000
Weather monitoring		83,106	139,840
Wild kiwifruit control		70,449	123,826
Reversal of 2017 accruals	7	(92,315)	-
Total operating expenses		1,625,059	1,976,345
Operating surplus/(deficit)		281,997	1,188,483
Non-operating income			
Interest received		1,847	2,804
Other income	8	-	528,408
Total non-operating income		1,847	531,212
Non-operating expenses			
Income tax		1,064	3,561
Total non-operating expenses		1,064	3,561
Net surplus/(deficit)		282,780	1,716,135

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 2018

		2018 \$	2017 \$
Net surplus/(deficit)		282,780	1,716,135
Prior period adjustment:			
Levy income not recognised in 2017	9	49,892	-
Movements in equity for the period		332,672	1,716,135
Provision reserve		-	-
Equity at beginning of period		1,716,135	-
Equity at end of year	13	2,048,807	1,716,135

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 2018

		2018 \$	2017 \$
Current assets			
Cash and bank balances	10	2,130,771	941,086
Accounts receivable	11	54,165	1,232,907
Prepayments		17,259	17,289
GST refund due		26,802	-
Income tax refund		834	123
Total current assets		2,229,831	2,191,406
Non current assets			
Property, plant and equipment	12	25,952	29,703
Total assets		2,255,782	2,221,109
Current liabilities			
Visa credit card	10	6,859	9,437
Accounts payable		90,769	203,681
Accrued charges		109,348	161,401
GST payable			130,455
Total current liabilities		206,975	504,974
Total liabilities		206,975	504,974
Net assets/(liabilities)		2,048,807	1,716,135
Equity	13	2,048,807	1,716,135

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 2018

	Note	2018 \$	2017 \$
Cash flow from operating activities			
<i>Cash was received from:</i>			
Funding receipts		3,054,621	3,176,861
Interest received		1,238	2,804
Income tax refunded		-	3,732
<i>Cash was applied to:</i>			
Payments to suppliers and employees		(1,854,873)	(2,851,877)
Income tax		(547)	-
Net cash flows from operating activities		1,200,438	331,520
Cash flow from investing activities			
<i>Cash was applied to:</i>			
Purchase of assets		(8,174)	(12,207)
Net cash flows from investing activities		(8,174)	(12,207)
Net increase/(decrease) in cash held		1,192,264	319,313
Opening cash		931,649	612,336
Closing cash	8	2,123,913	931,649
This is represented by:			
Westpac cheque account		107,622	114,175
Westpac online saver account		2,023,149	826,912
Westpac credit card		(6,859)	(9,437)
		2,123,913	931,649

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 2018

Reporting entity

KVHI was established in 2010 following agreement of the Industry Advisory Council (IAC) to transition management of the Psa response from MPI and ZESPRI to a separate independent pan-industry organisation. Subsequently in 2012, KVHF was established as a separate incorporated charity to manage the wider biosecurity risks to the kiwifruit industry and to promote and encourage research into and the dissemination of information relating to biosecurity risk management and monitoring.

Further to a planned reorganisation of KVHI and KVHF, early in the financial year ended 31 March 2018 the business of KVHF was merged into KVHI such that from that point, KVHI was undertaking both the Psa activities as it had done from its inception and the wider biosecurity activities previously undertaken by KVHF. As a result the 2018 results presented in these accounts, which are for KVHI, are for the combination of the Psa related business of KVHI for the full financial year and the wider biosecurity activities previously the business of KVHF from when those activities were undertaken by KVHI. The comparative figures for KVHI for the year ended 31 March 2017 however are pre merger, and for KVHI's historical Psa related activities only, and do not include any wider biosecurity costs. KVHF is being liquidated following approval of its Members at the Annual General Meeting of KVHF held on the 24 August 2017, and the confirming resolution, as required by Section 24 of the Incorporated Societies Act, at a Special General Meeting held on 14 December 2017. Final audited accounts for KVHF were presented at that Special General Meeting.

The nature of the business of KVHI is more fully described on Page 5 of these accounts.

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 the New Zealand Institute of Chartered Accountants. 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 and impairment losses.

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

Accounts receivable

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.

Statement of accounting policies

for the year ended 31 March 2018

Impairment of non-financial assets

At each balance date, non-financial assets are classified into four categories: assets measured at fair value; assets currently available that KVHI intends to use to the end of its useful life; assets intended to be sold prior to the end of their useful life; and assets damaged or idle at balance date. Assets measured at fair value or assets KVHI intends to use to the end of its useful life, are not reviewed for impairment at balance date.

Assets intended to be sold prior to the end of their useful life or assets damaged or idle at balance date are reviewed to determine if any indications of impairment exist. If indicators exist the asset is tested for impairment to ensure that the carrying amount of the asset is recoverable.

If the recoverable amount of an asset is determined to exceed its carrying amount then the resulting difference is recognised as an impairment loss in the statement of financial performance.

Taxation

KVHI 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.

Provisions

KVHI 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 KVHI at balance date being included as a current asset, and any amount owed by KVHI at balance date being included as a current liability.

Levy income:

Levies are invoiced each financial year based on kiwifruit exported other than to Australia. 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

KVHI 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.

Statement of accounting policies

for the year ended 31 March 2018

People costs

People costs include all relevant employee costs, the costs of contractors providing services to KVHI, travel and other costs such as the cost of recruitment.

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

- 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.

Changes in accounting estimates

Up to the time when KVHF ceased business, inter-entity recharges of costs initially paid by KVHI were made to KVHF. These recharges were based on an estimate of time and cost incurred on Psa (charged to KVHI) and wider biosecurity (charged to KVHF) related activities respectively. In KVHI these recharges have been treated as reducing the relevant expenses, except for a one-off charge of \$433,108 relating to the recovery of the costs for the year ending 31 March 2016 which is included in other revenue in the year ending 31 March 2017. On the merger of the activities of KVHF into KVHI, instead of the costs being allocated between entities, the costs are allocated between two cost centres within KVHI, for the Psa and wider biosecurity cost centre activities respectively.

The allocation of costs is reviewed by the Board from time to time.

Restatement of comparative figure

From the 1 April 2017, the expenses of KVHI were re-categorised. The 2017 comparative figures have also been restated in line with this re-categorisation, resulting in some differences when compared with the Annual Accounts for the year ended 31 March 2017.

Changes in accounting policy

There have been no changes in accounting policies. Policies have been applied on a basis consistent with those of the previous period.

Notes to the financial statements

1 Income

	2018	2017
	\$	\$
Biosecurity (Psa-V - Kiwifruit Levy) Order 2013	1,191,910	2,124,811
Biosecurity (Readiness and Response - Kiwifruit Levy) Order 2015	715,146	-
Funding - MPI	-	750,325
Funding - Zespri	-	289,692
Total income	1,907,056	3,164,828

Levy rates per tray (on kiwifruit exported other than to Australia)

Maximum rates permitted (Per tray)

	2018	2017
	Cents	Cents
Biosecurity (Psa-V - Kiwifruit Levy) Order 2013:		
- green (<i>Actinidia deliciosa</i>) kiwifruit, and other similar Psa-V risk varieties	1.00	1.00
- gold and red (<i>Actinidia chinensis</i>) kiwifruit, and other similar Psa-V risk varieties	2.00	2.00
Biosecurity (Readiness and Response - Kiwifruit Levy) Order 2015	1.00	1.00
Current rates levied (per tray)	Cents	Cents
Biosecurity (Psa-V - Kiwifruit Levy) Order 2013: Green kiwifruit	1.00	1.00
: Gold kiwifruit	1.00	2.00
Biosecurity (Readiness and Response - Kiwifruit Levy) Order 2015	0.60	0.60

In November 2010 Psa-V was discovered on an orchard near Te Puke. MPI and Zespri lead the initial response, and entered into a joint agreement to provide funding of \$50m. On the 6th December 2010, KVHI was established to take over leadership and co-ordination of the kiwifruit industry's response to the bacteria. The \$50m funding provided was to cover costs incurred by KVHI and was to be contributed equally between the Ministry of Primary Industries and ZESPRI Group Limited. Part of the Ministry of Primary Industries contribution was incurred as \$2.5m in initial response costs to the Psa threat and was deducted from their \$25m contribution to the funding of KVHI.

All funding in relation to this agreement has been received. The last of this funding was received by KVHI in the financial year ended 31 March 2017.

There is a mismatch in funding income of MPI and Zespri shown in the 2017 year comparative figures in these accounts due to timing differences. Across the lifetime of the agreement, KVHI has received a total of \$22.5m from MPI and \$25m from Zespri.

In addition to the above funding:

(i) the Biosecurity (Psa-V - Kiwifruit Levy) Order 2013 ("Psa levy") came into effect on the 17th of May 2013. This levy is payable to KVHI, as the management agency, on kiwifruit grown in New Zealand and exported to countries other than Australia. In both the 2016-17 and 2017-18 financial years, all levies collected under this order were paid to KVHI.

(ii) the Biosecurity (Readiness and Response - Kiwifruit Levy) Order ("Wider Biosecurity levy") came into effect on 2 February 2015. Up to and including the year ended 31 March 2017, all levies collected under this order were paid to KVHF. From 1 April 2017, the Wider Biosecurity levy was novated to KVHI.

As a result, the income of KVHI for the 2017-18 financial year includes a full year of levy collected under both the Psa-V and Wider Biosecurity Orders. For the 2016-17 year, KVHI received income from the Psa levy order only.

The levies become due and payable on the date on which the kiwifruit is loaded on board a ship or an aircraft for export.

2 Governance

	2018	2017
	\$	\$
Directors fees paid	103,268	105,090
Directors meeting, mileage & expenses	7,907	4,178
Annual General Meeting costs	32,626	24,583
Board secretary	17,934	16,156
Governance costs	161,735	150,007
Less charged to KVHF	23,846	21,726
	137,889	128,281

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

Notes to the financial statements

At the 2015 AGM it was agreed by Members that 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. This agreement became effective with the election of three grower directors and confirmation of an independent director at the 2016 AGM, held on 31 August 2016. Directors remuneration is approved by Members at each AGM.

3 Office expenses

	2018	2017
	\$	\$
Office expenses excluding depreciation and rent	98,413	62,571
Rent	59,443	54,831
Depreciation of computer, office equipment & software	11,926	20,370
Office expenses including depreciation	169,782	137,772
Less charged to KVHF	22,186	46,202
	147,596	91,570

From the time that KVHF ceased operations early in the 2017-18 financial year, the wider biosecurity activities (previously undertaken by KVHF) were undertaken by KVHI in addition to its NPMP Psa activities. As a result, KVHI's office expenses in the 2017-18 financial year have increased compared with the 2016-17 financial year.

4 People and travel costs

	2018	2017
	\$	\$
Staff salaries	538,991	453,791
Contractors	502,991	409,436
Mileage, travel & accommodation	72,804	62,253
Other	47,480	-
	1,162,267	925,480
Less charged to KVHF	109,382	568,616
	1,052,885	356,864

From the time that KVHF ceased operations early in the 2017-18 financial year, the wider biosecurity activities (previously undertaken by KVHF) were undertaken by KVHI in addition to its NPMP Psa activities. As a result, KVHI's People and travel costs in the 2017-18 financial year have increased compared with the 2016-17 financial year. The Other costs for 2018 mainly relate to the costs associated with recruitment of the new Chief Executive.

5 Auditors remuneration

	2018	2017
	\$	\$
Audit fee	9,039	10,150

6 Research and development

All research and development was funded by Zespri in the year ended 31 March 2018. 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 amount.

7 Reversal of accrual

In the 2017 financial year, KVHI respectively provided for certain costs relating to the 2017 financial year and earlier which were considered valid claims at the time they were brought to account but which for various reasons did not eventuate, and certain reimbursing claims were also not provided for. These recoveries totalling \$92,314.56 have been recorded as a reversal of accruals under operating expenses in KVHI's 2018 Statement of Financial Performance.

Notes to the financial statements

8 Other income

For the 2016 and 2017 years, and in 2018 up to the date that KVHF ceased operations (at which time the biosecurity operations were transferred to KVHI), there was agreement between KVHI and KVHF to reallocate costs incurred by KVHI to KVHF so as to reflect the change in the balance of work undertaken, which over time became more focussed on biosecurity and response. The costs recovered related to the 2017 financial years, and for the 2018 year until KVHF ceased operations were offset in KVHI against the relevant expenses. The recovery of costs relating to 2016 of \$433,108 was recorded in KVHI's 2017 accounts under other income (in the statement of financial performance), resulting in a significant increase in other income in that year.

9 Prior period adjustment

A prior period adjustment was identified during the year ended 31 March 2018. Under the Levy Orders, levies become due and payable on the date on which the kiwifruit is loaded on board a ship or an aircraft for export (for other than on exports to Australia). In the last two weeks of the 2017 financial year (ISO weeks 12 and 13) there were exports, but for which the related levies of \$49,892 (Wider Biosecurity: \$18,710; Wider Psa levy: \$31,182) were not included in the financial statements to 31 March 2017. These levies have been recognised as a prior year adjustment to equity in the year ended 31 March 2018.

10 Cash and bank balances

	2018	2017
	\$	\$
Westpac cheque account	107,622	114,175
Westpac online saver	2,023,149	826,912
Westpac Visa credit card	(6,859)	(9,437)
	2,123,913	931,649
Total cash and bank balances are classified as follows:		
Current assets	2,130,771	941,086
Current liabilities	6,859	9,437

11 Accounts receivable

	2018	2017
	\$	\$
KVHF	1,398	1,190,182
Other	52,767	42,725
	54,165	1,232,907

In 2017 KVHI and KVHF entered into an agreement to reallocate costs incurred by KVHI to KVHF to reflect that the balance of work undertaken was focussing more on wider biosecurity, rather than Psa-V. This arrangement applied for the 2017 year, and in 2018 up to the date that KVHF ceased operations, and resulted in a large accounts receivable balance in KVHI for the 2017 year.

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

Notes to the financial statements

12 Property, plant and equipment

	Cost	Depreciation	Acc Depn	Carrying value
	\$	\$	\$	\$
Computer equipment	104,131	10,170	88,487	15,645
Office equipment	24,506	1,757	14,199	10,307
Balance as at 31 March 2018	128,637	11,926	102,685	25,952
Depreciation on-charged to KVHF		1,383		
Expensed to Statement of Financial Performance		10,543		

	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

13 Equity

	Psa Reserves	Wider Biosecurity	Total Reserves
	2018	2018	2018
	\$	\$	\$
Opening KVHI reserves as at 1 April 2017	1,716,135	-	1,716,135
Prior year adjustment (see note below)	31,182	18,709	49,891
Surplus/ (deficit) from operations	353,102	(70,321)	282,781
Interest on reserves loan (see note below)	202	(202)	-
Closing KVHI reserves as at 31 March 2018	2,100,621	(51,814)	2,048,807
2018 year wider biosecurity costs funded from 2017 KVHF reserves		(177,747)	
Amount by which Wider Biosecurity expenses exceeded levy income		(229,561)	

Under the Levy Orders, levies become due and payable on the date on which the kiwifruit is loaded on board a ship or an aircraft for export (for other than on exports to Australia). In the last two weeks of the 2017 financial year (ISO weeks 12 and 13) there were exports, but for which the levies of \$49,891 were not included in the financial statements to 31 March 2017. These levies have been recognised as a prior year adjustment to equity in the year ended 31 March 2018. The levy collected by KVHI under the Biosecurity (Readiness and Response - Kiwifruit Levy) Order 2015 was insufficient to fund the wider biosecurity activities undertaken by KVHI and KVHF in the year ended 31 March 2018. This shortfall in the Wider Biosecurity levy totalled \$229,561 (two tenths of a cent per tray), and was funded as to \$177,747 by way of a charge to KVHF for operating expenses, funded from KVHF reserves carried forward from the 31 March 2017 year, and as to \$51,814 by way of loan from the levies collected under the Biosecurity (Psa-V - Kiwifruit Levy) Order 2013. Interest was charged on this loan at the weighted base interest rate for new overdraft loans for SME non-farm enterprises as published monthly by the Reserve Bank of New Zealand.

14 Related party disclosures

There are transactions between KVHI and its members in the normal course of business. The following entities were related parties to KVHI 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, and KVHF (in liquidation).

KVHF has been charged costs of \$201,405 by KVHI (2017:\$1,159,274). KVHF has oncharged

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

Notes to the financial statements

costs of \$4,049 to KVHI (2017:\$481,025). At year end KVHI owed \$30 to KVHF, and KVHF owed \$1,397.96 to KVHI.

Zespri Group Limited has been charged costs of \$1,226,704 by KVHI (2017: \$1,841,296). Zespri Group Limited has oncharged costs of nil to KVHI (2017: \$690,000).

Zespri International Limited has been charged costs of \$703,218 by KVHI (2017: \$351,783). Zespri International Limited has charged costs of \$1,075 to KVHI (2017: \$59,823). KVHI owed nil to Zespri International Limited as at 31 March 2018 (2107: \$59,127). Zespri International Limited owed nil to KVHI as at 31 March 2018 (2017: \$632,500).

Mainland Kiwi Grower Entity Limited has oncharged costs of \$8,250 (2017: \$7562) to KVHI.

New Zealand Kiwifruit Growers Incorporated has been charged costs of \$29,726 by KVHI (2017: \$63,089). New Zealand Kiwifruit Growers Incorporated has charged KVHI costs of \$1133 (2017: nil). New Zealand Kiwifruit Growers Incorporated owed KVHI \$241 as at 31 March 2018.

15 Contingent liabilities

The Government Industry Agreement for Biosecurity Readiness and Response (GIA) is a partnership between government and industry for improving New Zealand's biosecurity. Under GIA, industry organisations (such as KVH on behalf of the kiwifruit industry) and the Ministry for Primary Industries sign a Deed that formally establishes the biosecurity partnership. The GIA Deed outlines the principles for the partnership and the commitments that each signatory makes including joint decision making and cost sharing for readiness and response.

Under GIA, industries are able to identify the biosecurity risks of greatest concern to them, and jointly by way of operational agreements agree with government what readiness and response approaches are required.

KVH signed the GIA Deed in May 2014.

Under the GIA Deed, KVH has entered into three Operational Agreements ("OA"):

- (i) the first OA under GIA was the multi-sector agreement for the management of fruit fly in New Zealand,
- (ii) in March 2017 KVH signed a second OA, on behalf of the kiwifruit and kiwiberry sectors, to help reduce the damaging impacts of four kiwifruit sector specific threats - *Ceratocystis fimbriata*, *Verticillium wilt*, *Psa-non NZ strains* and *Invasive Phytophthoras*, and
- (iii) A third OA for the Brown Marmorated Stink Bug (BMSB) was finalised in mid-July 2017.

The OAs establish the operational details for readiness and response activities, including the roles and responsibilities of all the parties before, during and after a response, as well as cost-sharing detail.

The programme of preparedness (readiness) under each OA is developed and funded on an agreed basis as a work programme is agreed and costs are incurred, and as such these costs are part of KVH's annual operating budget. Conversely, response costs are incurred only when and if an incursion occurs, and costs will vary depending on the scale of the response. KVHI's liability to response costs is capped within the OA's.

Currently KVH's financial obligations under the GIA and OA's are voluntary as the legal basis for cost sharing is still being developed by MPI, but it is expected to be formalised and become binding later in 2018. When binding, KVHI's total liability to response costs is estimated at \$3.4 million.

KVHI plans to provide for this liability by a combination of reserves held in KVHI, and a right to call on Members by way of an increase to the Wider Biosecurity levy, as provided for in the levy regulations.

There were no contingent liabilities in 2017.

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.

17 Capital expenditure commitments

There were no commitments for capital expenditure as at balance date (2017:\$nil).

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

[illegible]

2019/20 Budget	Apr-18	2019-20 Total KVHI	% Inc(Dec) on 2018/19 Bgt (\$ Thous)	% Inc(Dec) on 2018/19 Bgt	2019-20 NPMP	2019-20 Biosecurity
Income		296,000			296,000	2,072,000
Levy income NPMP	9020	2,072,000				2,072,000
Levy income - Wider Biosecurity	9021					
Total income	9050	2,368,000	128k	6%	296,000	2,072,000
		1.60 cents			0.20 cents	1.40 cents
Income in cents per tray						
Operational expenditure						
Education and awareness	9051	61,950	3k	5%	30,975	30,975
GIA operational agreement	9052	301,000	69k	30%	0	301,000
Governance	9053	190,200	17k	10%	95,100	95,100
Office expenses	9054	162,860	(12k)	-7%	81,430	81,430
Operations	9055	49,000	(20k)	-29%	43,982	5,018
People	9056	1,111,610	(173k)	-13%	425,522	686,088
Professional services	9057	73,000			36,500	36,500
Research and development	9058	12,000	2k	20%	0	12,000
Strategy Projects	9059	80,000	80k	0%	0	80,000
Weather monitoring	9060	85,000	-	0%	85,000	0
Wild Kiwifruit	9061	200,000	-	0%	200,000	0
Cost recovery	9025	0				
Total expenses	9061	2,326,620	(33k)	-1%	998,509	1,328,111
		1.57 cents			0.67 cents	0.90 cents
Total expenses in cents per tray						
Operating Surplus (Deficit) before Interest Income		41,380	161k	-135%	-702,509	743,889
Other revenue						
Interest income	9030	1,800	1.8k	0%	900	900
Other income	9035	0				
Other revenue	9040	0				
Total other revenue		1,800			900	900
Total other revenue in cents per tray						
Surplus (Deficit) including Interest Income	9063	43,180	162k		-701,609	744,789
Reserves c/f from 2019 year (est)		1,929,530	(119k)	-6%	1,827,844	101,686
Reserves projected for 31 March 2020		1,972,710	43k	2%	1,126,236	846,474
Reserves in cents per tray		1.33 cents			0.76 cents	0.57 cents