



# **Kiwifruit Vine Health Incorporated**

Annual report

for the year ended 30<sup>th</sup> June 2012

# Kiwifruit Vine Health Incorporated

Annual report for the year ended 30 June 2012

## Contents

Approval of Annual Report	3
Statement of Financial Performance	4
Statement of Movements in Equity	4
Statement of Financial Position	5
Statement of Cash flows	6
Notes to the Financial Statements	7 -14
Directory	15
Audit Report	16

# Kiwifruit Vine Health Incorporated

Annual report for the year ended 30 June 2012

## Approval of Annual Report

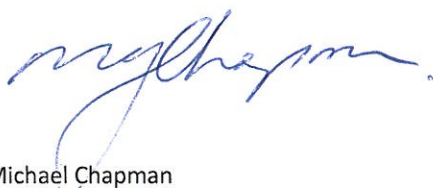
The Board has approved the Financial Statements of Kiwifruit Vine Health Incorporated for the year ended 30<sup>th</sup> June 2012.

For and on behalf of the Board



Peter McBride  
Chairman

12<sup>th</sup> September 2012



Michael Chapman  
Director

12<sup>th</sup> September 2012

# Kiwifruit Vine Health Incorporated

Annual report for the year ended 30 June 2012

## Statement of Financial Performance

For the year ended 30 June 2012

	Note	12 months 2012 \$'000	7 months 2011 \$'000
Funding Income	2	8,703	27,892
Interest Income		49	35
Total Income		<u>8,752</u>	<u>27,927</u>
Operational Costs:			
Financial Support Agreement Payments	3	(440)	17,691
Nursery Compensation Payments	4	(699)	3,182
Orchard Surveillance		566	1,123
Disease Disposal	5	372	3,323
Crop Protection		3,015	1,320
Operational Staff		222	244
Biosecurity		417	60
Technical Transfer		438	141
Research and Development		3,519	-
Overheads	6	<u>1,332</u>	<u>843</u>
Total Costs		<u>8,742</u>	<u>27,927</u>
Net Surplus/(Deficit) Before Tax		<u>10</u>	<u>-</u>
Taxation	9	(10)	-
Net Surplus/(Deficit)		<u>-</u>	<u>-</u>

## Statement of Movements in Equity

For the year ended 30 June 2012

	12 months 2012 \$'000	7 months 2011 \$'000
Net Surplus/(Deficit) Before Tax	-	-
Total Recognised Revenues and Expenses for the year	-	-
Members funds at start of the period	-	-
Members funds at end of the period	-	-

These statements should be read in conjunction with the notes to the financial statements

# Kiwifruit Vine Health Incorporated

Annual report for the year ended 30 June 2012

## Statement of Financial Position

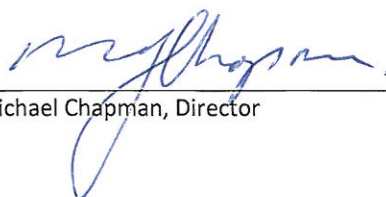
At 30 June 2012

	Note	2012 \$'000	2011 \$'000
<b>Assets</b>			
Accounts Receivable		158	-
Bank		464	2,660
GST Recoverable		21	789
Taxation Recoverable	9b	16	12
Accrued Income	2	2,542	5,066
Prepayments		79	29
<b>Total Current Assets</b>		<b>3,280</b>	<b>8,556</b>
Accrued Income	2	1,132	4,756
Fixed Assets	11	40	62
<b>Total Non-Current Assets</b>		<b>1,172</b>	<b>4,818</b>
<b>Total Assets</b>		<b>4,452</b>	<b>13,374</b>
<b>Liabilities</b>			
Accounts Payable		138	598
PAYE payable		15	11
Accruals		384	718
Provisions for future contracted costs	12	2,783	7,291
<b>Total Current Liabilities</b>		<b>3,320</b>	<b>8,618</b>
Provisions for future contracted costs	12	1,132	4,756
<b>Total Non-Current Liabilities</b>		<b>1,132</b>	<b>4,756</b>
<b>Total Liabilities</b>		<b>4452</b>	<b>13,374</b>
<b>Net Assets</b>		<b>-</b>	<b>-</b>
<b>Members Funds</b>		<b>-</b>	<b>-</b>

Signed, for an on behalf of the Society, on 29<sup>th</sup> August 2012



Peter McBride, Chairman



Michael Chapman, Director

These statements should be read in conjunction with the notes to the financial statements

# Kiwifruit Vine Health Incorporated

Annual report for the year ended 30 June 2012

## Statement of Cash Flow

For the year ended 30 June 2012

	Notes	12 months 2012 \$'000	7 months 2011 \$'000
<b>Cash Flow from Operating Activities</b>			
Funding Receipts	2	14,724	18,070
Payments to Suppliers and Employees		(16,964)	(15,403)
Interest Received		49	35
Income Tax Refunded		(1)	-
<b>Net Inflow from Operating Activities</b>		<u>(2,192)</u>	<u>2,702</u>
Purchase of fixed assets		(4)	(42)
<b>Net Inflow from Investing Activities</b>		<u>(4)</u>	<u>(42)</u>
<b>Net Increase/(Decrease) in Cash Held</b>		<u>(2,196)</u>	<u>2,660</u>
Cash at the Beginning of the Period		2,660	-
Cash at the End of the Period		<u>464</u>	<u>2,660</u>
<b>Cash Reserves held as:</b>			
Westpac Bank Transaction Account		148	1
Westpac Bank On Call Account		316	2,659
		<u>464</u>	<u>2,660</u>
<b>Reconciliation of Surplus/(Deficit) to Cash Flows from Operating Activities</b>			
	Notes	12 months 2012 \$'000	7 months 2011 \$'000
Operating Surplus/(Deficit) after Tax for the year		-	-
<b>Non Cash Items</b>			
Depreciation		26	5
<b>Movement in Working Capital</b>			
Increase in receivables and prepayments		556	(830)
Decrease/(Increase) in Accrued Income		6,148	(9822)
Increase in Accounts Payable, PAYE payable and accruals		(790)	1,302
Increase in Provisions		(8,132)	12,047
<b>Net Cash Inflow from Operating Activities</b>		<u>(2,192)</u>	<u>2,702</u>

These statements should be read in conjunction with the notes to the financial statements

# Kiwifruit Vine Health Incorporated

Annual report for the year ended 30 June 2012

## 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	30% to 50%
Office Furniture	13%

##### (c) Accounts Receivable

Accounts Receivable are stated at their anticipated realisable value.

# Kiwifruit Vine Health Incorporated

Annual report for the year ended 30 June 2012

## 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.

# Kiwifruit Vine Health Incorporated

Annual report for the year ended 30 June 2012

## 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 6<sup>th</sup> December 2010. The comparative figures given are for the 7 month from 6<sup>th</sup> December 2010 to 30<sup>th</sup> June 2011.

## 2. Funding Income

	<b>12 months 2012 \$'000</b>	<b>7 months 2011 \$'000</b>
<b>Income Received:</b>		
Funding income received from the Ministry of Agriculture and Fisheries	6,175	9,035
Funding income received from ZESPRI Group Limited	8,674	9,035
	<u>14,849</u>	<u>18,070</u>
<b>Accrued Income:</b>		
Accrued funding income from the Ministry of Agriculture and Fisheries	(3,073)	4,911
Accrued funding income from ZESPRI Group Limited	(3,073)	4,911
	<u>8,703</u>	<u>27,892</u>

# Kiwifruit Vine Health Incorporated

Annual report for the year ended 30 June 2012

## Notes to the Financial Statements (continued)

### 2. Funding Income (continued)

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 is 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 funded via reduced grower loyalty payments and a Gold Psa Levy charge on growers.

Cumulative income up to 30 June 2012 under this contract is \$36.6m (2011: \$27.8m). As at 30 June 2012, under the original funding agreement there is further funding available of \$10.9m (2011: \$19.6m).

Included in cumulative income is accrued income of \$3.7m (2011: \$9.8m).

### 3. Financial Support Agreement Payments

	12 months 2012 \$'000	7 months 2011 \$'000
Crop payments made up to 30 June	355	8,869
Regeneration payments made up to 30 June	3,553	560
	<u>3,908</u>	<u>9,429</u>
Provision/(release) for future Crop payments	(525)	525
Provision/(release) for future Regeneration payments	(3,823)	7,737
	<u>(440)</u>	<u>17,691</u>

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

### 4. Nursery Compensation Payments

	12 months 2012 \$'000	7 months 2011 \$'000
Nursery Compensation Payments made up to 30 June	2,483	-
(Release)/Provision for future Nursery Compensation payments	(3,182)	3,182
	<u>(699)</u>	<u>3,182</u>

Costs in respect of disposal of Nursery stock is accrued under Disease Disposal (Note 5)

# Kiwifruit Vine Health Incorporated

Annual report for the year ended 30 June 2012

## Notes to the Financial Statements (continued)

### 5. Disease Disposal

	12 months 2012 \$'000	7 months 2011 \$'000
Orchard Cut out	(130)	2,472
Nursery Stock Destruction	50	124
Trucking and Disposal costs	415	696
Other Costs	37	31
	<u>372</u>	<u>3,323</u>

Included in Orchard cut out is \$nil (2011: \$378k) for cut out costs committed to but not yet incurred.

Included in Nursery Stock Destruction is \$nil (2011: \$124k) for costs committed to but not yet incurred.

### 6. Overheads

	12 months 2012 \$'000	7 months 2011 \$'000
Management and Administration Staff Costs	707	390
Marketing and Communication Costs	326	222
Travel and Meeting Costs	41	22
Professional Services	91	152
Office Expenses	116	39
Computer Expenses	51	18
	<u>1,332</u>	<u>843</u>

### 7. Board Remuneration

	12 months 2012 \$'000	7 months 2011 \$'000
Board remuneration	203	111

Board remuneration is included within Management and Administration Staff Costs within Overheads (Note 6). The total number of Board meetings during the period to 30<sup>th</sup> June 2012 was 20 (2011: 24).

### 8. Auditors Remuneration

	12 months 2012 \$'000	7 months 2011 \$'000
Audit of financial statements	3	4

# Kiwifruit Vine Health Incorporated

Annual report for the year ended 30 June 2012

## Notes to the Financial Statements (continued)

### 9. Taxation

#### (a) Taxation Expense

	12 months 2012 \$'000	7 months 2011 \$'000
Income per Statement of Financial Performance	10	-
Plus:		
Compensation payments	-	20,313
Movement in Income Accruals	6,147	-
Expenditure funded by Members	2,808	1,042
Expenditure funded by MAF (Excluded Income)	6,969	3,287
Non-Deductable expenses	3	(2)
Less:		
Movement in Accrued Expenses	(8,074)	-
Income from Members	(1,765)	(10,800)
Income from MAF (Excluded Income)	(6,175)	(13,946)
<b>(Loss)/Profit for tax purposes – current year</b>	<b>(77)</b>	<b>(106)</b>
Current Year	-	-
Prior year adjustment	10	-
<b>Income Tax charge</b>	<b>10</b>	<b>-</b>

The basis for the preparation of the tax computation changed between the preparation of the annual accounts and submission of the 2010-11 tax computation, giving rise to a prior year tax charge of \$10,000 which has been accounted for in the 2012 year.

#### (b) Taxation Recoverable

	12 months 2012 \$'000	7 months 2011 \$'000
Resident withholding tax credits	16	12
Taxation recoverable	16	12

### 10. Operating Leases

	12 months 2012 \$'000	7 months 2011 \$'000
<b>Non-Cancellable Operating Leases:</b>		
Due within 1 year	51	55
Due 1 to 2 years	-	51
	<u>51</u>	<u>106</u>

# Kiwifruit Vine Health Incorporated

Annual report for the year ended 30 June 2012

## Notes to the Financial Statements (continued)

### 10. Operating Leases (Continued)

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

	2012 \$'000	2011 \$'000
Cost	70	67
Accumulated Depreciation	30	5
Net Book Value 30 June	<u>40</u>	<u>62</u>

2012	Net book value 1 July \$'000	Additions \$'000	Disposals \$'000	Depreciation expense \$'000	Net Book value 30 June \$'000
Computer Equipment	45	3	1	23	24
Office furniture	17	1	-	2	16
	<u>62</u>	<u>4</u>	<u>1</u>	<u>25</u>	<u>40</u>

2011	Net book value 1 July \$'000	Additions \$'000	Disposals \$'000	Depreciation expense \$'000	Net Book value 30 June \$'000
Computer Equipment	-	49	-	4	45
Office furniture	-	17	-	-	17
	<u>-</u>	<u>66</u>	<u>-</u>	<u>4</u>	<u>62</u>

### 12. Provision for Future Contracted Costs

	12 months 2012 \$'000	7 months 2011 \$'000
Provision for future contracted costs – less than 1 year	2,783	7,291
Provision for future contracted costs – over 1 year	1,132	4,756
	<u>3,915</u>	<u>12,047</u>

Provision has been made for future contracted costs arising from Financial Support Agreements and Nursery Compensation Agreements.

# Kiwifruit Vine Health Incorporated

Annual report for the year ended 30 June 2012

## Notes to the Financial Statements (continued)

### 13. Commitments

The capital expenditure commitments at 30<sup>th</sup> June 2012 were \$nil (2011: \$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 Progrowers 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 and DMS Limited

### 15. Contingent Liabilities

There were no contingent liabilities at 30<sup>th</sup> June 2012.

### 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

Annual report for the year ended 30 June 2012

## Directory

<b>Incorporated Society Number</b>	2542737
<b>Incorporation Date</b>	6 <sup>th</sup> December 2010
<b>Registered Office</b>	25 Miro Street, Mount Maunganui, 3116
<b>Board Members</b>	Peter McBride (Chairman) Paul Jones Robert Craig Michael Chapman Simon Limmer David Hayes Peter Ombler
<b>General Manager</b>	Barry O'Neil
<b>Bankers</b>	Westpac Bank, Auckland
<b>Auditors</b>	Bennett Gibson & Partners, Mount Maunganui
<b>Tax Advisors</b>	rhb Chartered Accountants, Tauranga
<b>Lawyers</b>	Cooney Lees Morgan, Tauranga



# BENNETT GIBSON GROUP



## Independent Auditor's Report

To the members of Kiwifruit Vine Health Incorporated.

## Report on the Financial Statements

We were engaged to audit the financial statements of Kiwifruit Vine Health Incorporated on pages 4 to 14, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, the statement of movements in equity, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Financial Statements

The directors of Kiwifruit Vine Health Incorporated are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the governing body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Kiwifruit Vine Health Incorporated.

## Opinion

In our opinion, the financial statements on pages 4 to 14 give a true and fair view of the financial position of Kiwifruit Vine Health Incorporated as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting practice in New Zealand.

Our audit was completed on 12th September 2012

**Bennett Gibson**  
Mount Maunganui

-16-

Incorporating: Bennett Gibson Ltd  
Bennett Gibson Trustee Ltd  
BGG Trustee Ltd  
Bennett Gibson Financial Services Ltd  
Bennett Gibson Coaching Ltd  
Plus: Bennett Gibson (Audit Services)



## Offices:

126 Jellicoe St  
P O Box 32  
Te Puke 3153  
DX HA42503  
Phone (07) 573-8446  
Fax (07) 573-8597  
email: ca4u@bgp.co.nz  
Web Page: www.bgp.co.nz

12 Girven Road  
P O Box 10266  
Mount Maunganui 3152  
Phone (07) 575-0833  
Fax (07) 573-8597  
email: ca4u@mtm.bgp.co.nz

## Directors:

L P Ewens CA (PP), ACIS, SMNZTA  
J C Stewart CA (PP), BBS (Accy)  
D T McGuire CA (PP), BMS

## Consultant:

M S Gibson Jr CA (PP), ACIS

## Associate:

Donna Langham CA (PP), BSc

## Our Mission:

to provide Specialised  
Friendly Services of the  
Highest Quality  
and Integrity

## Members of:

New Zealand Institute  
of Chartered Accountants