



Kiwifruit Vine Health Incorporated

Annual report

for the year ended 30th June 2013

Kiwifruit Vine Health Incorporated

Annual report for the year ended 30 June 2013

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Kiwifruit Vine Health Incorporated

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Approval of Annual Report

The Board has approved the Financial Statements of Kiwifruit Vine Health Incorporated for the year ended 30th June 2013.

For and on behalf of the Board

Peter Ombler
Chairman

day of 2013

Michael Chapman
Director / Board Secretary

day of 2013

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Statement of Financial Performance

For the year ended 30 June 2013

	Note	12 months 2013 \$'000	12 months 2012 \$'000
Funding Income	2	4,625	8,703
Interest Income		14	49
Total Income		<u>4,638</u>	<u>8,752</u>
Operational Costs:			
Financial Support Agreement Payments	3	0	(440)
Nursery Compensation Payments	4	0	(699)
Orchard Surveillance		290	566
Disease Disposal	5	2	372
Crop Protection		106	3,015
Operational Staff		275	222
Biosecurity		195	417
Technical Transfer		237	438
Research and Development		2,481	3,519
Overheads	6	<u>1,052</u>	<u>1,332</u>
Total Costs		<u>4,638</u>	<u>8,742</u>
Net Surplus/(Deficit) Before Tax		<u>-</u>	<u>10</u>
Taxation			(10)
Net Surplus/(Deficit)		<u>-</u>	<u>-</u>

Statement of Movements in Equity

For the year ended 30 June 2013

	12 months 2013 \$'000	12 months 2012 \$'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

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Statement of Financial Position

At 30 June 2013

	Note	2013 \$'000	2012 \$'000
Assets			
Accounts Receivable		-	158
Bank		281	464
GST Recoverable		162	21
Taxation Recoverable	9b	5	16
Accrued Income		1,869	2,542
Prepayments		14	79
Total Current Assets		<u>2,331</u>	<u>3,280</u>
Accrued Income			1,132
Fixed Assets	11	<u>27</u>	<u>40</u>
Total Non-Current Assets		<u>27</u>	<u>1,172</u>
Total Assets		<u>2,358</u>	<u>4,452</u>
Liabilities			
Accounts Payable		1,104	138
PAYE payable		21	15
Accruals		101	384
Provisions for future contracted costs	12	<u>1,132</u>	<u>2,783</u>
Total Current Liabilities		<u>2,358</u>	<u>3,320</u>
Provisions for future contracted costs	12	<u>-</u>	<u>1,132</u>
Total Non-Current Liabilities		<u>-</u>	<u>1,132</u>
Total Liabilities		<u>2,358</u>	<u>4,452</u>
Net Assets		<u>-</u>	<u>-</u>
Members Funds		<u>-</u>	<u>-</u>

Signed, for an on behalf of the Society, on the day of 2013

Peter Ombler, Chairman

Michael Chapman, Director / Board Secretary

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

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Statement of Cash Flow

For the year ended 30 June 2013

	Notes	12 months 2013 \$'000	12 Months 2012 \$'000
Cash Flow from Operating Activities			
Funding Receipts	2	6,555	14,724
Payments to Suppliers and Employees		-6,750	-16,964
Interest Received		14	49
Income Tax Refunded	7	0	-1
Net Inflow from Operating Activities		<u>-181</u>	<u>-2,192</u>
Purchase of fixed assets		0	-4
Net Inflow from Investing Activities		<u>0</u>	<u>-4</u>
Net Increase/(Decrease) in Cash Held		<u>-181</u>	<u>-2,196</u>
Cash at the Beginning of the Year		<u>464</u>	<u>2,660</u>
Cash at the End of the Year		<u>283</u>	<u>464</u>
Cash Reserves held as:			
Westpac Bank Transaction Account		31	148
Westpac Bank On Call Account		254	316
Westpac Credit Card		-4	0
		<u>281</u>	<u>464</u>

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

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Statement of Cash Flow (continued)

		12 months	12 months
Reconciliation of Surplus/(Deficit) to Cash	Notes	2013	2012
Flows from Operating Activities		\$'000	\$'000
Operating Surplus/(Deficit) after Tax for the Year		-	-
Non Cash Items			
Depreciation		14	26
Movement in Working Capital			
(Decrease)/Increase in Receivables and Prepayments		77	556
(Decrease)/Increase in Accrued Income		1,821	6,148
Increase in Accounts Payable, PAYE Payable and Accruals		689	(790)
Increase in Provisions		(2,782)	(8,132)
Net Cash Inflow from Operating Activities		<u>(181)</u>	<u>(2,192)</u>

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

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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.

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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.

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Notes to the Financial Statements (continued)

(j) Staff Costs

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

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

(k) Research and Development

Research and development expenditure is expensed in the period incurred.

(l) Statement of Cash Flows

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

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

(m) Change in Accounting Policies

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

(n) Comparative Information

KVH was incorporated on 6th December 2010. The comparative figures given are for the 12 month from 1st July 2011 to 30th June 2012.

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Notes to the Financial Statements (continued)

2. Funding Income

	12 months 2013 \$'000	12 months 2012 \$'000
Income Received:		
Levy Funding income received from Growers	-	-
Funding income received from the Ministry of Primary Industries	3,215	6,175
Funding income received from ZESPRI Group Limited	3,215	8,674
	<u>6,430</u>	<u>14,850</u>
Accrued Income:		
Accrued Levy Funding income received from Growers	555	-
Accrued funding income from the Ministry of Primary Industries	(1,180)	(3,073)
Accrued funding income from ZESPRI Group Limited	(1,180)	(3,073)
	<u>4,625</u>	<u>8,703</u>

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

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

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

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

The maximum rate of levy enforced by the Order is;

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

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Notes to the Financial Statements (continued)

3. Financial Support Agreement Payments

	12 months 2013 \$'000	12 months 2012 \$'000
Crop payments made up to 30 June 2013	-	355
Regeneration payments made up to 30 June 2012	2,782	3,553
	<u>2,782</u>	<u>3,908</u>
Provision/(release) for future Crop payments	-	(525)
Provision/(release) for future Regeneration payments	(2,782)	(3,823)
	<u>-</u>	<u>(440)</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 2013 \$'000	12 months 2012 \$'000
Nursery Compensation Paid	-	2,483
Nursery Compensation Provided	-	(3,182)
	<u>-</u>	<u>(699)</u>

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

5. Disease Disposal

	12 months 2013 \$'000	12 months 2012 \$'000
Orchard Cut out	-	(130)
Nursery Stock Destruction	-	50
Trucking and Disposal costs	1	415
Other Costs	1	37
	<u>2</u>	<u>372</u>

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Notes to the Financial Statements (continued)

6. Overheads

	12 months 2013 \$'000	12 months 2012 \$'000
Management and Administration Staff Costs	557	707
Marketing and Communication Costs	286	326
Travel and Meeting Costs	15	41
Professional Services	72	91
Office Expenses	93	116
Computer Expenses	29	51
	<u>1,052</u>	<u>1,332</u>

7. Board Remuneration

	12 months 2013 \$'000	12 months 2012 \$'000
Board remuneration	<u>111</u>	<u>203</u>

Board remuneration is included within Management and Administration Staff Costs within Overheads (Note 6). The total number of Board meetings during the period to 30th June 2013 was 7 (2012: 7).

8. Auditors Remuneration

	12 months 2013 \$'000	12 months 2012 \$'000
Audit of financial statements	<u>3</u>	<u>3</u>

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Notes to the Financial Statements (continued)

9. Taxation

(a) Taxation Expense

	12 Months 2013 \$'000	12 Months 2012 \$'000
Income per Statement of Financial Performance	-	10
Plus:		
Income Accruals Movement	2,361	6,147
Costs Paid to Members	22	2,808
Expenditure Funded from Excluded Ministry of Primary Industries Income	3,481	6,969
Non Deductible Entertainment	-	-
Non Deductible Holiday Pay Accrual	-	3
Less:		
Accrued Expenses Movement	(2,782)	(8,074)
Income from Members	-	(1,765)
Excluded Income from Ministry of Primary Industries	(3,211)	(6,175)
Profit (Loss) for Tax Purposes - Current Year	(130)	(77)
Loss Carried Forward from Prior Years	(77)	-
Profit (Loss) for Tax Purposes - Current Year	(130)	(77)
Net Profit (Loss) Before Taxation	(207)	(77)
Current Year	-	-
Prior Year Adjustment	-	10
Income Tax charge	-	10

9. Taxation (Continued)

(b) Taxation Recoverable

	12 Months 2013 \$'000	12 Months 2012 \$'000
Taxation Charge	-	-
Resident Withholding Tax Credits	(5)	(16)
Taxation Recoverable	(5)	(16)

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Notes to the Financial Statements (continued)

10. Operating Leases

	12 months 2013 \$'000	12 months 2012 \$'000
Non-Cancellable Operating Leases:		
Due within 1 year	51	55
Due 1 to 2 years	5	51
	<u>56</u>	<u>106</u>

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

11. Fixed Assets

	2013 \$'000	2012 \$'000
Cost	70	70
Accumulated Depreciation	<u>43</u>	<u>30</u>
Net Book Value 30 June	<u>27</u>	<u>40</u>

	2013	Net book Value 01-Jul \$'000	Additions \$'000	Disposals \$'000	Depreciation Expense \$'000	Net Book Value 30-Jun \$'000
Computer Equipment		24	-	-	11	13
Office furniture		16	-	-	2	14
		<u>40</u>	<u>-</u>	<u>-</u>	<u>14</u>	<u>27</u>

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Notes to the Financial Statements (continued)

11. Fixed Assets (Continued)

	2012	Net book Value 01-Jul \$'000	Additions \$'000	Disposals \$'000	Depreciation Expense \$'000	Net Book Value 30-Jun \$'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>

12. Provision for Future Contracted Costs

	12 months 2013 \$'000	12 months 2012 \$'000
Provision for future contracted costs – less than 1 year	1,132	2,783
Provision for future contracted costs – over 1 year	-	1,132
	<u>1,132</u>	<u>3,915</u>

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

13. Commitments

The capital expenditure commitments at 30th June 2013 were \$nil (2012: \$nil).

14. Related Party Disclosures

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

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

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

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

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Notes to the Financial Statements (continued)

15. Contingent Liabilities

There were no contingent liabilities at 30th June 2013.

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.

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Directory

Incorporated Society Number	2542737
Incorporation Date	6 th December 2010
Registered Office	25 Miro Street, Mount Maunganui, 3116
Board Members	Peter Ombler (Chairman, Appointed April 2013) Peter McBride (Prior Chairman) (Resigned) Paul Jones (Resigned August 2012) (Reinstated July 2013) Robert Craig (Resigned) Michael Chapman Simon Limmer David Hayes Craig Thompson (Appointed) Nathan Flowerday (Appointed)
Chief Executive	Barry O'Neil
Bankers	Westpac Bank, Auckland
Auditors	Bennett's Proactive, Mount Maunganui
Tax Advisors	RHB Chartered Accountants, Tauranga
Lawyers	Cooney Lees Morgan, Tauranga