

Agenda

Kiwifruit Vine Health Incorporated

Annual General Meeting



Tuesday 18 August 2020 at 9.00am

Suite 1, Trustpower Arena - Baypark, Truman Lane, Mt Maunganui

1. Welcome, Apologies and Confirmation of Quorum (quorum of 20 members required, inclusive of body corporates) – Chair, David Tanner
2. Approval of the Minutes of the Annual General Meeting of Kiwifruit Vine Health Incorporated held on 24 July 2019 and Matters Arising from those Minutes – Chair, David Tanner
3. Chairman & Chief Executive Reports - Chair, David Tanner
4. Kiwifruit Vine Health Incorporated's Financial Reports and Statements – Chief Executive, Stu Hutchings
5. Approval of the 2021-22 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 2021-22 - Chief Executive, Stu Hutchings
7. Appointment of the Auditor for Kiwifruit Vine Health Incorporated - Chair, David Tanner
8. Directors Remuneration - Chair, David Tanner
9. Confirmation of Director Elections, - Chair, David Tanner
10. 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.
11. Close of Business

Following the meeting please join the KVH Board, and NZKGI Executive for morning tea followed by an address by Ian Proudfoot, KPMG on the challenges and opportunities following COVID-19.

Rule 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.

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 online and optional postal ballot and by voting at the AGM on the separate voting form. 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 20 August 2020.



Explanation of Resolutions

Kiwifruit Vine Health Incorporated - 2020 Annual General Meeting

2019 Annual General Meeting Minutes – Resolution 1 (Item 2 of Agenda)

Proposed resolution:

That the minutes of the Annual General Meeting of Kiwifruit Vine Health Incorporated held on 24 July 2019 be approved as a true and accurate record.

Explanatory Information

The minutes for the last Annual General Meeting, held on 24 July 2019 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 July 2019.

Chairman's and Chief Executive's Reports – Resolution 2 (Item 3 of Agenda)

Proposed resolution:

That the Chairman and Chief Executive's Reports 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.

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 2020 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.

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 2022 Resolution 4 (Item 5 of Agenda)

Proposed resolution:

That:

1. That for the year ending 31 March 2022 the Biosecurity (Psa-V – Kiwifruit) Levy reduce to the rate of one tenth of a cent (1/10th of a cent) per tray equivalent on all commercial varieties of kiwifruit except *Actinidia arguta*, exported to all markets other than Australia.
2. That for the year ending 31 March 2022 the Biosecurity (Readiness & Response – Kiwifruit) levy, increase to the rate of one and five tenths of a cent (1 & 5/10th of a cent) per tray equivalent on all commercial varieties of kiwifruit except *Actinidia arguta*, exported to all markets other than Australia.

Explanatory Information

There is no change to the total KVH levy payable by growers of 1.6 cents per tray equivalent for the combination of Psa management and biosecurity readiness and response. However, there are recommended changes to both the levies payable with one levy decreasing and one levy increasing by the same amounts.

The Biosecurity (Psa-V—Kiwifruit Levy) Order 2013 and the Biosecurity (Readiness and Response – Kiwifruit Levy) Order 2015 each allow for levies on trays of commercial varieties of kiwifruit exported other than to Australia. Over time the work of KVHI has re-focussed from its initial Psa-V related activities into wider biosecurity, including readiness and response, and the respective levies have been adjusted accordingly. Currently (for the 2020-21 year) the amounts collected under the orders are one and four tenths of cent per tray equivalent and two tenths of a cent per tray equivalent, for Biosecurity readiness and response and Psa-V respectively. These levy rates were recommended and approved at the 2019 AGM and are being implemented from 1 April 2020. For the year ended 31 March 2022 it is proposed that the levies change as per the resolution.

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.*

During the 2018/19 and 2019/20 financial years New Zealand had a number of Queensland Fruit Fly and Facialis Fruit Fly detections in Auckland. These detections resulted in the establishment of a Facialis response in Otara and a Queensland fruit fly response in Devonport and Northcote. As a result of these responses KVHI agreed through the provisions of the Fruit Fly operational agreement to a cost share (as well as share in Governance decision making for the response) of a proportion of costs incurred throughout the 11 months of the response. The total cost share agreed to be paid is approximately \$1m. KVHI has previously planned to provide for this cost share 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. This was the rationale – allowing for building the Biosecurity reserve - for the recommendation for change in Biosecurity levy passed at the 2018 AGM.

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 five cents per tray. If a response was to be prolonged with significant costs associated to ensure eradication, or a further response to another organism occur, then KVHI could request an increase in the Biosecurity levy up to this cap.

The payment of the fruit fly cost share was able to be made effectively from the reserves accumulated by way of the levy collection prior to and during the response. It is now proposed to increase the Biosecurity levy by one tenth of a cent per tray to 1 and 5 tenths of a cent per tray equivalent to allow for re-building of the reserve to the level of \$2.2m (budgeted for 31 March 2022), allowing for future liability across all the current operational agreements.

It is proposed that the Psa levy is reduced by an equivalent amount of 1 tenth of a cent per tray to 1 tenths of a cent per tray equivalent. This will effectively run the Psa side of the KVHI business at a loss for the second year running, utilising existing reserve funds and leave a residual reserve of \$408K (budgeted for 31 March 2022).

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 the Biosecurity (Psa-V – Kiwifruit) Levy is reduced by one tenth of a cent to one tenth of a cent per tray equivalent and the Biosecurity (Readiness & Response – Kiwifruit) Levy is increased by one tenth of a cent to one and five tenths of a cent per tray equivalent the 2021/22 financial year.

2021 – 2022 Budget for Kiwifruit Vine Health Incorporated Resolution 5 (Item 6 of Agenda)

Proposed resolution:

That Kiwifruit Vine Health Incorporated's Budget for the 2021-2022 year be approved.

Explanatory Information

The budget for Kiwifruit Vine Health Incorporated includes revenue and expenses from both managing Psa – V on behalf of the kiwifruit industry and meeting the obligations for readiness and response under the GIA and associated Operational Agreements (OA's). These respective revenue and expense streams are managed separately from each other, with common activities receiving proportional allocations.

For the Kiwifruit Vine Health Incorporated's combined budget for 2021-2022:

1. *The levies have been included in this budget at:*
 - *as the Psa-V Levy, based on 162 million trays, a proposed rate of 1/10ths of a cent for all commercial varieties of kiwifruit except Actinidia arguta exported other than to Australia*
 - *For the Biosecurity Levy, also based on 162 million trays, at a proposed rate of one and five tenths (1.50) cents per tray for all commercial varieties of kiwifruit except Actinidia arguta, exported other than to Australia.*
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 estimated at \$250,000 for both Fruit Fly and Brown Marmorated Stink Bug (BMSB) plus other developing work under GIA. This also includes contribution towards administration and secretariat costs. It should be noted that 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 through the cost centres there is some movement up (office expenses, professional services and weather monitoring) and some static or reducing resulting in an overall small increase of 2%.*
4. *Noting that there has been a change in cost allocation for strategic projects between the NPMP (Psa) and Biosecurity cost centres to now reflect a 50:50 allocation.*
5. *Noting that there is projected to be a small surplus for year end 31 March 2022 of \$283K resulting in an overall reserve of \$2.62m of which the majority is held within the Biosecurity budget.*

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 2021-2022 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 2020- 2021 financial year.

Explanatory Information

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 2020-21 financial year.

Directors Remuneration – Resolution 7 (Item 8 of Agenda)

Proposed resolution:

That the Directors fees be adjusted to \$35,301.00 for the Chairman and \$17,650.50 for the Directors with effect from 1 August 2020 through a CPI adjustment of 2.5% applied for this year with an independent review in one year.

Explanatory Information

The Board commissioned an external review of Director’s Fees in 2018. After careful consideration, the Board felt that it was only appropriate to accept a CPI adjustment for the following 3 years. The increase, therefore, for 2020/2021 year is set at 2.5%.

This would increase the fees as follows:

Chairman’s fees	Currently \$34,440.00	New Fees \$35,301.00
Directors fees	Currently \$17,220.00	New Fees \$17,650.50

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 2.5% CPI increase of Directors’ Fees as recommended from 1 August 2020.

KVH Board Grower Director Elections (Item 9 of Agenda)

No resolution required

There was one grower member vacancy for the KVH Board and 1 candidate standing for election. Therefore Simon Cook has been duly elected to the KVH Board for a three year term.

General Business (Item 10 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.



Minutes of the Annual General Meeting of Kiwifruit Vine Health Incorporated

Held on: 24 July 2019 at 9.00am, Suite 1, Trustpower Arena,
Truman Lane, Mount Maunganui

Members in attendance:

David Tanner (Chair), Graeme Marshall (Director), Simon Cook (Director), Dermott Malley (Director), Nicki Paget (Director), Sally Gardiner, Silvia Parker, Roimata Kirikiri, Martina Balasola, Chris Anstis, Doug Brown, Paul Jones, Adrian Gault, Dhruv Dewan, Walini Dewan, Austin Benn, Ann Benn, James Trevelyan, Stephen Butler, Mike Smith, Shane Gow, James McCarthy, Michael Baillie, Peter Ombler, Patrick Malley, Ross Bawden, Karen Roche, Andy Roche, Helen Allen, Phil Jones, John Bourke, Phil Allison, Karen Pickford, Matt Moore, Eva Bostock, Ashlee Rose Bell, Aawaiki Edward, Monty Spencer, Paul Thomas, Tony Leicester, Murray Waitoa,

Attending the meeting:

Stu Hutchings (Chief Executive), Jacqui Craig (Board Secretary), Dave Darcy (Associate Director), Lisa Gibbison, Matt Dyck, Erin Lane, Karyn Lowry, Elaine Gould, Monique Finlay, Linda Peacock, Mike Chapman (HortNZ), Mike Murphy, Nikki Johnson, Sarah Cameron, Renee Fritchley, Gavin Stagg, Tom MacMorran, Sue Groenewald, Sonia Whiteman, Celese Prior, Isiah Roberts (Electionz), Roger Smith (MPI), Richard Dey (William Buck).

Apologies:

Nathan Flowerday, Barry O'Neil, Turi Ngatai, David Watts, Sean Carnachan, Paul Edkins & John Cook

Item	Discussion
Meeting Administration	<ul style="list-style-type: none">• Those present were welcomed to the meeting.• The meeting accepted the apologies.• The Chairman advised of the emergency exit procedures.• The Chairman advised that Isiah Roberts of Electionz was the independent scrutineer and that voting papers would be collected at the end of the meeting.• The Chairman requested confirmation of the quorum, which was confirmed by the Board Secretary.• The KVH 2019 AGM was declared open by the Chairman.• The Chairman asked for items of General Business of which there were none. <p>Minutes of the Annual General Meeting held on 26 July 2018. The meeting considered the minutes of the previous meeting which were distributed with the agenda papers.</p> <p>Resolution 1: Resolved that: The minutes of the 2018 Kiwifruit Vine Health Inc Annual General Meeting held on 26 July 2018 be approved as a true and accurate record. <i>Simon Cook/James Trevelyan</i></p>

	<p>Matters Arising There were no matters arising from the minutes.</p>
<p>Chairman and & Chief Executive Reports</p>	<p>David Tanner introduced the Chairman’s Report. The Chairman noted some key points from the previous 12 months in his report which included:</p> <ul style="list-style-type: none"> • KVH winning the national Biosecurity award • The detection of the fruit flies in Auckland • The need for growers to not become complacent on their orchards • The creation and implementation of the “Ko Tatou This is Us” initiative • The key priorities that’s formed KVH’s operational plan for 2019 • The need for KVH to remain fiscally prudent whilst being prepared for biosecurity risks. <p>Stu Hutchings introduced the Chief Executive’s Report. The CE noted some key points from the previous 12 months in his report which included:</p> <ul style="list-style-type: none"> • That Psa is still the number one disease facing the kiwifruit industry and the need to manage the disease with the current tools in the toolbox in a sustainable and responsible manner • Thanking the industry for their assistance for the fruit fly response • The decision not to increase the Biosecurity Levy at the AGM • The introduction of the On Orchard Biosecurity Guide • The KPCS review for rootstock • That GIA is a fundamental component of our activities • The relocation of KVH into the new Zespri Building. <p>Resolution 2: Resolved that: The Chairman and the Chief Executive’s report be approved. <i>David Tanner/John Bourke</i></p> <p>Peter Ombler referred to the comment regarding the relevance of KVH and advised the attendees that as a grower, he believes biosecurity is the most important issue for growers and positive reinforcement of KVH and its activities are needed and as long as KVH are efficient and effective then the industry should ignore the very few negative comments. David Tanner thanked Peter Ombler for his comments.</p> <p>John Bourke reiterated Peter Ombler’s message and reminded growers that biosecurity is important.</p> <p>Helen Allen questioned the risk to reserves of future responses and was advised that the KVH Psa side of the business will run at a loss to utilise Psa reserves and help build biosecurity reserves.</p> <p>Patrick Malley enquired why there was such a small spend in Education and Awareness for 2018/2019 and Stu Hutchings advised that the Education and Awareness budget for the 2020/2021 year has been increased.</p>
<p>Financial Reports</p>	<p>A full set of the Annual Accounts were distributed with the agenda papers. A summary of the financial reports and statements was presented by Stu Hutchings noting:</p> <ul style="list-style-type: none"> • An unqualified audit report has been signed off for KVH

	<ul style="list-style-type: none"> • That there was a correction to the audited financial report • The liquidation of KVHF was completed • Income up from 2018 by \$580k to \$2.4m due to increased volume • Expenses up from 2018 by \$640k to \$2.26m due to Fruit Fly cost share • Surplus small reduction of \$63k • Reserve total carried forward \$2.269m (mostly in Psa reserves). <p>Resolution 3: Resolved that: Kiwifruit Vine Health Incorporated’s Financial Report for the twelve months ending 31 March 2019 be approved. <i>Graeme Marshall/Karen Pickford</i></p>
Levy Changes	<p>Stu Hutchings presented the Biosecurity NPMP Levy and Biosecurity Readiness & Response Levy rates. Key points included:</p> <ul style="list-style-type: none"> • Psa-V Levy set at 2018 AGM to 2/10ths of a cent per tray fruit exported • Current Psa reserve carried forward is \$2.24m • Cannot transfer funds between Psa and Biosecurity • Aim to run Psa part of business at a loss to utilise reserve and keep levy rate low • Biosecurity Levy set at 2018 AGM to 1 & 4/10ths cents per tray fruit exported • Fruit Fly responses in Auckland are now cost shared by industry • Part of the cost (\$529k) provided for in the 2018/2019 year • Second part of costs (approx. \$580k) budgeted in 2019/2020 year • Utilised biosecurity reserve to fund this cost • 2018/2019 reserve carried forward \$32k • Biosecurity Levy cap set at 5 cents per tray • If there are further responses, then would recommend an increase to fund this • Recommend the levies remain at the current rate <p>Resolution 4: Resolved that:</p> <p>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 <i>Actinidia arguta</i>, exported to markets other than Australia.</p> <p>Resolved that:</p> <p>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 4/10th of a cent) per tray equivalent and the Psa-V levy be reduced to a rate of two tenths of a cent (2/10th of a cent) per tray equivalent on all varieties of kiwifruit except <i>Actinidia arguta</i>, exported to all markets other than Australia.</p> <p><i>Dermott Malley/Monty Spencer</i></p> <p>Peter Ombler questioned if other GIA partners are contributing their share to which Stu Hutchings responded yes, that is their intention.</p>

KVHI Budget	<p>The budget for Kiwifruit Vine Health Incorporated for the 2020 / 2021 year was circulated with the meeting papers and was presented by Stu Hutchings. It was noted as follows:</p> <ul style="list-style-type: none"> • Budget shown in comparison to 2019/2020 budget • Income based on estimate of 155m trays exported - \$2.48m • Expenses slightly lower than 2019/2020 year (no response cost) (\$2.3m from \$2.76m) • Psa budget projected deficit of \$525k (to utilise reserves) • Overall combined small surplus \$181k in comparison to budgeted \$410k deficit for 2019/2020 year <p>Resolution 5: Resolved that: Kiwifruit Vine Health Incorporated Budget for 2020 / 2021 year be approved. <i>David Tanner/Karen Roche</i></p>						
Appointment of Auditor	<p>No questions or issues were raised, and no comments made.</p> <p>Resolution 6: Resolved that: William Buck be appointed as the auditor of Kiwifruit Vine Health Incorporated for the 2019- 2020 financial year. <i>Nicki Paget/Phil Jones</i></p>						
Directors Remuneration	<p>David Tanner presented the KVH Board recommendation regarding increasing the Directors fees by 2.5% CPI increase from 1 August 2019.</p> <p>The current and proposed directors' fees as follows:</p> <table border="1" data-bbox="411 1173 1426 1245"> <tr> <td>Chairman's fees</td> <td>Currently \$33,600.00</td> <td>New Fees \$34,440.00</td> </tr> <tr> <td>Directors fees</td> <td>Currently \$16,800.00</td> <td>New Fees \$17,220.00</td> </tr> </table> <p>Resolution 7: Resolved that: The Directors fees be adjusted to the levels recommended in the external review with effect from 1 August 2019 with a CPI adjustment applied for subsequent years. <i>John Bourke/Ross Bawden</i></p>	Chairman's fees	Currently \$33,600.00	New Fees \$34,440.00	Directors fees	Currently \$16,800.00	New Fees \$17,220.00
Chairman's fees	Currently \$33,600.00	New Fees \$34,440.00					
Directors fees	Currently \$16,800.00	New Fees \$17,220.00					
Director Elections	<p>There was one grower member vacancy for the KVH Board and one candidate standing for election. Therefore, no resolution is required, and Dermott Malley was duly elected to the KVH Board for a three-year term.</p>						
General Business	<p>No general business was raised.</p>						
Questions from the floor	<p>Monty Spencer enquired if GIA included pre border activities as it would be less risky to the border. David Tanner spoke of the influence KVH has on Air New Zealand to play a biosecurity video and other pre border initiatives.</p> <p>Graeme Marshall advised the members of the work that KVH have done with machinery importers and the stance that KVH made in support of MPI to turn the ships back that had machinery with BMSB on.</p>						

	Monty was asked to put this question to the guest speaker, Roger Smith who will be presenting following the close of the KVH AGM
Close of AGM	The Chairman thanked the members for attending the AGM and supporting the activities of KVH and closed the meeting at 10.05am.

Minutes approved as a true and correct record.

Signed:

_____ **Chairman**

_____ **Date**

DRAFT

Report from David Tanner, KVH Board Chairman: Better biosecurity, better protection

The year started with a continuation of the fruit fly response in the greater Auckland area, and finished with a global pandemic on the horizon. It has been a year where all our systems, and our preparedness have been tested.

The KVH Board recognises a very positive last 12 months for the organisation, proving yet again its worth to growers and the kiwifruit industry through strong leadership, clear strategy, and practical innovation.

One area of KVH's work that has required all three of the above is the planned move to a pathway plan system to manage biosecurity risk through better protection, more value for money, and increased simplicity around standards for various activities e.g. on-orchard biosecurity planning and hygiene.

A key driver for the work is to ensure that measures are in place to prevent the spread of a broad range of biosecurity threats, rather than a single organism (Psa). It means everyone associated with or involved in the kiwifruit industry has a clear role in biosecurity and knows the benefits of the very best practice being in place.

In late 2019, KVH announced to growers that this work was starting to get underway and asked for feedback on early, high-level thoughts about specific activities the plan will help manage, and how it will be put into action. The feedback was supportive, with growers and industry considering the concept a logical and sensible way to manage biosecurity risk going forward, especially if this can be achieved without an increase in cost to growers.

Development of the plan is advancing well and continues to be a priority piece of work for KVH. A detailed draft and standards have been prepared and as I write this the team are continuing to work with the Ministry for Primary Industries (MPI) to ensure it aligns with over-arching biosecurity legislation and regulations. There will be a full plan and implementation schedule shared for input before it is finalised and I know I speak for all the KVH Board when I encourage you to take part in this process so that your views are taken into account; this is about us as an industry, how we manage big risks and how we ensure better preparedness for the next biosecurity event.

One of the reasons the KVH Board views this piece of work as so important is because it reflects the organisations goal of ensuring the New Zealand kiwifruit industry is committed to biosecurity excellence, working together as one, taking collective ownership. Everyone will have a clear role to commit to in this plan, helping sustain a culture of accountability.

The activities and programmes mentioned are practical and innovative examples of how KVH has worked over the last year to build this culture. It reminds me what an honour and privilege it is to serve in the governance team. These examples are not anywhere near an exhaustive list of all that has been undertaken, but they are a fair representation of key achievements and help demonstrate the way in which KVH is taking a leadership role not just across the kiwifruit industry but also across the wider primary sector.

In this last year, the Board were pleased to launch the refreshed strategy for 2020-2025. The key priorities and focus for KVH contained within this strategy will help take the organisation forward over the next five years to ensure ongoing biosecurity risk management. Details of this strategy are covered in the Chief Executive's Foreword.

Over the last 12 months the KVH team has continued to perform, ensuring the industry keeps raising the bar, ensuring preparedness for biosecurity incursions, and therefore better protection from the potential damage of unwanted pests and diseases.

Thank you to Stu and the team for the dedication demonstrated every day – it is a pleasure to work with you. Thank you also to my fellow Board directors for their commitment and expert input. This past year we said farewell to Associate Director Dave Darcy, as he returned to a role at Zespri, and welcomed Cody Bent into this important governance development role. We also said farewell to Nathan Flowerday and welcomed Craig Thompson as the Zespri Representative on the Board.

I end by assuring you that your KVH team, both Board and staff, are committed to ensuring that KVH is well governed and set up strongly to deliver a biosecurity resilient kiwifruit industry.

Report from Stu Hutchings, Chief Executive: Keeping kiwifruit ahead of the game

The last 12 months have been quite eventful, with major biosecurity and health responses, high-profile industry and community biosecurity events, and as the KVH Board Chairman mentioned in his report – an innovative new way of thinking about how we best manage the biosecurity threats we face going forward.

The KVH team are a small, highly performing group who have taken all the above in their stride and gotten on with ‘doing-the-doing’ so that as an organisation we continue to ensure the very best biosecurity protection and advocacy for all parts of the kiwifruit industry.

A few months ago, we implemented a new KVH Strategy which will guide us through to 2025 and make sure that we have very clear goals as we build on our work. The Strategy is a refresh of the approach that KVH takes to delivering biosecurity resilience for the kiwifruit industry. It refines our recognition that many of the fundamentals of biosecurity best practice are available, but now we need to prioritise and imbed these into the businesses of all participants within the industry.

Pathway risk management (meaning we focus on risk pathways to reduce pest and disease transmission rather than individual organisms) is a priority that involves a large piece of work. What we are ultimately talking about is a new regulatory framework and standards for the way we manage biosecurity risk that offer better protection to growers and the industry, more benefits, and more value for money (there is no intention to introduce any new cost to growers). There’s a lot involved in creating this but we’re well on the way and it will make a difference to awareness of risk as well as preparedness for the arrival of unwanted threats.

Preparedness is a priority area in itself. We must keep on top of global biosecurity risks, have a range of surveillance methods, and robust plans for responses. The importance of this was clearly indicated during the recent Queensland Fruit Fly response, where having quality standards and tested plans meant this incursion was able to be controlled and New Zealand declared fruit fly free again from February 2020. There has been a large volume of work undertaken in this space over the last year. There has been a lot of preparedness work undertaken recently and the Spotted Lanternfly is the pest profiled this year to demonstrate how we learn about the damage being done overseas and prepare to respond in New Zealand should we need to.

These are not things that KVH can do on their own. All the kiwifruit industry needs to be committed to biosecurity, working together as one. This is another priority area for us and you can read about just some of the work the team have initiated across not only the industry but also the wider community, to encourage everyone into a culture where biosecurity activities and systems are essential. KVH has the influence required to keep educating, making biosecurity personally relevant, and ensuring we have a wide network of enthusiastic and creative biosecurity champions across a wide range of roles.

That’s where innovation comes in. Our priority in this area is to make sure we are always striving for new, better, and more efficient ways to strengthen our biosecurity systems. Whether it be the creation of new and different tools that allow us to work smarter, extensive research and development, or the aforementioned new framework for pathway management, we have to be innovative and embrace change if we’re going to keep a step ahead and stay on top of the potentially devastating pest and disease risks we could face.

I’m sure the year ahead will be just as successful as the previous one. I thank the KVH team for their hard work. Thank you also to the KVH Board for their guidance and encouragement.

Thank you to growers, Zespri, NZKGI and the many others across the industry for your support over the last 12 months. This is a strong, resilient industry with a fresh and open approach to constant improvement and growth, and the combined commitment to managing biosecurity risk will help keep it on this pathway.

Kiwifruit Vine Health Incorporated

Special Purpose Financial Report
for the year ended 31 March 2020

Report contents

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Kiwifruit Vine Health Incorporated

Independent auditor's report to the Members

Report on the Audit of the Financial Statements

Opinion

We have audited the special purpose financial statements of Kiwifruit Vine Health Incorporated (the Society), which comprise the statement of financial position as at 31 March 2020, 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 accounting policies on pages 11 to 13.

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 pages 11 to 13 of the financial statements, which describes the basis of accounting. The financial statements have been prepared, using the policies determined by the Board, to enable the Society to report to its members.

ACCOUNTANTS & ADVISORS

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Tauranga 3110, New Zealand
PO Box 222
Tauranga 3144, 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 pages 11 to 13 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/assurance-standards/auditors-responsibilities/audit-report-8/>

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

13 July 2020

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 2020.

For and on behalf of the Board



David Tanner
Chair



Graeme Marshall
Vice Chair

Dated: 10 July 2020

Entity information

as at 31 March 2020

Legal name of entity	Kiwifruit Vine Health Incorporated ("KVHI")
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</i> pv. <i>actinidiae</i> (Psa) within New Zealand for the NZ kiwifruit industry.</p> <p>Other purposes of the Society are:</p> <p>(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;</p> <p>(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</p> <p>(c) To do any act or thing necessary or incidental to the attainment of the above objectives.</p>
Incorporated Society Number	254737
Incorporation date	6th December 2010
Registered Office	25 Miro Street Mount Maunganui
IRD number	106-272-964
Auditors	William Buck Audit (NZ) Limited 60 Durham Street Tauranga
Bankers	Westpac Bank Auckland
Solicitors	Cooney Lees Morgan Level 3 247 Cameron Road Tauranga
Chief Executive	Stu Hutchings (appointed 26 March 2018)

Entity information (continued)

as at 31 March 2020

Board Members

David Tanner (Chair) (elected as Grower Director 1 September 2016, appointed Chair 29 March 2018)
Graeme Marshall (Deputy Chair) (elected as Independent Director 31 August 2016)
Dermott Malley (elected as Grower Director 26 July 2018)
Nicki Paget (Supplier Appointed Director 1 July 2018)
Simon Cook (elected as Grower Director 1 September 2016)
Craig Thompson (Zespri Appointed Director 1 November 2019)
Nathan Flowerday (resigned as Zespri Appointed Director 31 October 2019)

Associate Director

Dave Darcy (resigned as Associate Director June 2019)
Cody Bent (appointed as Associate Director January 2020)

Board Secretary

Jacqui Craig (appointed April 2018)

Physical address

25 Miro Street
Mount Maunganui

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Phone

0800 665 825

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info@kvh.org.nz

Website

<http://www.kvh.org.nz>

Statement of financial performance

for the year ended 31 March 2020

		2020 \$	2019 \$
Income			
Funding and levy income	1	2,332,840	2,483,232
Total income		2,332,840	2,483,232
Operating expenses			
Education and awareness		51,594	35,136
GIA operational agreement	2	539,766	587,219
Governance	3	145,998	141,200
Office expenses	4	162,443	177,863
Operations		30,993	41,697
People and travel	5	1,077,694	1,006,848
Professional services	6	45,545	76,661
Research & development	7	(1,116)	-
Strategic projects	8	92,522	-
Weather monitoring		92,397	85,733
Wild kiwifruit control		194,675	111,740
Total operating expenses		2,432,513	2,264,097
Operating surplus/(deficit)		(99,673)	219,135
Non-operating income			
Interest received		15,215	1,603
Total non-operating income		15,215	1,603
Non-operating expenses			
Income tax		4,260	449
Total non-operating expenses		4,260	449
Net surplus/(deficit)		(88,718)	220,289



Statement of movements in equity

for the year ended 31 March 2020

		2020 \$	2019 \$
Net surplus/(deficit)		(88,718)	220,289
Prior period adjustment	9	(84,864)	-
Movements in equity for the period		(173,582)	220,289
Equity at beginning of period		2,269,096	2,048,807
Equity at end of year		2,095,514	2,269,096



Statement of financial position

as at 31 March 2020

		2020	2019
		\$	\$
Current assets			
Cash and bank balances	10	2,560,382	2,763,461
Accounts receivable		38,714	21,032
Prepayments		13,672	13,672
GST refund due		116,444	26,718
Income tax refund		1,459	790
Accrued income		-	144,722
Total current assets		2,730,670	2,970,395
Non current assets			
Property, plant and equipment	11	34,544	34,070
Total assets		2,765,214	3,004,465
Current liabilities			
Visa credit card	10	3,622	6,270
Accounts payable		63,926	118,293
Accrued charges		124,580	81,272
Provision for incursion costs	12	477,571	529,534
Total current liabilities		669,699	735,369
Total liabilities		669,699	735,369
Net assets/(liabilities)		2,095,514	2,269,096
Equity	13	2,095,514	2,269,096



Statement of cash flows

for the year ended 31 March 2020

	2020 \$	2019 \$
Cash flow from operating activities		
Cash was received from:		
Funding receipts	2,375,017	2,401,217
Interest received	10,194	1,603
Income tax refunded	92	124
Cash was applied to:		
Payments to suppliers and employees	(2,485,507)	(1,748,263)
GST paid	(89,527)	-
Net cash flows from operating activities	(189,732)	652,333
Cash flow from investing activities		
Cash was applied to:		
Purchase of assets	(10,700)	(19,055)
Net cash flows from investing activities	(10,700)	(19,055)
Net increase/(decrease) in cash held	(200,432)	633,278
Opening cash	2,757,191	2,123,913
Closing cash	2,556,760	2,757,191
	10	
This is represented by:		
Westpac Cheque Account	175,964	739,238
Westpac Online Saver	1,875,227	1,524,223
Westpac Term Deposit	509,190	500,000
Westpac Visa credit cards	(3,622)	(6,270)
	2,556,760	2,757,191



Statement of accounting policies

for the year ended 31 March 2020

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, Kiwifruit Vine Health Foundation (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.

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 Chartered Accountants Australia and New Zealand, except for levy income which is reported in accordance with the accounting policy on page 12 to achieve fair presentation. 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 10.0% - 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 2020

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:

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 (other than exports to Australia). Any levies collected are not refundable. For financial reporting purposes, all levy income is recognised in the season to which the harvest relates. Levies on early shipments received prior to the end of March for the current season, are recorded in the following financial year alongside the majority of that season's levy income. This provides more relevant information for the Board and members by aligning the levy income in the financial statements to the total trays shipped in relation to each season.

Interest income:

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



Statement of accounting policies

for the year ended 31 March 2020

Leases

KVHI has entered into lease agreements for office equipment and office space. Operating lease payments, where the lessors effectively retain substantially all the risk and benefits of ownership of the leased items, are recognised as an expense in profit or loss on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

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

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

- i. Cash and cash equivalents are cash held in current accounts and short term deposits with original maturity of three months or less.
- 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 policy

There has been a change in the income accounting policy whereby the Board have decided to recognise all levy income for each season in a distinct financial year. To achieve that, early shipments prior to the end of March, of the current season, need to be included in the following financial year alongside the majority of that season's levy income. This provides more relevant information for the Board and members by aligning the levy income in the financial statements to the total trays shipped in relation to each season. It also aligns to the shipping data provided by Zespri and therefore facilitates overall reconciliation.



Notes to the financial statements

1 Income	2020	2019
	\$	\$
Biosecurity (Psa-V - Kiwifruit Levy) Order 2013	291,552	891,060
Biosecurity (Readiness and Response - Kiwifruit Levy) Order 2015	2,041,288	1,561,626
Funding - MPI other income (Response costs)	-	30,546
Funding - Zespri	-	-
Total income	2,332,840	2,483,232

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

	2020	2019
	Cents	Cents
Biosecurity (Psa-V - Kiwifruit Levy) Order 2013: fruit of any plant of the genus Actinidia other than the species Actinidia arguta	0.20	0.60
Biosecurity (Readiness and Response - Kiwifruit Levy) Order 2015: fruit of any plant of the genus Actinidia other than the species Actinidia arguta	1.40	1.00

The above income includes:

(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. Following approval at the 2018 KVHI AGM, this levy rate changed on 1 April 2019 from 0.60 cents to 0.20 cents.

(ii) the Biosecurity (Readiness and Response - Kiwifruit Levy) Order ("Wider Biosecurity levy") came into effect on 2 February 2015. Following approval at the 2018 KVHI AGM, this levy rate changed on 1 April 2019 from 1.00 cent to 1.40 cents.

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

2 GIA Operational Agreement

	2020	2019
Readiness Admin Fruit Fly	-	5,741
Readiness and Response Admin BMSB	-	23,811
Incursion response expense	484,335	529,534
GIA Operational Agreement (readiness)	55,431	28,133
Total GIA expenses	539,766	587,219

During the 2019 financial year there were two separate Fruit Fly responses run in Auckland that incurred a proportional cost share from KVHI as part of the GIA Fruit Fly operational agreement. Provision of \$477,571 has been made for this response cost share within the 2020 year as KVHI are waiting on the final costs to be invoiced by MPI. All readiness and response admin costs for both Fruit Fly and BMSB are being recorded as GIA Operational Agreement (readiness) from 1 April 2019.

3 Governance

	2020	2019
	\$	\$
Directors fees paid	122,079	99,933
Directors meeting, mileage & expenses	13,599	7,295
Annual General Meeting costs	10,320	32,973
Board secretary	-	1,000
Governance costs	145,998	141,200



Notes to the financial statements

4 Office expenses	2020	2019
	\$	\$
Office expenses excluding depreciation and rent	106,820	110,979
Rent	45,399	55,946
Depreciation of computer, office equipment & software	10,225	10,938
Office expenses including depreciation	162,443	177,863
5 People and travel costs	2020	2019
	\$	\$
Staff salaries	984,175	881,474
Contractors	-	41,587
Mileage, travel & accommodation	78,533	74,534
Other	14,986	9,253
	1,077,694	1,006,848
6 Professional Services	2020	2019
	\$	\$
Audit fee	8,300	9,043
All other professional Services	37,245	67,618
	45,545	76,661

7 Research and development

All research and development was funded by Zespri in the year ended 31 March 2020. As at 31 March 2020 there was a balance of \$1,116 of unused funding to be absorbed by KVH.

8 Strategic projects

Two strategic projects were undertaken in the financial year ending 31 March 2020. The first was a review of the Kiwifruit Plant Certification Scheme (KPCS) that has resulted in the decision to expand the scheme to include risk management of all plant material. The second was a multi-year project for development of a National Pathway Plan. When completed this Plan will replace the current National Pest Management Plan (NPMP) for Psa and the associated levy that is due to expire in 2023. The Pathway Plan changes the focus from management of Psa, to one of risk management across all the major pathways that diseases of kiwifruit can be transmitted.

9 Prior period adjustment

The change in accounting policy for levy income means that an adjustment is required for levy income for the 2019 season which was previously recognised in the year ended 31 March 2019. In accordance with the SPFR Framework, the impact of the change is accounted for as a current year reconciliation in the statement of movements in equity. These levies from March 2019 have been recognised as a prior year adjustment to equity in the year ended 31 March 2020.

10 Cash and bank balances	2020	2019
	\$	\$
Westpac Cheque Account	175,964	739,238
Westpac Online Saver	1,875,227	1,524,223
Westpac Term Deposit	509,190	500,000
Westpac Visa credit cards	(3,622)	(6,270)
	2,556,760	2,757,191
Total cash and bank balances are classified as follows:		
Current assets	2,560,382	2,763,461
Current liabilities	3,622	6,270

Notes to the financial statements

11 Property, plant and equipment

	Cost	Depreciation	Acc Depn	Carrying value
	\$	\$	\$	\$
Computer equipment	116,502	7,126	104,792	11,710
Office equipment	41,890	3,099	19,056	22,834
Balance as at 31 March 2020	158,392	10,225	123,848	34,544

	Cost	Depreciation	Acc Depn	Carrying value
	\$	\$	\$	\$
Computer equipment	108,972	9,179	97,665	11,307
Office equipment	38,720	1,759	15,957	22,763
Balance as at 31 March 2019	147,692	10,938	113,623	34,070

- 12 In response to the Fruit Fly incursion during 2019, a provision has been made in KVHI's accounts based on the estimated MPI cost and KVHI costs incurred on behalf of MPI up to 31 March 2020. This provision has been estimated at \$477,571.

13 Equity

	Psa Reserves	Wider Biosecurity	Total Reserves
	2020	2020	2020
	\$	\$	\$
Opening KVHI reserves as at 1 April 2019	2,236,716	32,380	2,269,096
Surplus/ (Deficit) from operations	(526,681)	437,963	(88,718)
Prior period adjustment	(10,608)	(74,256)	(84,864)
Closing KVHI reserves as at 31 March 2020	1,699,427	396,087	2,095,514

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, Auckland Growers Supply Limited, Apata Suppliers Limited, DMS Pro growers Supply Entity, G6 Kiwi Supply Limited, Gisborne Kiwifruit Trust, Integrated Fruit Supply Limited, Mainland Kiwi Grower Entity Limited, Mount Growers Supply Limited, OPAC Growers Supply Limited, Orangewood Growers 2010 Limited, Seeka 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 and New Zealand Kiwifruit Growers Inc.

Zespri Group Limited has been charged costs of NIL by KVHI (2019: NIL). Zespri Group Limited has oncharged costs of NIL to KVHI (2019: NIL).

Zespri International Limited has been charged costs of \$2,349,606 by KVHI (2019: \$2,452,686). Zespri International Limited has charged costs of \$47,733 to KVHI (2019: \$91,560). KVHI owed \$5,489 to Zespri International Limited as at 31 March 2020 (2019: NIL). Zespri International Limited owed \$17,250 to KVHI as at 31 March 2019 (2019: \$115,149).

Mainland Kiwi Grower Entity Limited has oncharged costs of \$9,443 to KVHI (2019: \$6,750).

New Zealand Kiwifruit Growers Incorporated has been charged costs of \$28,558 by KVHI (2019: \$40,133)

New Zealand Kiwifruit Growers Incorporated has charged KVHI costs of \$2,229 (2019: \$2,016). New Zealand Kiwifruit Growers Incorporated owed KVHI \$7,259 as at 31 March 2020 (2019: \$7,865).



Notes to the financial statements

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 KVHI 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. KVHI signed the GIA Deed in May 2014.

Under the GIA Deed, KVHI 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 reduce the damaging impacts of four kiwifruit sector specific threats - *Ceratocystis fimbriata*, *Verticillium* wilt, *Psa-non* NZ strains and Invasive *Phytophthora*s, 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 KVHI'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 KVHI's potential liability to response costs is estimated at \$3.4 million. KVHI plans to provide for this liability by a combination of biosecurity reserves held in KVHI (provisionally set at half this liability or \$1.7m), and a right to call on Members by way of an increase to the Wider Biosecurity levy, as provided for in the levy regulations.

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 (2019:\$nil).

18 Leases

	2020	2019
	\$	\$
Current	54,958	-
Non-current	639,187	-
	694,145	-





Summary for the year ended 31.3.2022	KVHI	NPMP	Biosecurity
		Trays:	162,000,000
		Levy per tray	0.001
		Levy Description	1/10ths cent per tray
			162,000,000
			0.015
			1 5/10ths cent per tray
	Combined Budget Total	Allocated to NPMP	Allocated to Wider Biosecurity
Opening reserves 1.4.2021 (est)	\$2,339,632	\$1,150,903	\$1,188,729
Budget revenue	\$2,629,000	\$180,500	\$2,448,500
Budget costs	-\$2,345,939	-\$922,756	-\$1,423,182
Budget Surplus/(Deficit)	\$283,061	-\$742,256	\$1,025,318
Closing reserves 31.3.2022 (est)	\$2,622,693	\$408,646	\$2,214,047

2021/22 Budget	2021-22 Total KVHI	\$ Inc(Dec) on 2020/21 Ref (\$ Thous)	% Inc(Dec) on 2020/21 Bgt	2021-22 NPMP		2021-22 Biosecurity	
Income							
Levy income NPMP	162,000			162,000		-	
Levy income - Wider Biosecurity	2,430,000			-		2,430,000	
Total income	2,592,000	64k	3%	162,000	6%	2,430,000	94%
Income in cents per tray	1.60 cents			0.1 cents		1.5 cents	
Operational expenditure							
Education and awareness	65,000	10k	18%	17,250		47,750	
GIA operational agreement	250,000	(k)	0%	-		250,000	
Governance	175,500	(12k)	-6%	35,100		140,400	
Office expenses	178,250	18k	11%	53,585		124,665	
Operations	57,000	(2k)	-3%	39,550		17,450	
People	1,163,189	16k	1%	427,271		735,917	
Professional services	70,000	6k	9%	25,000		45,000	
Research and development	12,000	-	0%	-		12,000	
Strategy Projects	100,000	-	0%	50,000		50,000	
Weather monitoring	95,000	10k	12%	95,000		-	
Wild Kiwifruit	180,000	5k	3%	180,000		-	
Total expenses	2,345,939	52k	2%	922,756	39%	1,423,182	61%
Total expenses in cents per tray	1.45 cents			0.57 cents		0.88 cents	
Operating Surplus (Deficit) before Interest Income	246,061	12k	5%	-760,756	-309%	1,006,818	409%
Other revenue							
Interest income	25,000	3k	14%	12,500		12,500	
Other income	12,000	2k	20%	6,000		6,000	
Total other revenue	37,000			18,500		18,500	
Total other revenue in cents per tray							
Surplus (Deficit) including Interest Income	283,061	283k		-742,256	-262%	1,025,318	362%
Reserves c/f from 2021 year (est)	2,339,632	2340k	113%	1,150,903	49%	1,188,729	51%
Reserves projected for 31 March 2022	2,622,693	2623k	112%	408,646	16%	2,214,047	84%
Reserves in cents per tray	1.62 cents			0.25 cents		1.37 cents	

2020/21 Reforecast Budget	2020-21 Total KVHI Reforecast
Income	
Levy income NPMP	316,000
Levy income - Wider Biosecurity	2,212,000
Total income	2,528,000
Income in cents per tray	1.60 cents
Operational expenditure	
Education and awareness	55,200
GIA operational agreement	250,000
Governance	187,000
Office expenses	160,470
Operations	58,500
People	1,147,178
Professional services	64,000
Research and development	12,000
Strategy Projects	100,000
Weather monitoring	85,000
Wild Kiwifruit	175,000
	0
Total expenses	2,294,348
Total expenses in cents per tray	1.45 cents
Operating Surplus (Deficit) before Interest Income	233,652
Other revenue	
Interest income	22,000
Other income	10,000
Total other revenue	32,000
Total other revenue in cents per tray	
Surplus (Deficit) including Interest Income	265,652
Reserves c/f from 2020 year (est)	2,073,980
Reserves projected for 31 March 2021	2,339,632
Reserves in cents per tray	1.34 cents