FUNDING STATEMENT

For the period 01 April 2020 – 31 March 2023

Regulation 39 of the Kiwifruit Export Regulations 1999 (**Regulations**) require that the New Zealand Kiwifruit Board (**KNZ**) must publicly disclose its final Statement of Intent every 3 years, and at the same time *"must publicly disclose a statement of how funding has been achieved under this regulation*." This statement sets out the funding methods or structures the Board has applied in the last 3-year period and explains how the Board decided the kind and level of charges to impose in the period.

In accordance with the Regulations, the disclosure period for this Statement is 01 April 2020 to 31 March 2023.

The relevant Regulations are attached as Appendix 1.

a) Funding Methods or Structures

In accordance with the Regulations, KNZ is funded on a cost-recovery basis and KNZ must not operate to make a profit. KNZ sets an annual budget which is based on the expected activities and work-streams which are necessary to perform its functions and obligations under the Regulations.

KNZ is funded on a cost recovery basis by charging:

- Zespri Group Limited (ZGL)
- Collaborative Marketing applicants

ZGL is charged in accordance with the Export Authorisation for the costs incurred by KNZ in administering that authorisation, including monitoring and enforcement. ZGL is also charged under regulation 33(1)(b) and the collaborative marketing regime.

Collaborative marketing costs are identified each year and collaborative marketing applicants are charged for 90% of the costs, and ZGL charged for 10% of these costs.

KNZ also receives a small amount of bank interest (less than $1,000 pa) that arises from interest earned on funds received and held for a brief period of time, primarily from collaborative marketing applicants.

At the end of each financial year the financial position of KNZ is calculated to arrive at a break-even position (no profit, no loss) and any excess revenue is refunded to ZGL and/or collaborative marketing applicants.

KNZ has during the relevant period publicly disclosed its financial statements within 3 months after the end of the financial year. These statements comply with accepted accounting practice and are audited by BDO, a qualified auditor. Both KNZ's financial statements and the auditor's report are publicly disclosed on KNZ's website. KNZ's financial performance for the past 3 years is shown in Table 1.

Table 1: Financial Performance for the last 3 financial years ending 31 March 2023

	2022-23 *(Provisional)*	2021-22	2020-21
REVENUE			
Funding from Zespri Group Limited	640,000	575,477	670,838
Funding from Collaborative Marketing Applicants	328,704	277,071	279,710
Interest, and other investment revenue	0	11	39
TOTAL REVENUE	**$ 968,704**	**$ 852,558**	**$ 950,587**
EXPENSES			
Board Expenses	188,428	174,974	182,798
Executive Expenses	274,114	251,170	218,515
Collaborative Marketing Expenses	372,956	328,802	345,122
Other Expenses – Operations	75,225	41,611	137,541
Other Expenses – Overheads	57,981	56,001	66,611
TOTAL EXPENSES	**$ 968,704**	**$ 852,558**	**$ 950,587**
SURPLUS/(DEFICIT) FOR THE YEAR	**0**	**0**	**0**

b) Kind and level of charges imposed

The regulations state that when deciding the kind and level of charges to impose under the Regulations, KNZ must take the following principles into account as far as is reasonably practicable.

a) Equity
b) Efficiency
c) Justifiability
d) Transparency

Costs are, to the extent practicable, allocated to the users or beneficiaries of the relevant functions, powers or services.

The Regulations state that ZGL and collaborative marketing applicants are to be charged under the collaborative marketing regime. This charge recognises that there is an industry benefit to all growers from collaborative marketing and this should be shared by KNZ charging both ZGL and collaborative marketing applicants. KNZ assessed that 10% of the collaborative marketing costs was the most appropriate proportion payable by ZGL based on the above four principles. This proportion is reviewed on an annual basis.

After the collaborative marketing costs have been calculated, KNZ costs that relate to the Export Authorisation and monitoring and enforcement under regulation 33(1)(b) are calculated and, ZGL is charged accordingly.

The collaborative marketing fee structure shares 90% of the collaborative marketing costs across all applicants in a manner that meets the four principles of equity, efficiency, justifiability, transparency, and also minimises barriers to entry and promotes innovation for new collaborative marketers.

The collaborative marketing fee structure was reviewed annually after consultation with applicants and stakeholders and was published in the collaborative marketing guidelines on our website.

Summary (any other relevant information)

KNZ has clear policies and procedures to ensure that KNZ can carry out its role as the independent regulator and that all expenditure is reasonable and appropriate and in line with regulatory requirements.

KNZ also has an Audit & Assurance sub-committee which provides additional oversight of the budget and expenditure. This sub-committee reports to the Board on a regular basis and is Chaired by a grower elected KNZ Director who is an experienced Chartered Accountant.

KNZ is audited each year and our current auditors, BDO, have provided the following comment for this funding statement.

> ***BDO Tauranga have been the appointed independent auditors of Kiwifruit New Zealand in recent years. The purpose of our annual audit is to give assurance that the financial statements of the entity are free from material misstatement.***
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> ***Each year we have issued an unmodified audit report over the financial statements of Kiwifruit New Zealand. This means that the financial statements are based on sound information and are compliant with the required financial reporting framework.***
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> ***But in addition, during our audit we hold a very privileged position where we get to see the business in operation from the inside. We get to scrutinise the procedures and controls in place which give rise to the transactional data, and we get to look closely at the system of governance. We then provide the Board with feedback around any potential improvements which might be apparent, but over recent years our feedback has been limited to encouraging the Board to keep doing what they are doing.***
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> ***Our view is that Kiwifruit New Zealand is dedicated to being well organised and managed with diligence.***
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> ***Donna Taylor***
> ***Audit Partner***
> ***BDO Tauranga Ltd***
> ***16 February 2023***

The New Zealand Kiwifruit Board

1st March 2023

Appendix 1 - Kiwifruit Export Regulations 1999 (Reprint as at 1 August 2017)

Regulation 39 – Funding

(1) The Board is to be funded on a cost recovery basis by charging—
- a) ZGL, in accordance with the export authorisation, for the costs incurred by the Board in administering that authorisation, including monitoring and enforcement under regulation 33(1)(b); and
- b) ZGL and the applicants under the collaborative marketing regime; and
- c) ZGL and the applicants for the reasonable costs of the Board's communications with producers.

(2) Any costs so charged are recoverable as a debt due to the Board in any court of competent jurisdiction.

(3) When deciding the kind and level of charges to impose under this regulation, the Board must take the following principles into account, as far as is reasonably practicable:
- a) equity, in that funding for a particular function, power, or service, or a particular class of function, power, or service, should generally, and to the extent practicable, be sourced from the users or beneficiaries of the relevant functions, powers, or services at a level commensurate with their use or benefit from the function, power, or service:
- b) efficiency, in that costs should generally be allocated and recovered in order to ensure that maximum benefits are delivered at minimum cost:
- c) justifiability, in that costs should be collected only to meet the actual and reasonable costs (including indirect costs) of the provision or exercise of the relevant function, power, or service:
- d) transparency, in that costs should be identified and allocated as closely as practicable in relation to tangible service provision for the recovery period in which the service is provided.

(4) At the same time that the Board publicly discloses the final statement of intent under regulation 33B(2), the Board must publicly disclose a statement of how funding has been achieved under this regulation. The statement—
- a) must set out the funding methods or structures that the Board has applied in the last 3-year period; and
- b) explain how the Board decided the kind and level of charges to impose in that period; and
- c) may include any other information that the Board considers relevant.

(5) In subclause (4), last 3-year period means the 3 consecutive financial years immediately before the first financial year to which the final statement of intent relates.

(6) The first statement under subclause (4) must relate to the period set out in clause 8 of Schedule 1.