

NEW ZEALAND WINEGROWERS INCORPORATED

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Consolidated Statement of Comprehensive Revenue and Expense

	Note	2020 \$	2019 \$
REVENUE			
Non-Exchange Revenue			
Membership Levies		11,489,183	10,069,021
PGP In-kind Income	5	439,975	1,544,765
Exchange Revenue			
RRI Establishment Funding		7,505,707	891,662
Research Funding		4,307,220	5,019,638
User Pays Activity Income		3,071,811	4,164,049
Major Event Income - International Sauvignon Blanc 2019		-	801,688
Other Income		175,967	351,059
Total Revenue		<u>26,989,863</u>	<u>22,841,882</u>
LESS EXPENDITURE			
Operating Expenditure	3	16,261,702	16,950,762
PGP In-kind Expenditure	5	439,975	1,544,765
User Pays Activity Expenditure		3,197,107	4,559,485
Major Event Income - International Sauvignon Blanc 2019		-	833,875
Total Operating Expenditure		<u>19,898,784</u>	<u>23,888,887</u>
OPERATING INCOME/(DEFICIT)		<u>7,091,079</u>	<u>(1,047,005)</u>
OTHER EXPENDITURE			
Depreciation and Amortisation	8 & 9	288,748	153,121
Total Other Expenditure		<u>288,748</u>	<u>153,121</u>
INCOME/(DEFICIT) BEFORE TAXATION		<u>6,802,331</u>	<u>(1,200,126)</u>
Income Tax Expense	6	-	-
NET INCOME/(DEFICIT) AFTER TAXATION		<u>6,802,331</u>	<u>(1,200,126)</u>
OTHER COMPREHENSIVE REVENUE & EXPENSE			
Cashflow Hedge Reserve		32,241	22,810
TOTAL COMPREHENSIVE INCOME/(EXPENSE)		<u><u>6,770,090</u></u>	<u><u>(1,222,936)</u></u>



This statement should be read with the Notes to the Financial Statements

Consolidated Statement of Changes in Equity

	Note	2020 \$	2019 \$
EQUITY AT THE BEGINNING OF THE YEAR		5,707,316	6,930,252
Net Income/(Deficit) for the Year		6,802,331	(1,200,126)
Cashflow Hedge Reserve		(32,241)	(22,810)
Total Recognised Revenue and Expenses for the Year		6,770,090	(1,222,936)
		12,477,406	5,707,316
 EQUITY AT THE END OF THE YEAR		 12,477,406	 5,707,316



This statement should be read with the Notes to the Financial Statements

Consolidated Statement of Financial Position

	Note	2020 \$	2019 \$
Assets			
Cash and bank balances	7	7,626,115	10,844,140
Accounts Receivable and prepayments	10	2,977,973	3,649,602
Event Balances	21	-	12,388
Total Current Assets		10,604,088	14,506,130
Fixed Assets	8	5,773,302	509,934
Intangible Assets	9	39,292	78,840
Accounts Receivable and prepayments	10	-	4,145
Total Non-Current Assets		5,812,594	592,919
Total Assets		16,416,682	15,099,049
Liabilities			
Accounts payable and accruals	11	3,699,667	9,391,733
Event Balances	21	239,609	-
Total Current Liabilities		3,939,276	9,391,733
Total Liabilities		3,939,276	9,391,733
NET ASSETS		12,477,406	5,707,316




This statement should be read with the Notes to the Financial Statements

Consolidated Statement of Financial Position

	Note	2020 \$	2019 \$
REPRESENTED BY:			
EQUITY			
Retained Earnings - Levy Activity		11,868,688	4,983,282
User Pays Reserves	15	576,477	701,224
Cashflow Hedge Reserve		32,241	22,810
Total Equity		12,477,406	5,707,316

For and on behalf of the New Zealand Winegrowers Incorporated:

	_____		_____	W John Clarke	Chair
	_____		_____	Peter Holley	Director
17th August 2020 _____			_____	Date	



This statement should be read with the Notes to the Financial Statements

Consolidated Statement of Cash Flows

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers		22,651,554	20,514,559
Interest Received		87,851	259,315
Income Tax Refund		23,299	28,198
		22,762,704	20,802,072
Cash was applied to:			
Payments to Suppliers, Employees and Others		(20,460,203)	(22,703,782)
		(20,460,203)	(22,703,782)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	13	2,302,501	(1,901,710)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of Fixed Assets		15,503	-
		15,503	-
Cash was applied to:			
Purchase of Fixed Assets		(5,536,029)	(478,582)
		(5,536,029)	(478,582)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(5,520,526)	(478,582)
NET DECREASE IN CASH HELD		(3,218,025)	(2,380,292)
Add Opening Cash		10,844,140	13,224,432
ENDING CASH CARRIED FORWARD		7,626,115	10,844,140
Cash Balances in Balance Sheet:			
Cash and bank balances		7,626,115	10,844,140
ENDING CASH CARRIED FORWARD		7,626,115	10,844,140



Notes to the Financial Statements

NOTES	Page
1 Overview - Company Information	8
2 Summary of Significant Accounting Policies	8
3 Operating Expenditure	9
4 Key Management Personnel	9
5 PGP In-kind Income & Expenditure	9
6 Income Tax	10
7 Cash and Bank Balances	10
8 Fixed Assets	11
9 Intangible Assets	12
10 Accounts Receivable and Prepayments	13
11 Accounts Payable and Accruals	13
12 Group Investments	13
13 Cashflow Reconciliation with Surplus/(Deficit)	14
14 Fair Value of Foreign Exchange Contracts	14
15 User Pays Reserves	15
16 Romeo Bragato Conference	15
17 Sustainable Winegrowing NZ	15
18 Marketing User Pays	16
19 MPI - Wine Export Certification	16
20 Young Viticulturist and Young Winemaker	17
21 Event Balances	17
22 Operating Leases	18
23 Contingent Liabilities	18
24 Term Commitments	18
25 Subsequent Events	18
26 COVID 19	18
27 Use of Levy Funds	19-20



Notes to the Financial Statements

1. OVERVIEW

Reporting Entity

New Zealand Winegrowers Incorporated and its subsidiaries.

New Zealand Winegrowers Incorporated (NZW) is an incorporated society under the Incorporated Societies Act 1908. For the purposes of financial reporting NZW is a public benefit entity (not for profit).

New Zealand Winegrowers Incorporated was established on the 1st of July 2016.

The financial statements and the accompanying notes summarise the financial activities carried out by NZW and its subsidiaries. The purpose of NZW is to promote, research and represent the interests of the New Zealand grape growers and winemakers.

The financial statements of NZW are for the 12 month period ended 30 June 2020.

The financial statements were authorised for issue by the Finance Committee on the date recorded on page 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). For the purposes of financial reporting they comply with PBE Accounting Standards Not-For-Profit and Tier 2 reduced disclosure concessions have been applied.

The entity has elected to report in accordance with PBE Accounting Standards Not-For-Profit Tier 2 on the basis that it does not have public public accountability and has total annual expenses of less than \$30 million.

The financial statements have been prepared on the historical cost basis except for the following items, which are measured at fair value:

- Foreign exchange contracts

The statement of cash flows has been prepared using the direct method. The financial statements are prepared on an accrual basis.

The presentation is in New Zealand dollars (\$).

The statement of comprehensive revenue and expense and changes in equity are stated exclusive of GST. All items in the statement of financial position and cash flows are stated exclusive of GST with the exception of trade receivables and trade payables which include GST.

Use of estimates and judgements

New Zealand Winegrowers management is required to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actuals may differ from these estimates.

Key estimates and assumptions are used in the preparation of the following account balances:

- Revenue Recognition
- Provisions
- Foreign exchange contracts: mark to market valuation

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Foreign Exchange

Transactions in foreign currencies are translated into New Zealand dollars at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to New Zealand dollars at the exchange rate at that date.

Foreign currency gains are reinvested into the marketing and the events programme or if significant may be returned to the participants in these programmes. Losses are covered within the marketing and events programmes and by non levy reserves.

Revenue

Revenue from exchange transactions is recognised to the extent that it is probable that the economic benefit will flow to NZW and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Wine levies are classified as non-exchange transactions. Revenue from wine levies is recognised on an accruals basis, when NZW's right to receive payment is established.

Grape levies are classified as non-exchange transactions. Revenue from grape levies is recognised on an accruals basis, when NZW's right to receive payment is established.



Notes to the Financial Statements

Interest income is accrued and dividends or similar distributions shall be recognised when the NZW's right to receive payment is established.

Grants are classified as non-exchange transactions. Revenue from these transactions is recognised in full on receipt.

3. OPERATING EXPENDITURE

The operating activity of New Zealand Winegrowers Incorporated and related parties are as follows:

	2020	2019
	\$	\$
Administration	1,510,549	1,585,032
Advocacy	639,478	790,137
Communication	141,925	117,557
Environment	682,630	512,573
Marketing and Promotions	2,083,839	2,926,932
Personnel Costs	3,664,058	3,021,161
Regional Funding	1,045,625	1,058,457
Reputation Policy Enquiry *	155,912	-
Research	6,264,236	6,604,693
Strategic Review	73,450	334,220
	<u>16,261,702</u>	<u>16,950,762</u>

* Costs from enquiring into possible breaches of NZW Reputation and Integrity Policy.

4. KEY MANAGEMENT PERSONNEL

The key management personnel of New Zealand Winegrowers are those charged with governance, the Boards of Directors and the Executive who are delegated to act on their behalf. The Executive are the Chief Executive Officer, the General Manager Advocacy and General Counsel, the General Manager Marketing, the Global Manager Sustainability and the Chief Executive Officer of the Bragato Research Institute.

	2020	2019
	\$	\$
Board of Directors	315,541	257,358
Executive	1,237,093	1,005,330
Balance at 30 June	<u>1,552,634</u>	<u>1,262,688</u>

5. PGP IN-KIND INCOME & EXPENDITURE

As part of the PGP project being administered by NZW Wines Limited Partnership the industry is contributing personnel and services to the project. The value of this contribution to the project has been recognised as a cost to the project at the amount the project would have paid should the personnel and services have been purchased directly.



Notes to the Financial Statements

6. INCOME TAX

The entity is a non-profit body and therefore is only liable for income tax on non-member related income.

	2020	2019
	\$	\$
Reconciliation of income tax expense		
Operating Surplus / (Deficit) before taxation	6,802,331	(1,200,126)
Operating Result of non taxable activities	(6,497,613)	1,600,925
Excess Imputation Credits Converted to Loss	(518)	(507)
Losses brought forward	(312,947)	(593,504)
Total Taxable Income	<u>(8,747)</u>	<u>(193,212)</u>
Tax effected at 28%	-	-
Less income tax credit for non-profit bodies	-	-
Total Tax Expense	<u>-</u>	<u>-</u>

7. CASH AND BANK BALANCES

Cash and bank balances comprise cash on hand, cash at bank and fixed interest deposits that have a maturity of less than three months.

	2020	2019
	\$	\$
NZ Bank accounts	5,934,721	4,052,312
Foreign Currency Accounts	23,816	21,665
Fixed Interest Deposits	1,667,278	6,769,863
Petty Cash	300	300
Balance at 30 June	<u>7,626,115</u>	<u>10,844,140</u>



Notes to the Financial Statements

8. FIXED ASSETS

Plant, equipment and intangible assets are carried at cost less accumulated depreciation or amortisation.

- Cost may include:
- Consideration paid on acquisition
 - Cost to bring asset to working condition
 - Finance costs attributable to the item

Depreciation is charged on a diminishing value ('DV') or straight line ('SL') basis.

Leasehold Improvements	35.33% SL	Office Equipment	30% to 67% DV
Fixtures & Fittings	10% to 40% DV	UK Assets	50% DV
Motor Vehicles	36% DV	Australia Assets	40% to 50% DV
Winery Tanks & Equipment	6% SL	Winery Building & Fitout	0% to 21% SL

	Leasehold Improvement and Plant	Motor Vehicle	Equipment Fixtures and Fittings	Australia and UK Equipment	Winery Tanks & Equipment	Winery Building & Fitout	Total
Cost							
Balance at 1 July 2019	5,430	33,695	376,024	18,674	122,497	171,263	727,583
Additions	44,122	-	144,333	3,270	1,786,489	3,561,153	5,539,367
Disposals	(5,430)	(33,695)	(23,581)	(10,591)	-	-	(73,297)
Balance at 30 June 2020	<u>44,122</u>	<u>-</u>	<u>496,776</u>	<u>11,353</u>	<u>1,908,986</u>	<u>3,732,416</u>	<u>6,193,653</u>

Depreciation and impairment losses

Balance at 1 July 2019	(5,175)	(24,862)	(169,674)	(14,889)	(3,049)	-	(217,649)
Depreciation for the year	(612)	-	(125,940)	(1,114)	(101,034)	(28,337)	(257,037)
Disposals	5,175	24,862	16,082	8,216	-	-	54,335
Balance at 30 June 2020	<u>(612)</u>	<u>-</u>	<u>(279,532)</u>	<u>(7,787)</u>	<u>(104,083)</u>	<u>(28,337)</u>	<u>(420,351)</u>

Carrying amount

At 30 June 2020	<u>43,510</u>	<u>-</u>	<u>217,244</u>	<u>3,566</u>	<u>1,804,903</u>	<u>3,704,079</u>	<u>5,773,302</u>
-----------------	---------------	----------	----------------	--------------	------------------	------------------	------------------

	Leasehold Improvement and Plant	Motor Vehicle	Equipment Fixtures and Fittings	Australia and UK Equipment	Winery Tanks & Equipment	Winery Building & Fitout	Total
Cost							
Balance at 1 July 2018	5,430	33,695	217,889	18,674	-	-	275,688
Additions	-	-	179,328	-	122,497	171,263	473,088
Disposals	-	-	(21,193)	-	-	-	(21,193)
Balance at 30 June 2019	<u>5,430</u>	<u>33,695</u>	<u>376,024</u>	<u>18,674</u>	<u>122,497</u>	<u>171,263</u>	<u>727,583</u>

Depreciation and impairment losses

Balance at 1 July 2018	(3,441)	(19,895)	(108,875)	(9,999)	-	-	(142,210)
Depreciation for the year	(1,734)	(4,967)	(76,628)	(4,890)	(3,049)	-	(91,268)
Disposals	-	-	15,829	-	-	-	15,829
Balance at 30 June 2019	<u>(5,175)</u>	<u>(24,862)</u>	<u>(169,674)</u>	<u>(14,889)</u>	<u>(3,049)</u>	<u>-</u>	<u>(217,649)</u>

Carrying amount

At 30 June 2019	<u>255</u>	<u>8,833</u>	<u>206,350</u>	<u>3,785</u>	<u>119,448</u>	<u>171,263</u>	<u>509,934</u>
-----------------	------------	--------------	----------------	--------------	----------------	----------------	----------------



Notes to the Financial Statements

9. INTANGIBLE ASSETS

Intangible Assets are the carrying amount of registered trademarks and computer software.

Amortisation is charged on a diminishing value or straight line basis over the estimated useful life of the asset.

	Trademarks	Software	Total
Cost			
Balance at 1 July 2019	5,494	337,538	343,032
Additions	-	-	-
Disposals	-	(14,049)	(14,049)
Balance at 30 June 2020	<u>5,494</u>	<u>323,489</u>	<u>328,983</u>
Amortisation and impairment losses			
Balance at 1 July 2019	(229)	(263,963)	(264,192)
Amortisation for the year	(549)	(34,575)	(35,124)
Disposals	-	9,625	9,625
Balance at 30 June 2020	<u>(778)</u>	<u>(288,913)</u>	<u>(289,691)</u>
Carrying amount			
At 30 June 2020	<u>4,716</u>	<u>34,576</u>	<u>39,292</u>
Cost			
Balance at 1 July 2018	-	337,538	337,538
Additions	5,494	-	5,494
Disposals	-	-	-
Balance at 30 June 2019	<u>5,494</u>	<u>337,538</u>	<u>343,032</u>
Amortisation and impairment losses			
Balance at 1 July 2018	-	(192,851)	(192,851)
Amortisation for the year	(229)	(71,112)	(71,341)
Disposals	-	-	-
Balance at 30 June 2019	<u>(229)</u>	<u>(263,963)</u>	<u>(264,192)</u>
Carrying amount			
At 30 June 2019	<u>5,265</u>	<u>73,575</u>	<u>78,840</u>



Notes to the Financial Statements

10. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Trade Receivables are recognised at the original invoice amount less any allowance for uncollectable amounts. Bad debts are written off when identified. No provision has been made for bad debts in this year.

Unbilled grape levy receivables represent NZW's best estimate of the grape levies outstanding for vintage 2020. At the 30th of June 2020 \$2,851,345 (2019: \$1,867,618) had been collected.

Unbilled wine levy receivables represent NZW's best estimate of the wine levies collectable on wine sales during the months of April to June 2020 and payable to New Zealand Winegrowers by the 31st of July 2020.

	2020	2019
	\$	\$
Current		
Trade Receivables	1,032,350	1,149,854
Unbilled Grape Levy Receivables	623,318	1,040,863
Unbilled Wine Levy Receivables	761,367	1,023,937
Other Debtors	401,516	273,001
Prepayments	159,422	161,947
Balance at 30 June	2,977,973	3,649,602
Non-Current		
Foreign Exchange Contracts	-	4,145
Balance at 30 June	-	4,145

11. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals represent liabilities for goods and services provided to NZW and which have not been paid at the end of the financial year. These amounts are usually settled within 30 days. Liability for wages and salaries including annual leave are recognised in accruals in respect of employees' services.

	2020	2019
	\$	\$
Current		
Trade payables	1,263,009	2,688,594
Payable and Accruals	1,603,006	1,694,571
Revenue in Advance	387,633	4,843,922
GST Payable	424,832	127,607
Foreign Exchange Contracts	21,187	37,039
Balance at 30 June	3,699,667	9,391,733

12. GROUP INVESTMENTS

Subsidiaries

NZW Wines Limited Partnership is a partnership between New Zealand Winegrowers Incorporated and NZW Wines General Partner Limited established to manage a research programme into producing and marketing naturally produced quality low alcohol and low carbohydrate wine. The project is expected to be completed by December 2020.

New Zealand Winegrowers Research Centre Limited trading as Bragato Research Institute is a company that is 100% owned by New Zealand Winegrowers Incorporated. Its business is to conduct research for the grape and wine sector.

New Zealand Winegrowers Research Centre Limited was established on 22 May 2018.

New Zealand Grape Growers Limited is 100% owned by New Zealand Winegrowers Incorporated and has a balance date of 30 June. Its business is the commercialisation of research.

Winegrowers of New Zealand Limited is 100% owned by New Zealand Winegrowers Incorporated and has a balance date of 30 June. Its business is the commercialisation of research.

Joint Ventures

New Zealand Grape Growers Limited and Winegrowers of New Zealand Limited each have a 50% interest in NZ Wine & Grape Technologies joint venture with a balance date of 30 June. Its business is the management of commercialisation of research.



Notes to the Financial Statements

13. CASHFLOW RECONCILIATION WITH SURPLUS/(DEFICIT)	2020	2019
	\$	\$
RECONCILIATION WITH REPORTED OPERATING SURPLUS/(DEFICIT)		
Total Comprehensive Income/(Expense)	6,770,090	(1,222,936)
Add Non-Cash and Non Operating Items		
Cashflow Hedge Reserve	(11,707)	28,809
Depreciation and Amortisation	292,162	162,610
Loss on Sale of Fixed Asset	4,545	5,364
	285,000	196,783
Add / (Less) Movements in Other Working Capital Items:		
Accounts Receivable	645,806	(65,703)
Accounts Payable	(1,425,586)	(92,708)
Accruals & Other Liabilities	(91,565)	188,511
Tax Payable	23,299	28,198
Event Balances	251,996	(428,852)
Revenue in Advance	(4,456,289)	(457,540)
Net GST	297,225	17,263
Prepayments	2,525	(64,726)
	(4,752,589)	(875,557)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	2,302,501	(1,901,710)

14. FAIR VALUE OF FOREIGN EXCHANGE CONTRACTS

New Zealand Winegrowers Incorporated manages its foreign currency exposure for costs relating to the marketing programme by taking out forward foreign currency contracts. At balance date there are \$876,593 forward CAD, GBP, HKD, USD exchange contracts in place with the BNZ, maturing between July 2020 and June 2021. (2019: \$2,288,617). These are derivative financial instruments and are recognised at fair value on the balance sheet with gains and losses recognised through Other Comprehensive Revenue and Expense. The mark to market valuation report for these contracts is provided by the BNZ.

	2020	2019
	\$	\$
Foreign forward exchange contracts - current	(21,187)	(37,039)
Foreign forward exchange contracts - non-current	-	4,145
	(21,187)	(32,894)
Foreign forward exchange contracts - levy marketing	(21,824)	(9,038)
Foreign forward exchange contracts - user pays events	637	(23,856)
	(21,187)	(32,894)

The foreign currency cashflow hedge reserve relates to marketing levy activity and User Pays. These are contracts taken out to ensure price certainty for our members who are participating in our offshore events or whose levies are funding the levy marketing activity.



Notes to the Financial Statements

15. USER PAYS RESERVES

New Zealand Winegrowers Incorporated conducts a number of user pays activities. These include the Romeo Bragato Conference, Sustainable Winegrowing NZ, User Pays Marketing, Wine Export Certification Services (WECS), Young Viticulturist and Young Winemaker competitions. Funds held at the end of each year are held for use within each activity to prevent any risk to the levy by these User Pays activities.

		2020	2019
		\$	\$
Romeo Bragato Conference	16	77,363	82,288
Sustainable Winegrowing New Zealand	17	150,833	276,458
User Pays Marketing	18	133,893	180,347
Wine Export Certification Services (MPI/WECS)	19	26,889	1,830
Young Viticulturist	20	169,532	136,059
Young Winemaker	20	17,967	24,242
		<u>576,477</u>	<u>701,224</u>

16. ROMEO BRAGATO CONFERENCE

Romeo Bragato Conference is an annual industry conference. This conference is one of the main vehicles used to provide information transfer to our members. The funds retained at the end of each conference are held to prevent any risk to the levy by this user pays activity. The funds held also enable NZW to host the conference in one of the smaller regions every three or four years.

		2020	2019
		\$	\$
Opening Balance		82,288	137,559
Plus Income:			
- Sponsorship & Registration Income		311,301	334,650
Less Expenses			
- Conference Expenditure		316,226	389,921
Closing Balance		<u>77,363</u>	<u>82,288</u>

17. SUSTAINABLE WINEGROWING NEW ZEALAND

Sustainable Winegrowing New Zealand is a stand alone department established to provide a programme which would ensure members meet international guidelines for sustainable practices in the vineyard and winery. Sustainable Winegrowing New Zealand is recognised as one of the industry's leading sustainability accreditation programmes worldwide. Members who choose to participate pay a membership fee that is then used to cover the services provided. Any balance left at the end of the year is retained to prevent any risk to levy funds from this user pays activity.

		2020	2019
		\$	\$
Opening Balance		276,458	451,390
Plus Income:			
- Vineyard Membership		536,120	534,514
- Winery Membership		196,225	184,090
- Other Income		<u>3,381</u>	<u>19,098</u>
Total Income		735,726	737,702
Less Expenses			
- Personnel & Office Costs		306,928	308,214
- Audit Expenditure		270,190	324,097
- Member Costs		281,933	275,723
- Depreciation		<u>2,300</u>	<u>4,600</u>
Total Expenses		861,351	912,634
Closing Balance		<u>150,833</u>	<u>276,458</u>



Notes to the Financial Statements

18. MARKETING USER PAYS BALANCES

Marketing User Pays is a stand alone department established to manage the user pays events.

To fund this members who choose to participate pay a fee that is then used to cover the costs of this department. Any balance left at the end of the year is retained to prevent any risk to levy funds by the User Pays Unit.

	2020	2019
	\$	\$
Opening Balance	180,347	379,363
Plus Income:		
- Global Events Fee	245,733	315,561
- User Pays Events	1,266,660	3,189,691
- Other Income	98,915	-
- Other Comprehensive Inc & Exp	10,170	-
Total Income	1,621,478	3,505,252
Less Expenses		
- Personnel	238,902	228,716
- User Pays Events	1,337,532	3,273,662
- Office Costs	91,498	170,522
- Other Comprehensive Inc & Exp	-	31,368
Total Expenses	1,667,932	3,704,268
Closing Balance	133,893	180,347

19. MPI - WINE EXPORT CERTIFICATION

New Zealand Winegrowers Incorporated is contracted by the Ministry for Primary Industries to provide the wine export certification services to New Zealand wine exporters.

MPI/WECS balance represents the balance of funds at the end of the year after the service has been provided to members. These funds are retained for the provision of the service.

	2020	2019
	\$	\$
Opening Balance	1,830	41,602
MPI Funding	208,000	239,500
Less Expenses		
- Personnel	100,876	179,247
- Office Costs	39,903	47,878
- Sensory and tasting	42,162	52,147
Total Expenses	182,941	279,272
Closing Balance	26,889	1,830



Notes to the Financial Statements

20. YOUNG VITICULTURIST

The Young Viticulturist and Winemaker competitions are designed to recognise high performing individuals and encourage high performance and key skills within the industry.

The competitions are funded by sponsorship. Any balance left at the end of the year is retained to prevent any risk to levy funds by the competitions.

The final part of the competition is held in August each year.

	2020	2019
	\$	\$
Opening Balance	136,059	92,353
Plus Income:		
- Sponsorship	154,200	148,634
Total Income	154,200	148,634
Less Expenses		
- Regional Prizes and National Final	51,106	35,977
- National Coordinator	47,972	44,750
- Other Expenses	21,649	24,201
Total Expenses	120,727	104,928
Closing Balance	169,532	136,059

YOUNG WINEMAKER

	2020	2019
	\$	\$
Opening Balance	24,242	26,580
Plus Income:		
- Sponsorship	51,826	-
Total Income	51,826	-
Less Expenses		
- National Coordinator	22,806	1,800
- Other Expenses	35,295	538
Total Expenses	58,101	2,338
Closing Balance	17,967	24,242

21. EVENT BALANCES

New Zealand Winegrowers runs a number of user pays events. The individual accounts for each event are held separately in the balance sheet. When the event is finalised the net balance is transferred to the profit and loss and added to the user pays marketing reserve.

Events balances represent funds that have been received and will be expended on future events and promotions.

	2020	2019
	\$	\$
Event Balances represent the following:		
NZ Wine of the Year	-	(11,314)
NZ Events and Visits	(39,184)	(113,735)
Offshore Events	145,696	(10,588)
Romeo Bragato Conference	-	(43,403)
Sponsorship in Advance	-	36,617
Young Viticulturist	100,046	91,784
Young Winemaker	33,051	38,251
	239,609	(12,388)



Notes to the Financial Statements

22. OPERATING LEASES

Operating leases relate to the rental of buildings, plant, equipment and vehicles on normal commercial terms and conditions.

Payments made under operating leases, where the lessors effectively retain the risks and benefits of the ownership, are recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the term of the lease.

Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

	2020	2019
	\$	\$
Current	241,804	181,047
One to Five Years	1,567,061	-
	1,808,865	181,047

23. CONTINGENT LIABILITIES New Zealand Winegrowers Incorporated has a contingent liability for make good provisions in respect of the offices in Symonds Street, Auckland. (June 2020:\$20,000; June 2019:\$0)

24. TERM COMMITMENTS New Zealand Winegrowers Consolidated has term commitments to research projects being managed by the Bragato Research Institute. (June 2021:\$1,284,784; June 2022:\$846,344; June 2023:\$490,286)

25. SUBSEQUENT EVENTS There have been no subsequent events since 30 June 2020 as at date of signing of these accounts.

26. COVID 19 In response to Covid-19 New Zealand Winegrowers Inc reduced expenditure in anticipation of reduced wine sales and levy income. Based on current understanding of Covid-19 and its impacts on the New Zealand wine industry, the organisation has amended its budget for Financial Year 2021 to mitigate the expected substantive impacts of Covid-19.



Statement of Comprehensive Revenue and Expense

27. USE OF LEVY FUNDS

The purposes for which each of grape levy income and wine levy income may be spent are identical under the relevant levy orders (the Commodity Levies (Winegrapes) Order 2016 and the Wine (Grape Wine Levy) Order 2016). NZW has allocated total levy expenditure pro rata to grape and wine levy funds in the same proportions as grape and wine levy income received.

	JYE 2020	NZW Inc Consolidated	Wine Levy	Grape Levy	User Pays & Other
REVENUE					
Non-Exchange Revenue					
Membership Levies		11,489,183	8,109,486	3,379,697	
Exchange Revenue					
Research Funding		12,252,902	-	-	12,252,902
User Pays Activity Income		3,071,811	-	-	3,071,811
Other Income		175,968	-	-	175,968
Total Revenue		<u>26,989,863</u>	<u>8,109,486</u>	<u>3,379,697</u>	<u>15,500,680</u>
LESS EXPENDITURE					
Operating Expenditure					
Administration		1,510,548	780,414	325,244	404,891
Advocacy		639,477	406,028	169,216	64,233
Communication		141,925	97,636	40,691	3,599
Environment		682,630	481,826	200,805	-
Marketing and Promotions		2,083,839	1,460,934	608,857	14,048
Personnel Costs		3,664,057	1,928,381	803,669	932,007
Regional Funding		1,045,625	738,040	307,585	-
Reputation Policy Enquiry		155,912	110,049	45,864	-
Research (incl Inkind)		6,704,211	1,489,916	620,935	4,593,360
Strategic Review		73,450	51,843	21,606	-
User Pays Activity Expenditure		3,197,107	-	-	3,197,107
Total Operating Expenditure		<u>19,898,784</u>	<u>7,545,067</u>	<u>3,144,471</u>	<u>9,209,246</u>
OPERATING SURPLUS / (DEFICIT)		7,091,080	564,419	235,226	6,291,434
OTHER EXPENDITURE					
Depreciation		288,748	95,021	39,601	154,127
Total Other Expenditure		<u>288,748</u>	<u>95,021</u>	<u>39,601</u>	<u>154,127</u>
SURPLUS / (DEFICIT) BEFORE TAXATION		6,802,331	469,398	195,626	6,137,308
Income Tax Expense		-	-	-	-
NET SURPLUS / (DEFICIT) AFTER TAXATION		6,802,331	469,398	195,626	6,137,308
OTHER COMPREHENSIVE REVENUE & EXPENSE					
Cashflow Hedge Reserve		32,241	-	-	32,241
TOTAL COMPREHENSIVE REVENUE & EXPENSE		<u><u>6,770,090</u></u>	<u><u>469,398</u></u>	<u><u>195,626</u></u>	<u><u>6,105,066</u></u>



Statement of Financial Position

	JYE 2020	NZW Inc Consolidated	Wine Levy	Grape Levy	User Pays & Other
Assets					
Cash and bank balances		7,626,115	117,489	3,068,156	4,440,469
Accounts Receivable and prepayments		2,977,973	1,599,935	662,086	715,952
Total Current Assets		<u>10,604,088</u>	<u>1,717,424</u>	<u>3,730,242</u>	<u>5,156,422</u>
Fixed Assets		5,773,302	151,836	63,279	5,558,187
Intangible Assets		39,292	24,405	10,171	4,716
Total Non-Current Assets		<u>5,812,594</u>	<u>176,242</u>	<u>73,450</u>	<u>5,562,902</u>
Total Assets		<u>16,416,682</u>	<u>1,893,666</u>	<u>3,803,692</u>	<u>10,719,324</u>
Liabilities					
Accounts payable and accruals		3,699,667	788,983	328,815	2,581,869
Event Balances		239,609	-	-	239,609
Total Current Liabilities		<u>3,939,276</u>	<u>788,983</u>	<u>328,815</u>	<u>2,821,478</u>
Total Liabilities		<u>3,939,276</u>	<u>788,983</u>	<u>328,815</u>	<u>2,821,478</u>
NET ASSETS		<u>12,477,406</u>	<u>1,104,683</u>	<u>3,474,877</u>	<u>7,897,846</u>
 REPRESENTED BY:					
EQUITY					
Retained Earnings - Levy Activity		11,868,688	1,104,683	3,474,877	7,289,128
User Pays Reserves		576,477	-	-	576,477
Cashflow Hedge Reserve		32,241	-	-	32,241
Total Equity		<u>12,477,406</u>	<u>1,104,683</u>	<u>3,474,877</u>	<u>7,897,846</u>





Independent Auditor's Report

To the members of New Zealand Winegrowers Incorporated

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of New Zealand Winegrowers Incorporated (the 'company') and its subsidiaries (the 'group') on pages 2 to 20:

- present fairly in all material respects the Group's financial position as at 30 June 2020 and its financial performance and cash flows for the year ended on that date; and
- comply with Public Benefit Entity Standards Reduced Disclosure Regime (Not For Profit).

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2020;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to other advisory services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.



Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Use of this independent auditor's report

This independent auditor's report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the independent 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 members as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards Reduced Disclosure Regime (Not For Profit));
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent 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. They 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 consolidated financial statements.

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

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

This description forms part of our independent auditor's report.



KPMG
Auckland

17 August 2020