Huakiwi Developments Limited Partnership

Annual report for the year ended 31 March 2020

Report contents

Partners' declaration

In the opinion of the Partners of Huakiwi Developments Limited Partnership ('the Limited Partnership') the financial statements and notes, on pages 3 to 23:

- comply with New Zealand generally accepted accounting practice and present fairly the financial position of the Limited Partnership as at 31 March 2020 and the result of operations for the year ended on that date;
- have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Partners believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Limited Partnership and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Partners consider that they have taken adequate steps to safeguard the assets of the Limited Partnership, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Partners are pleased to present the annual report including the financial statements of Huakiwi Developments Limited Partnership for the year ended 31 March 2020.

Alexander Scott Hamilton
Huakiwi Services Limited
General Partner

Date: 22/7/2020

Charlotte Marewa Severne
Huakiwi Services Limited
General Partner

Date: 22/7/2020

Directory

Incorporation number	2665431
Incorporation date	17 March 2017
Principal activities	Kiwifruit orchard developer and producer of kiwifruit
IRD number	122-606-775
Registered office	Level 3 110 Featherston Street Wellington 6011 New Zealand
General Partner	Huakiwi Services Limited
Director of General Partner	Alexander Scott Hamilton Bryan Francis Grafas Christopher Huia Rich Charlotte Marewa Severne
Limited Partner	The Māori Trustee Quayside Holdings Limited
Accountants	KPMG 10 Customhouse Quay Wellington 6011
Auditor	William Buck Audit (NZ) Ltd Level 2 Durham Street Tauranga 3010

Statement of comprehensive income

For the year ended 31 March 2020

in New Zealand dollars

	Note	2020	2019
		$	$
Revenue	3	27,013	-
Cost of sales		(20,234)	-
Gross profit		6,779	-
Operating expenses	5	(1,966,561)	(691,379)
Administrative expenses	6	(433,994)	(177,048)
Depreciation and amortisation	11,13	(1,160,416)	(274,535)
Operating loss before financing costs		(3,554,192)	(1,142,962)
Finance income		24,106	75,345
Finance expenses		(43,222)	-
Net financing income/(costs)	4	(19,116)	75,345
Net loss for the period		(3,573,308)	(1,067,616)
Other comprehensive income		-	-
Total comprehensive loss for the year		(3,573,308)	(1,067,616)
Total comprehensive income/(expense) attributable to the partners from operations		(3,573,308)	(1,067,616)

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Statement of financial position

As at 31 March 2020

in New Zealand dollars

	Note	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	8	1,395,946	3,351,857
Trade and other receivables	9	-	13,930
GST receivable		234,618	392,908
Prepayments		10,675	9,892
Other current assets		-	105,434
Total current assets		1,641,239	3,874,021
Non-current assets			
Property, plant and equipment	11	10,570,510	10,311,931
Intangible assets	13	5,230,156	5,490,691
Construction in progress	10	6,383,429	3,017,272
Total non-current assets		22,184,095	18,819,894
Total assets		**23,825,334**	**22,693,916**
Liabilities			
Current liabilities			
Lease liabilities	12	41,046	-
Trade and other payables	14	706,792	2,302,736
Total current liabilities		747,838	2,302,736
Non-current liabilities			
Lease liabilities	12	772,077	-
Total non-current liabilities		772,077	-
Total liabilities		**1,519,915**	**2,302,736**
Net assets attributable to the partners	18	22,305,419	20,391,180
Total liabilities and net assets attributable to the partners		**23,825,334**	**22,693,916**

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Statement of changes in net assets attributable to the partners

For the year ended 31 March 2020
in New Zealand dollars

	Note	Partnership units $	General Partner $	Limited Partner $	Total $
Net assets attributable to the Partners at 1 April 2019		-	-	20,391,180	20,391,180
Total comprehensive income/(expense) attributable to the partners from operations		-	-	(3,573,308)	(3,573,308)
Capital contributions	17	-	-	5,500,000	5,500,000
Tax credits allocated to partners		-	-	(12,453)	(12,453)
Net assets attributable to the Partners at 31 March 2020		-	-	22,305,419	22,305,419
Net assets attributable to the Partners at 1 April 2018		-	-	11,678,873	11,678,873
Total comprehensive income/(expense) attributable to the partners from operations		-	-	(1,067,616)	(1,067,616)
Capital contributions	17	-	-	9,800,000	9,800,000
Tax credits allocated to partners		-	-	(20,077)	(20,077)
Net assets attributable to the Partners at 31 March 2019		-	-	20,391,180	20,391,180

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Statement of cash flows

For the year ended 31 March 2020

in New Zealand dollars

	Note	2020 $	2019 $
Cash flows from operating activities			
Cash received from customers		27,013	-
Cash paid to suppliers and employees		(3,862,655)	(707,419)
RWT paid		(12,453)	(20,077)
Net cash (to) operating activities		(3,848,095)	(727,496)
Cash flows from investing activities			
Interest received		38,036	61,415
Acquisition of property, plant and equipment		(3,548,652)	(9,387,966)
Acquisition of intangible assets		(15,000)	-
Net cash (to) investing activities		(3,525,616)	(9,326,551)
Cash flows from financing activities			
Payment for the reduction in lease liabilities		(82,200)	-
Partner funds introduced		5,500,000	9,800,000
Net cash from financing activities		5,417,800	9,800,000
Net (decrease)		(1,955,911)	(254,047)
Opening cash and cash equivalents 1 April		3,351,857	3,605,904
Closing cash and cash equivalents 31 March	8	1,395,946	3,351,857

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Notes to the financial statements

1 Reporting entity

Huakiwi Developments Limited Partnership (the "Limited Partnership") is a Limited Partnership established and domiciled in New Zealand and registered under the Limited Partnership Act 2008.

The Limited Partnership's principal activity is kiwifruit orchard developer and producer of kiwifruit.

The financial statements presented are for Huakiwi Developments Limited Partnership as at and for the year ended 31 March 2020.

2 Basis of preparation

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with the New Zealand Equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ('NZ IFRS RDR') and other applicable Financial Reporting Standards, as appropriate for Tier 2 for-profit entities.

Huakiwi Developments Limited Partnership is eligible to report under Tier 2 For-Profit Accounting Standards on the basis that it does not have public accountability.

The financial statements were authorised for issue by the partners on the date included on page 1. The partners do not have authority to amend the financial statements after issue. The Limited Partnership is a reporting entity for the purposes of the Financial Reporting Act 2013 and its financial statements comply with that Act.

All accounting policies set out below have been consistently applied to all periods presented in these financial statements with the exception of the adoption of IFRS 16. Refer note 12.

The financial statements have been prepared on the basis that the Limited Partnership is a going concern.

Basis of measurement

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

- Derivative financial instruments

Determination of fair values

A number of the Limited Partnership's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

These include property, plant and equipment and intangible assets. Fair values have been determined for measurement purposes based on the methods outlined in the notes specific to that asset or liability.

Where applicable, further information about the assumptions made in determining fair value is also disclosed in the notes specific to that asset or liability.

These financial statements are presented in New Zealand dollars ($) which is the Limited Partnership's functional currency, rounded to the nearest dollar. They have been prepared on a GST exclusive basis except for receivables and payables that are stated inclusive of GST.

Use of estimates and judgements

The preparation of the financial statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The principal areas of judgement in preparing these financial statements are set out below. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 9 Impairment of trade receivables
- Note 10 Impairment of construction in progress
- Note 11 Impairment of property, plant and equipment
- Note 12 Leases
- Note 13 Estimated impairment of intangibles
- Note 13 Estimated useful life of intangibles

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Notes to the financial statements (continued)

2 Basis of preparation

Impairment

The carrying amounts of the Limited Partnership's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Indefinite-lived intangible assets are tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

New accounting standards and interpretations

NZ IFRS 16 Leases

The Limited Partnership has applied NZ IFRS 16 *Leases* from 1 April 2019. It replaces NZ IAS 17 *Leases* and NZ IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Limited Partnership has applied NZ IFRS 16 using the modified retrospective approach. The cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Therefore the comparative information has not been restated and the information presented for 2019 does not generally reflect the requirements of NZ IFRS 16, but rather those of NZ IAS 17 and NZ IFRIC 4.

Transition

As a result of the adoption of NZ IFRS 16, the Limited Partnership recognises right-of-use assets and lease liabilities in the statement of financial position. On transition to NZ IFRS 16, the Limited Partnership elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Limited Partnership applied NZ IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under NZ IAS 17 and NZ IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under NZ IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

Leases previously classified as operating leases under NZ IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Limited Partnership's incremental borrowing rate as at 1 April 2019. The Limited Partnership's incremental borrowing rate at transition date is 5.18%.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Limited Partnership used the following practical expedients when applying NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17.

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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Notes to the financial statements (continued)

2 Basis of preparation

Impacts on financial statements

The following tables summarise the impacts of adopting NZ IFRS 16 on the Limited Partnership's financial statements.

	1 April 2019
	$
Operating lease commitment at 31 March 2019 as disclosed in the Limited Partnership's financial statements	823,071
Discounted using the incremental borrowing rate at 1 April 2019	(244,221)
Lease liabilities recognised at 1 April 2019	578,850

	Impact of changes in accounting policies		
1 April 2019	**As previously reported**	**Adjustments**	**As restated**
	$	$	$
Property, plant and equipment	10,311,931	578,314	10,890,245
Right of use assets	-	-	-
Total assets		578,314	
Lease liabilities (current)	-	27,974	27,974
Lease liabilities (non-current)	-	550,876	550,876
Total liabilities		578,850	

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Notes to the financial statements (continued)

3 Revenue

	2020	2019
	$	$
Sale of goods	27,013	-
	27,013	-

Revenue policy

Sale of goods

The Partnership's contracts with customers for the sale of kiwifruit generally include one performance obligation. The Partnership has concluded that revenue from sale of kiwifruit be recognised at the point in time when the kiwifruit is transferred to the customer, generally on delivery of the kiwifruit. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

4 Net financing costs

	2020	2019
	$	$
Interest income	24,106	75,345
Finance income	24,106	75,345
Interest on lease liabilities	(43,222)	-
Finance expense	(43,222)	-
Net financing (costs)/income	(19,116)	75,345

Finance income and expenses policy

Finance income comprises interest income on funds invested using the effective interest method.

Finance costs comprise interest on lease liabilities.

5 Operating expenses

	2020	2019
	$	$
Canopy operating expenses	472,588	-
Disease control	53,180	56,011
Field nursery	320,858	-
Fertiliser	324,398	167,855
Foliar crop enhancement	106,854	49,447
Freight, vehicles and travel	186,597	53,416
General	904	-
Grafting and graft care	74,102	-
Irrigation & frost protection	84,890	12,869
Male pruning	-	8,829
Monitoring	45,906	79,573
Mowing/mulching/trim	98,263	31,796
Pest control	47,137	43,255
Repairs and maintenance	17,471	900
Replacement plants	21,261	16,939
Tending rootstock	1,275	7,170
Weed control	99,722	46,760
Winter pruning	11,155	-
Write off of construction costs	-	116,559
	1,966,561	691,379

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Notes to the financial statements (continued)

6 Administrative expenses

	2020 $	2019 $
Accident compensation	282	-
Accounting fees	51,288	28,350
Administration fees	206,955	-
Audit fees	8,882	5,620
Bank charges	170	179
Consulting fees	25,801	-
Directors fees	79,908	80,000
Electricity	39,550	9,679
General expenses	147	875
Insurance	4,508	4,103
Legal	4,207	1,084
Rates	9,669	2,420
Rent	-	35,854
Subscriptions	1,272	3,405
Travelling and accommodation	1,355	5,479
	433,994	177,048

7 Income tax

Income tax policy

The Limited Partnership is a look-through entity for tax purposes. The income, expenses, tax credits, rebates, gains and losses flow through to the individual partners and are allocated to each partner in proportion to each partner's share in the Limited Partnership.

Look through allocations

	2020 $	2019 $
Net loss before adjustments	(3,573,308)	(1,067,616)
Timing differences	-	15,220
Permanent differences	2,010	117,170
Net loss before allocation	(3,571,298)	(935,226)
Net loss allocated to The Māori Trustee	(1,785,649)	(467,613)
Net loss allocated to Quayside Holdings Limited	(1,785,649)	(467,613)
Total loss allocated to Partners	(3,571,298)	(935,226)
Tax credit allocated to The Māori Trustee	6,226	10,038
Tax credit allocated to Quayside Holdings Limited	6,227	10,039
Total tax credits allocated to Partners	12,453	20,077

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Notes to the financial statements (continued)

8 Cash and cash equivalents

	2020	2019
	$	$
Current assets		
Cash at bank	1,395,946	3,351,857
Total cash and cash equivalents in the statement of cash flows	1,395,946	3,351,857

Cash and cash equivalents policy

For the purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Credit risk is managed by ensuring cash and cash equivalents are held with banks and financial institutions with a minimum independent rating of 'A'.

9 Trade and other receivables

	2020	2019
	$	$
Accrued interest	-	13,930
	-	13,930

Trade and other receivables policy

Trade and other receivables are initially recognised at fair value, being their cost, and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Limited Partnership will not be able to collect all amounts due according to the original terms of receivables. Impairment is calculated based on an expected credit loss (ECL) model under NZ IFRS 9. Refer to note 16 for information about calculation and recognition of expected credit losses.

The amount of the provision is recognised in profit or loss.

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Notes to the financial statements (continued)

10 Construction in progress

	2020	2019
	$	$
Matakana 11	2,802,283	785,493
Rangitaiki 60D5B	2,562,716	1,569,605
Te Kaha 40/88	150,114	150,114
Waewaetutuki 7B2A	868,316	512,060
	6,383,429	3,017,272

The construction in progress balance relates to the construction of kiwifruit orchards. As at 31 March 2020 there is $6,383,429 of construction in progress representing costs to orchards that are not yet ready for use as intended by management. Of the $3,017,272 recorded at 31 March 2019, no costs have been capitalised at 31 March 2020 as these Orchards are still not yet ready for use as intended by management.

During 2018, it was identified that the bore drilled on Kaha 40 and Te Kaha 88 was not achieving the constant water flow it needs to support a high performing orchard, so development on this block has been paused whilst a decision will be made on the future course of action. Bearer plants purchased for this orchard were reallocated across the orchards that were complete as at 31 March 2019. No further costs were incurred in relation to this Orchard during the 2020 year, therefore the expenditure incurred in the development of this orchard is $150,114. No impairment is recognised as the recoverable amount of these assets equals the carrying amount.

In the 2019 year, costs of $116,559 in relation to Rangitaiki 30C4F orchard were written off, as it was identified that there was insufficient water after drilling, so this orchard was withdrawn from the programme. These costs are reflected in note 5.

Impairment on construction in progress is assessed in accordance with the accounting policy in note 11.

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Notes to the financial statements (continued)

11 Property, plant and equipment

	Land	Groundworks	Plant and Equipment	Bearer Plants	Total
	$	$	$	$	$
Cost					
Balance at 1 April 2019	-	2,479,424	6,761,773	1,070,734	10,311,931
Additions	277,212	60,000	87,023	140,908	565,143
Impact of transition to NZ IFRS 16	578,314	-	-	-	578,314
Balance at 31 March 2020	855,526	2,539,424	6,848,796	1,211,642	11,455,388
Depreciation and impairment losses					
Balance at 1 April 2019	-	-	-	-	-
Depreciation for the year	(57,383)	(126,721)	(613,424)	(87,350)	(884,878)
Balance at 31 March 2020	(57,383)	(126,721)	(613,424)	(87,350)	(884,878)
Carrying amount					
At 31 March 2020	798,143	2,412,703	6,235,372	1,124,292	10,570,510
At 31 March 2019	-	2,479,424	6,761,773	1,070,734	10,311,931

Right of use assets relating to leases where the Limited Partnership is a lessee are included within property, plant and equipment. For more information on leases, refer to note 12.

Property, plant and equipment policy

Recognition and measurement

All property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss within Other income or Administrative expense.

Depreciation

For property, plant and equipment, depreciation is based on the cost of an asset less its residual value.

While assets in relation to the orchards completed in 2019 were capitalised at 31 March 2019, depreciation on these assets did not commence until 1 April 2019, therefore no depreciation was recognised in respect of these assets in 2019.

Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of each component of an item of property, plant and equipment with the exception of Groundworks which is recognised on a straight line basis. Depreciation on right of use assets is recognised on a straight line basis over the lesser of the underlying asset's useful life and the lease term.

The depreciation rates for significant items of property, plant and equipment are as follows:

Groundworks	5%	SL	
Plant and Equipment	5%	to	40% DV
Bearer Plants	7.5%	DV	

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Impairment

The carrying amounts of property, plant and equipment are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of the assets and are recognised in profit or loss.

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Notes to the financial statements (continued)

12 Leases

Right-of-use asset as a component of property, plant and equipment
Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property.

	Note	2020	2019
		$	$
Property, plant and equipment owned		9,772,367	10,311,931
Right-of-use assets, except for investment property		798,143	-
	11	10,570,510	10,311,931

Reconciliation of movements in right-of-use asset	Land	Total
	$	$
Balance at 1 April 2019	-	-
Impact of transition to NZ IFRS 16	578,314	578,314
Additions	277,212	277,212
Depreciation charge for the year	(57,383)	(57,383)
Balance at 31 March 2020	798,143	798,143

Right of use asset breakdown per orchard

	Matakana 5 Trust	Waihirere 4B2	Te Kaka 6B	Tunapahore 6	Rangitaiki 60D5B	Matakana 9 Trust	Matakana 11	Waewaetut uki 7B2A	Total
	$	$	$	$	$	$	$	$	$
Balance at 1 April 2019	-	-	-	-	-	-	-	-	-
Impact of transition to NZ IFRS 16	154,178	136,213	49,888	103,232	134,803	-	-	-	578,314
Additions	-	-	-	-	-	46,050	130,854	100,308	277,212
Depreciation charge for the year	(11,012)	(9,729)	(3,441)	(7,079)	(9,088)	(3,105)	(8,871)	(5,058)	(57,383)
Balance at 31 March 2020	143,166	126,484	46,447	96,153	125,715	42,945	121,983	95,250	798,143

Lease liabilities	2020	2019
	$	$
Current	(41,046)	-
Non-current	(772,077)	-
Total lease liabilities	(813,123)	-

Lease liability commitments breakdown per orchard

					2020				
	Matakana 5 Trust	Waihirere 4B2	Te Kaka 6B	Tunapahore 6	Rangitaiki 60D5B	Matakana 9 Trust	Matakana 11	Waewaetut uki 7B2A	Total
	$	$	$	$	$	$	$	$	$
Current portion	8,107	7,165	2,497	5,126	6,563	2,204	6,289	3,095	41,046
Non-current portion	138,302	122,242	45,019	93,234	122,622	41,186	116,469	93,003	772,077
Total	146,409	129,407	47,516	98,360	129,185	43,390	122,758	96,098	813,123

The Limited Partnership is exposed to future cash flows arising from variable payments, extension options and termination options, residual value guarantees and leases not yet commenced to which the Limited Partnership is committed to.

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Notes to the financial statements (continued)

12 Leases

	2020	2019
	$	$
Interest on lease liabilities	(43,222)	-

Cash outflows for leases totalled $(82,200) during the year.

Leases policy

For contracts entered into after 1 April 2019, at inception of a contract, the Limited Partnership assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Limited Partnership assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Limited Partnership has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Limited Partnership has the right to direct the use of the asset. The Limited Partnership has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. Where the decision about how and for what purpose the asset is used is predetermined, the Limited Partnership has the right to direct the use of the asset if either:
  - the Limited Partnership has the right to operate the asset;
  - the Limited Partnership designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Limited Partnership allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, the Limited Partnership has elected not to separate non-lease components and account for the lease and non-lease component as a single lease component.

For contracts entered into before 1 April 2019, the Limited Partnership determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that the other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Recognition and measurement

The Limited Partnership recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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Notes to the financial statements (continued)

12 Leases

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Limited Partnership's incremental borrowing rate. Generally, the Limited Partnership uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Limited Partnership is reasonably certain to exercise, lease payments in an optional renewal period if the Limited Partnership is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Limited Partnership is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Limited Partnership's estimate of the amount expected to be payable under a residual value guarantee, or if the Limited Partnership changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Limited Partnership presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'lease liabilities' in the statement of financial position.

Extension options

Some leases of land contain extension options exercisable by the Limited Partnership up to one year before the end of the non-cancellable contract period. The Limited Partnership has elected to exclude the extension options as it is not reasonably certain these will be exercised. The extension options held are exercisable only by the Limited Partnership as the lessee and not by the lessors. The Limited Partnership assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Limited Partnership reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Impairment

The right-of-use asset is regularly assessed for impairment (see further detail in note 2).

Variable lease payments

On termination of the lease agreements, the business and assets will be sold back to the land block owner for an expected sale price of $1. It is expected that a variable lease payment will be recorded on termination, as it is expected the assets will still hold vale at the eventual sale date. The resulting loss will therefore be recognised as a loss through profit or loss at the date the loss is realised. The amount is yet to be determined and the Limited Partnership is unable to accurately estimate the value of this variable lease payment at balance date.

William Buck Audit

Notes to the financial statements (continued)

12 Leases

Operating leases as stated under NZ IAS 17

	2019					
	Tunapahore 6 Ahu Whenua Trust	Matakana 5 Trust	Matakana Land Trust	Te Kaha 6B Trust	Rangitaiki 60D5B Land Trust	Total
Non-cancellable operating lease commitments that have commenced at balance date as follows:	$	$	$	$	$	$
Less than one year	10,100	15,500	13,700	4,900	13,100	57,300
Between one and five years	40,400	62,000	54,800	19,600	52,400	229,200
More than five years	96,877	140,009	123,750	46,550	129,385	536,571
	147,377	217,509	192,250	71,050	194,885	823,071

	2019				
	Te Kaha 40/88 Ahu Whenua Trust	Matakana 9 Trust	McMillan Matakana Whanau Trust	Waewaetutuki Trust	Total
Non-cancellable operating lease commitments, pending pre-conditions, as follows:	$	$	$	$	$
Less than one year	11,900	4,400	12,500	8,000	36,800
Between one and five years	47,600	17,600	50,000	32,000	147,200
More than five years	119,000	44,000	125,000	80,000	368,000
	178,500	66,000	187,500	120,000	552,000

Operating leases policy

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term, with any deferred lease payments recorded in the statement of financial position as an asset or liability until released to profit or loss.

William Buck Audit

Notes to the financial statements (continued)

13 Intangible assets

	Licenses $	Website $	Total $
Cost			
Balance at 1 April 2019	6,039,761	-	6,039,761
Additions	-	15,000	15,000
Balance at 31 March 2020	6,039,761	15,000	6,054,761
Amortisation and impairment losses			
Balance at 1 April 2019	(549,070)	-	(549,070)
Amortisation for the year	(274,535)	(1,000)	(275,535)
Balance at 31 March 2020	(823,605)	(1,000)	(824,605)
Carrying amount			
Balance at 31 March 2020	5,216,156	14,000	5,230,156
Balance at 31 March 2019	5,490,691	-	5,490,691

Intangible assets policy

Recognition and measurement

Intangible assets comprises of a license purchased from Zespri Group Limited and a website. The license provides Huakiwi Developments Limited Partnership the right to grow the Zespri Gold (G3) variety of Kiwifruit. The license and website have a finite useful live and are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual value using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives for current and comparative periods are as follows:

Licenses	22 years
Website	2 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment

The carrying amounts of intangible assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of the assets and are recognised in profit or loss.

William Buck Audit

Notes to the financial statements (continued)

14 Trade and other payables

	2020	2019
	$	$
Trade payables	594,999	2,282,516
Accruals	111,793	20,220
	706,792	2,302,736

Trade and other payables policy

Trade and other payables are measured at cost, being their fair value.

16 Financial instruments classification

Financial instruments are recognised in the Statement of Financial Position when the Limited Partnership becomes party to a financial contract. They include cash and cash equivalents, trade and other receivables and trade and other payables.

Financial assets (except for trade receivables without a significant financing component) and liabilities are initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price in accordance with NZ IFRS 15.

Financial assets and liabilities are classified into the following categories:

Financial assets held at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions, and is not designated as at fair value through profit or loss (FVTPL):

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amounts outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets held at amortised cost comprise: cash and cash equivalents and trade and other receivables.

Financial liabilities held at amortised cost

Financial liabilities not designated as at FVTPL on initial recognition are classified as at amortised cost. Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities held at amortised cost comprise: trade and other payables and lease liabilities.

Impairment - financial assets

The Limited Partnership recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Limited Partnership expects to receive).

The gross carrying amount of a financial asset is written off when the Limited Partnership has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

William Buck Audit

Notes to the financial statements (continued)

17 Related parties

Key management personnel

Remuneration of key management personnel during the year amounted to $79,908 (2019: $80,000).

Ultimate controlling parties

The General Partner is Huakiwi Services Limited, which is 50% owned by The Māori Trustee, and 50% owned by Quayside Holdings Limited. The Māori Trustee is a Limited Partner and owns 50% of the Limited Partnership. Quayside Holdings Limited is a Limited Partner and owns 50% of the Limited Partnership. The Māori Trustee is also the Responsible Trustee of the Trusts below that the Limited Partnership holds operating lease agreements with, with the exception of Te Kaha 6B Trust where The Māori Trustee is Custodian Trustee.

Transactions involving related entities

The entities, the nature of the relationship and the types of transactions which the Limited Partnership entered into during the period are detailed below:

Related entity	Nature of relationship	Types of transactions
Huakiwi Services Limited	General partner	Receipt of services
The Māori Trustee	Limited Partner	Funds introduced, dividends paid and drawings
Quayside Holdings Limited	Limited Partner	Funds introduced, dividends paid and drawings
Tunapahore 6 Ahu Whenua Trust	Landlord	Lease land to the Partnership
Matakana 5 Trust	Landlord	Lease land to the Partnership
Matakana 9 Trust	Landlord	Lease land to the Partnership
Te Kaha 6B Trust	Landlord	Lease land to the Partnership
Rangitaiki 60D5B Land Trust	Landlord	Lease land to the Partnership
Matakana 11 Trust	Landlord	Lease land to the Partnership
Waewaetutuki 7B2A Trust	Landlord	Lease land to the Partnership
Waihirere 4B2 Trust	Landlord	Lease land to the Partnership

The following transactions between related parties occurred during the year:

	2020				
Related party	Sale of goods and services $	Purchase of goods and services $	Balances receivable $	Balances payable $	Capital introduced $
The Māori Trustee	-	60,000	-	60,000	2,750,000
Quayside Holdings Limited	-	-	-	-	2,750,000
Tunapahore 6 Ahu Whenua Trust	-	10,100	-	98,360	-
Matakana 5 Trust	-	15,500	-	146,409	-
Matakana 9 Trust	-	4,400	-	48,358	-
Te Kaha 6B Trust	-	4,900	-	47,516	-
Rangitaiki 60D5B Land Trust	-	14,787	-	129,184	-
Matakana 11 Trust	-	14,932	-	137,690	-
Waewaetutuki 7B2A Trust	-	8,878	-	104,976	-
Waihirere 4B2 Trust	-	13,700	-	129,407	-
	-	147,197	-	901,900	5,500,000

William Buck Audit

Notes to the financial statements (continued)

17 Related parties

	2019				
Related party	Sale of goods and services	Purchase of goods and services	Balances receivable	Balances payable	Capital introduced
	$	$	$	$	$
The Māori Trustee	-	-	-	470,640	4,900,000
Quayside Holdings Limited	-	-	-	-	4,900,000
Tunapahore 6 Ahu Whenua Trust	-	4,180	-	-	-
Matakana 5 Trust	-	14,570	-	-	-
Te Kaha 6B Trust	-	2,396	-	-	-
Rangitaiki 60D5B Land Trust	-	1,424	-	-	-
	-	22,570	-	470,640	9,800,000

The related party balances to shareholders are interest free, unsecured, and are repayable on demand. No related party debts have been written off or forgiven during the year. The related party balances payable are included in trade and other payables.

18 Partner current accounts

	2020	2019
	$	$
The Māori Trustee		
Opening balance	10,195,590	5,839,436
Capital introduced	2,750,000	4,900,000
Tax credits allocated	(6,226)	(10,038)
Distribution of loss	(1,786,654)	(533,808)
Closing balance	11,152,710	10,195,590
Quayside Holdings Limited		
Opening balance	10,195,590	5,839,437
Capital introduced	2,750,000	4,900,000
Tax credits allocated	(6,227)	(10,039)
Distribution of loss	(1,786,654)	(533,808)
Closing balance	11,152,709	10,195,590
Total partners current accounts	22,305,419	20,391,180

William Buck Audit

Notes to the financial statements (continued)

19 Capital commitments

There are no capital commitments at balance date (2019: The Limited Partnership entered into a plant purchase agreement with Southern Cross Nurseries. As at 31 March 2019 the balance outstanding was $350,510).

20 Contingencies

There are no contingent liabilities at balance date (2019: nil).

21 Subsequent events

Novel Coronavirus Pandemic

On 11 March 2020, the novel coronavirus (COVID-19) was declared a global pandemic by the World Health Organisation. As the impact of this is ongoing, the Limited Partnership has considered the impact of this event on the financial statements for the year ended 31 March 2020. While it is possible there may be an adverse impact on future sales as a result of a reduction in tray prices by Zespri, at the date of this report it is too early to determine the full impact this virus may have on the Limited Partnership, due to the uncertainty around its duration and broader impact. The Limited Partnership does not believe any impairment is required to be recognised as a result of this virus, and will continue to monitor the impact of COVID-19.

Other subsequent events

Other than noted above, there have been no events subsequent to balance date which would materially affect the financial statements.

William Buck Audit

Independent Auditor's Report

To the partners of Huakiwi Developments Limited Partnership's Financial Statements for the year ended 31 March 2020

The Auditor-General is the auditor of Huakiwi Developments Limited Partnership (the limited partnership). The Auditor-General has appointed me, Richard Dey, using the staff and resources of William Buck, to carry out the audit of the financial statements of the Huakiwi Developments Limited Partnership on his behalf.

Opinion

We have audited the financial statements of the Huakiwi Developments Limited Partnership on pages 3 to 23, that comprise the statement of financial position as at 31 March 2020, the statement of comprehensive income, statement of changes in net assets attributable to partners and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the Huakiwi Developments Limited Partnership on pages 3 to 23:

- present fairly, in all material respects:
  - its financial position as at 31 March 2020; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with the New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime (NZ IFRS RDR).

Our audit was completed on 23 July 2020. This is the date at which our opinion is expressed. The basis for our opinion is explained below. In addition, we outline the responsibilities of the General Partner and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Emphasis of Matter – COVID-19

Without modifying our opinion, we draw attention to the disclosures in note 21 on page 23 which outline the possible effects of the Alert Level 4 lockdown as a result of the COVID-19 pandemic.

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William Buck Audit (NZ) Limited

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the General Partner for the financial statements

The General Partner is responsible on behalf of the limited partnership for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The General Partner is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible on behalf of the limited partnership for assessing the limited partnership's ability to continue as a going concern. The General Partner is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the limited partnership or to cease operations, or there is no realistic alternative but to do so.

The General Partner's responsibilities arise from the Limited Partnership Act 2008, the Public Finance Act 1989 and the Crown Entities Act 2004.

Responsibilities of the auditor 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the limited partnership's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Partner.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the General Partner and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the limited partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the limited partnership to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the General Partner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The General Partner is responsible for the other information. The other information comprises the information included on pages 1 to 2, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

Independence

We are independent of the limited partnership in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the limited partnership.

Richard Dey
William Buck Audit (NZ) Limited

On behalf of the Auditor-General
Tauranga, New Zealand