

Australian Pome Fruit Improvement Program Ltd

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Chairman's report



APFIP Board

During the past year, the Board has met on three occasions—once at Brisbane during the Snack Fruit Conference and twice in Sydney.

The retiring members (by rotation) this year are Scott Price and Rodney Green. Scott has completed his first three-year term and Rodney, his second three-year term. Many thanks must be expressed to Scott for his contribution and dedication during this time.

For myself, as writer of this report and as the Chairman of APFIP during the past six and-a-half years, I am ineligible under our Company policy of directors (having already served two three-year terms), to stand again for a position on the board.

I would like to say how pleasing it has been to be involved in areas that are vital for the future of the industry and consider it an honour to have served the industry.

The annual Board member selection process has recently been completed. Scott Price has been re-appointed for another three-year term and Ian Bolitho, from Shepparton, Victoria, has been appointed. These appointments will take effect from 1 July 2003.

Company Structure

The structure of the Company is working very well with Garry Langford as National

Coordinator; Gregory Cramond, Evaluation Coordinator and; Tony Heward as Rootstock Production Manager (responsible to Garry). The Board are general overseers of the Company direction.

With the emergence of APAL from the AAPGA, some amendments to our Constitution were needed and at this time the board also looked at other changes to update the document. (For example the APFIP Board now selects the Chairman) The new Constitution was approved by the Company members on 13 May 2003 and now requires approval from the ATO and lodgement with ASIC to take effect.

Finance

The levy component paid to APFIP stands at 1.0 cent per carton and is unlikely to be reduced in the next five years.

The estimated balance of funds held at 31 May 2003 is \$276,224 and these funds are able to be matched for R&D purposes.

The commercial side of the Company's operations will remain tight until we gain regular income from the sale of certified material.

Evaluation and quarantine are areas that will never be self-sufficient and in the long-term will require R&D funding support. Over time they may be supported by income from

other areas of the Company's business.

Income is coming in from other smaller areas of APFIP's operations, e.g. consultancy and PBR applications, particularly as the Company becomes more widely known and accepted.

Acquisition

Once again APFIP has been able to acquire varieties and rootstocks—mainly from overseas—either for evaluation or use in breeding programs, or commercialisation by Australian nurseries.

We have also received requests from two countries for the supply of rootstocks; been instrumental in assisting the introduction of Cripps Pink into Japan and; investigating the granting of sub-licences of NAKB M9 337 to two countries.

In the last year the National Coordinator has visited New Zealand, Japan and Europe and together with the Evaluation Coordinator, attended the IDFTA Conference in Syracuse. From these travels, the National Coordinator sees a large number of the varieties of apples and pears in the world including cherries and other fruits. This gives him the opportunity to compare varieties and to come to a fair assessment of those that may have potential in our climatic conditions.

Certification

The process towards setting out the rules governing the use of the Certification trade mark has taken a long time. Although frustrating, it has in fact been a good thing, as the final draft will be a much better document for having taken the extra time to investigate all the issues involved.

In Europe they started the certification process in the 1970s and now 99% of rootstocks and 70% of varieties are sold as certified material.

Industry is constantly asking for certified material, which will start to be available in 2005, and together with the nursery tree specification as outlined by Arie van den Berg, should assist industry greatly.

Rootstocks

About 21,000 rootstocks were harvested at Monash 21-24 July 2002, which was down considerably on previous years. The salt content of the water had a big impact on the final numbers for sale.

Management practices have been developed that allows us to largely circumvent this situation from happening again in the future.

We have more beds of certified rootstocks coming into production for July 2003, so harvested numbers should increase.



Rodney Green—APFIP
Chairman



Weather conditions at Monash have been much cooler this year, although it has been very windy. There have been no salt problems as the South Australian water allocation has been coming from up-stream reserves.

Notwithstanding weather and water related issues, Monash still offers a good site for safe keeping of certified planting material as it is far removed from major growing areas and any possible pest or disease outbreaks.

Regional Evaluation

As the National Coordinator and Evaluation Coordinator have travelled overseas, they have had the opportunity to explain how our evaluation system works and all its advantages. In most cases the people they talk to are very impressed and it is becoming very apparent that the system is world-class, if not the best in the world.

Other organizations are looking at the possibility of using our data-base and if this happens it will generate extra income for APFIP.

Evaluation is proving to be the area of our activities that is drawing people and organizations to APFIP and to what APFIP can offer and is fast becoming our most important and beneficial area.

Currently in Australia, we have regional evaluation sites consisting of around forty varieties of apples on five different rootstocks and six varieties of pears on two different rootstocks.

We have had discussions with other tree fruit organizations about evaluating their varieties in the future. The National Coordinator has been communicating with the pear industry for the establishment of a demonstration pear rootstock trial in the Goulburn Valley and has been viewing similar trials while overseas to gain some ideas on how the project should proceed.

Quarantine

The new PEQ Protocol is now in place and we are working towards reducing the time in quarantine even further through the PEQ Diagnostic Project with other joint partners. This is a three-year project and we are well into the first year.

The National Coordinator has been attending the Post Entry Plant Industry Consultative Committee (PEPICC) meetings, where a range of quarantine subjects are discussed. Many of the quarantine measures that are happening at the moment are either from suggestions by the National Coordinator or through his input into discussion at the time.

It is good that our industry can work together with AQIS in this way, as other industries have the vision of where they want to go, but no person or input to see that it happens.

Industry Alliance and Communications

As a company, we are constantly putting ourselves before industry, whether it be by way of personal representation or articles in the fruit magazines.

Even so, we are still meeting growers within industry who have never heard of APFIP. When we explain to them what areas we are involved in, they are very interested and keen to share in all the benefits that will flow on to growers.

Many of our areas of operation are explained in the APFIP column of the *Tree Fruit* magazine as well as other magazines and newsletters, with the aim of keeping growers up to date on what is happening.

While travelling in Europe (November 2002), the National Coordinator gave a presentation to the INTERPOMA Conference in Bolzano and he is to be congratulated on achieving this high standing.

The NC also attended the 12th *Australasian Plant Breeding Conference* in

Perth, which was mainly about biotechnology. This conference was attended by 380 delegates from 13 countries. It was stressed that food production needs to double in the next 50 years to cater for the expected world population.

The Company had a stand at the last Snack Fruit Conference in Brisbane, which highlighted all our areas of activity. A presentation on Company activities was given at the Researchers Breakfast at this conference.

The National Coordinator and Evaluation Coordinator have given a number of presentations to industry groups through the year. I would encourage industry groups to continue to invite them to their meetings as they have a wealth of information to pass on.

We have also assisted in the variety Cripps Pink being introduced into Japan. The Company will assist APAL with establishment of a group in Japan to use the Pink Lady™ trade mark. There is some hope for this variety as in Japan it does not go greasy on the tree and can be left to hang longer to obtain a sweet taste that is acceptable to the Japanese consumer.

APFIP Board and staff



(L-R) Greg Cramond, Garry Langford, Ralph Wilson, Rodney Green, Scott Price, Marcel Veens, Ian Bolitho

Chairman's report



National Coordinator's Report

The Board is aware the communication and contact with other organizations should not be left to one person, so we send the Evaluation Coordinator to the IDFTA conference, where people come from all over the world. In this way, the Evaluation Coordinator not only is able to explain our evaluation process, but also gets to know industry people from around the world, also showing that APFIP is a well run and presented industry organization.

Conclusions

When I became Chairman of APFIP and we completed our first year of operation, progress seemed painfully slow and I wondered where we would be a few years down the track.

Having reached our current level of operation in just seven years, I must admit we have made significant progress. Some areas have been slower than others, but our communication with the rest of the industry in the world has been outstanding. I credit this achievement to the continual face-to-face contact with those in the worldwide industry.

We started with an organization—the brain-child of the AAPGA—that many did not know, let alone have confidence in, and turned it into a respected organization, known throughout the world for what we do. We can thank the employees of the Company for this.

Life in the pome fruit industry of late has not been easy and for many growers, financially stressful. It is my hope that the achievements of APFIP and the advent of certified material may be of considerable benefit to all growers now and in the future.

We sincerely thank Garry, Greg, and Tony for their dedicated involvement in the Company during the past year, particularly as Garry and Greg spend considerable time away from their families, travelling throughout Australia and the world.

I have appreciated the opportunity to serve the industry as Chairman of APFIP and thank my fellow Board members for their support. Thanks again to Horticulture Australia for their continued financial involvement.

During the past six and-a-half years, I have made many friends, whom I will never forget. My best wishes to the board of APFIP and the new Chairman in the future.

During the year we conducted a review of our progress towards self-funding. This was a requirement we placed on ourselves as a milestone in the current R&D project with Horticulture Australia Limited (HAL) that concludes in June 2005.

The first questions that needed to be answered was what would be the definition of self-funding and when would this occur.

Certification is the only one of our three key areas (the others being evaluation and the post entry quarantine (PEQ) protocols) that offers the opportunity for significant financial return.

Improvements in the PEQ system will not return any funds to the company, as the benefits will be passed directly to the industry.

I have always believed that to charge the full cost for evaluation would result in a considerable reduction in the number of customers likely to use the system, and therefore reduce its effectiveness. Growers and variety owners would lose out by not having access to independent evaluation information.

Taking all this into consideration it was agreed with HAL that self-funding for APFIP in reality would be that 75% of its income would come from commercial operations with the balance of 25% from matched levy funds. The aim is to have this income setup in place by June 2010.

We have an agreement with HAL to share the royalties generated from products developed with matched levy funds on a 60-40 basis where APFIP is 60%. As this will impact heavily on our commercial income in the period up until 2010 HAL have agreed to waive their share until July 2010.

Therefore all company activities are structured to achieve this self-funding objective.

Certification

It has taken longer than planned to complete the rules for the use of our certification trademark.

This has been a very involved process with all aspects required to conform to the Trade Practices Act. The Australian Competition and Consumer Commission (ACCC) is required to approve the certification trademark rules.

A working draft of the rules was sent to all the major nurseries in March 2003 for their input into the process. This was followed up by visits to the nurseries to discuss any issues they may have had. The general feeling was that the proposed rules were very practical and achievable.

Not all nurseries indicated that they would enter into the system in the first instance but a majority certainly did.

Chairman's report



Garry Langford—APFIP
National Coordinator



The working draft was also sent overseas to the major certifying body in the USA, NRSP 5, and to Naktuinbouw (formerly NAKB) in the Netherlands for their comment and input. Positive responses were received from both. It is anticipated that the final draft of the rules will go to the ACCC during August 2003.

APFIP will advertise for expressions of interest from nurseries that would like to become licensees to grow its certified M9 and M26 rootstocks.

Ten thousand tissue cultured (T/C) M26 rootstocks were sent to Western Australia in February to form the nucleus of certified material there.

A total of 13,000 M26 and M9 tissue cultured rootstocks will be planted with our yet to be finalised licensees in Eastern Australia this winter. This is below the estimate that was made last year with a number of issues conspiring to inhibit the T/C process.

We expect the T/C process to be more reliable now and anticipate 40,000 T/C M9 to be produced in 2004 for distribution to our licensees.

In the meantime we have conducted conventional propagation of M9 at Monash as a backup to the T/C process using seedlings as nurse roots and now have 1000 running metres of production beds. We will plant a further 1000 metres of beds this winter using this process.

Monash will become a source area for our certified rootstocks and be phased out of commercial sales as our licensees build up to commercial production.

We began heat-treating the industry standard varieties and rootstocks in 1998. The varieties Cripps Pink and Cripps Red were amongst the first intake and now have fruited for the second time in our repository.

A full comparison was undertaken this season with non-heat treated Cripps Pink and Cripps Red to show that no changes occurred to the pomological characteristics of the variety. These results will be published in *Tree Fruit* magazine in August 2003.

Nursery trees will now be made of these certified varieties and be planted in demonstration sites in a number of areas in 2005. These sites will be used to promote the value of certified nursery trees—all published research shows they give increased yields.

Evaluation

In December 2002 we commissioned our evaluation database which involved a period of considerable planning.

We sought tenders from companies versed in this process and selected an Adelaide based company, *Netconstructs*. They were able to convert our ideas into reality and completed the task on time and on budget.

Greg Cramond our Evaluation Coordinator has very capably overseen this process. We will continue to make refinements over the next year or so in consultation with the users of the database. It is hosted live online and stores all the data collected from the sites.

The data transfer is conducted through a secure connection (like online banking) to

avoid possible computer hackers. The database has a range of security measures.

Site observers are given access via a password only to sites they are authorised for and see only the APFIP codes representing the varieties. When suppliers/variety owners log on they can only see data on their varieties and see only their variety names. This maintains the anonymity of the varieties in the sites.

We collect data on industry standard varieties (Gala, Fuji, Cripps Pink) so direct comparisons can be made to new varieties, and this is also available to variety owners.

Weather data loggers are installed at sites with the information available via the database.

Customisable evaluation data summaries are also available online. It's possible to view an overall summary or information about individual rootstocks in individual sites. This online system places us at the forefront of new variety evaluation in the world.

The publication of variety evaluation information will begin this year. We require a minimum of three years evaluation data before we believe that it is reliable.

There are now several varieties that have reached this stage. The contracts we have with each variety owner specify how and when we can publish data so we require authorisation before we can proceed.

In the first instance we plan to setup visitor access to the database through a link on the APFIP website. There will be a list displayed of the variety summaries available to visitors.

The variety summaries cannot be edited and APFIP only allows further publication in the format supplied by APFIP.

Our logo appears in the corner of each report to ensure authenticity. Once this process is established we will look to provide data in other media as required—this may include *Tree Fruit* magazine and other publications.

Nothing has happened in the world in the past year that changes our mind that independent variety evaluation data will be vital to growers in the future.

Post Entry Quarantine

APFIP represents the pome fruit industry on the Post Entry Plant Industry Consultative Committee (PEPICC) that advises AQIS. This gives industry a direct say in PEQ issues.

During the past year a review of PEQ charges has been conducted to ascertain if the community service obligation (CSO) money (approximately \$1 million) that the Commonwealth government provides is being used equitably.

These funds are provided to specifically offset smuggling by reducing the PEQ charges on high security material such as pome fruit budwood. Currently this money is largely allocated to the Commonwealth stations at Knoxfield in Victoria and Eastern Creek in NSW. There are small allocations to Kingston in Tasmania and South Perth in WA with both these stations operated by their respective State governments.

National Coordinator's Report



These four stations are the only ones that can handle pome fruit budwood imports. This has meant that even low security material being entered into Knoxfield and Eastern Creek was being subsidised by the CSO funds.

The completed review will be considered by PEPIC in early July 2003 from there it will require final approval from AQIS. The new fee structure should result in more equitable access to the CSO funding no matter which PEQ station is used. This may mean a slight increase in charges for budwood imports into the Commonwealth stations.

The State government stations are able to set their own fees. It will be important to ensure that the Commonwealth government continues to recognise the importance of the CSO funding in offsetting the possibility of smuggling.

From an industry perspective it is vital that we maintain as much PEQ space as possible to ensure that there is always space available when imports are required. These changes should help facilitate this.

The new PEQ protocols have been running for a little over a year and the new system is now coming together. We are a small industry with a relatively small number of new introductions each year so we can't afford each station to develop the capacity to complete all tests.

The PEQ stations need to work together to ensure that the testing required is completed in a timely and cost effective manner. This will take time to come to complete fruition but it is well on the way. All the PEQ station managers now attend the PEPIC meetings.

The PEQ diagnostic project (AP 01030) is up and running with work being conducted in New Zealand and Australia to develop new testing protocols for our PEQ pests and diseases. This project will be completed in 2005.

A survey will be conducted towards the end of the project in Australian orchards using the new tests developed. This poses some risk to our industry as we may find things that we didn't think we had, but on the other hand, if we find nothing it will strengthen our pest and disease status.

This is clearly a risk worth taking as more accurate and efficient testing processes will assist in reducing the time in PEQ for new introductions. This will help to keep us competitive in the new variety market (worldwide).

Financial

In previous years it was not possible to spend our funding allocation in a given year as per our R&D project with HAL, as we were still developing the company operations.

This resulted in us building up a reserve of funds in our account, which we used in subsequent years. \$83,000 was carried forward from 2002-03 into this financial year. From the 2003-04 financial year onward I don't expect that we will carry forward any unexpended funds from the previous year.

Our key operational areas are now established and we will be able to operate within the project budget. The current HAL project AP 00026 will end in June 2005 and we will alter the milestone dates for payment from 30 September and 31 March to 31 July and

31 January respectively, to ensure continuity of funding. This will become less of an issue once commercial income increases.

The figures show a loss of \$106,000 in this financial year but this is largely offset by the previously mentioned carry-over of funds and we have drawn on some of our commercial funds. This will be balanced out in the next financial year.

We have spent significant one-off funds this year in the area of certification, where we have sought extensive legal advice in developing certification rules, and completed the staggered payment for heat treatment of a number of varieties and rootstocks.

Rootstock production at Monash in 2002 was reduced due to climatic factors. The beds most affected are our non-certified rootstocks. These will be removed in the next couple of years anyway as our certified beds come into production. Tony Heward our Production Manager has set up the new areas of certified beds very well and we expect the first limited harvest this winter.

Our reserve of levy funds at HAL remains, with a balance of \$276,224 being available for the Company for 2005 and beyond. The APFIP levy collection was reduced to 1.0 cent per carton in January 2002.

We are continuing negotiations with other horticultural industries to see if we can supply services based on our expertise. It is hoped that at least one other industry will be contracted in the next financial year where we will supply evaluation services.

Conclusion

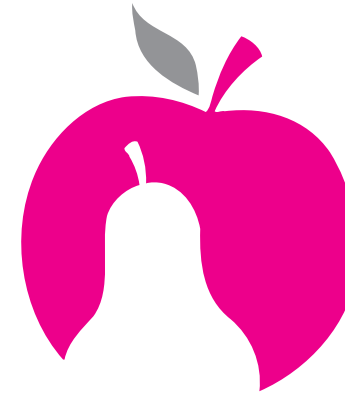
The company is now settling into its role in the industry but is ever alert to the constantly changing environment to ensure that we keep our focus on being relevant to the growers who fund us. I congratulate the Company Board for their efforts, support and dedication to the task at hand.

I would also like to thank Rodney Green who is retiring from the Board after six and a half years as Chairman. Rodney has given the Company great service. His dedication, application to detail, professional and efficient meeting manner amongst other things, has given the company an excellent footing for the future. From a personal perspective Rodney has given me every encouragement and supported me completely during this time, thanks Rodney!

I would like to express my appreciation to Greg Cramond (Evaluation Coordinator) and Tony Heward (Rootstock Production Manager) for their work throughout the year. They supply a valuable contribution in their own right and give great support to me in promoting the objectives of the company.

I make the comment each year it is vital to the Company's chances of success to maintain face-to-face contact with the people we deal with. This means that a large part of my time is spent away from home. I would not be able to do this without the tremendous support of my family (Meredith and Rohan) and I thank them for that.

National Coordinator's Report



**AUSTRALIAN POME FRUIT
IMPROVEMENT PROGRAM LIMITED**

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Year ended 30 June 2003

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DIRECTORS REPORT AS AT 30 JUNE 2003

The Directors of the Australian Pome Fruit Improvement Program Ltd, a company limited by guarantee and not having a share capital, submits the following report on the accounts of the company for the year ended on 30 June 2003.

1. DIRECTORS

The names of the Directors in office at the date of this report are:

Rodney Weston Green (resigned 30 June 2003)

Ralph James Wilson

Marcel Veens

Scott Price

Michael Stafford

Ian Bolitho (appointed 1 July 2003)

2. INFORMATION ON DIRECTORS

SCOTT PRICE (DIRECTOR, HUON VALLEY TASMANIA)

Scott has been involved in the Tasmanian pome fruit industry continuously for the past 25 years, the last 20 as manager of Calvert Bros. "Rookwood" property at Ranelagh in the Huon Valley where he lives with his wife and three children.

His industry involvement is extensive, he was instrumental in the formation of the Young Tasmanian Fruit Growers Association in 1991 and was the inaugural president, he has been a member of the pome fruit Agricultural Research Advisory Committee that gives advice to the Tasmanian Institute of Agricultural Research and is a past chairman of the Tasmanian Quality Fruits Group.

He completed an associate diploma in Agricultural Business Management with the Tasmanian Institute of Technology in 1990.

MICHAEL STAFFORD (DIRECTOR, LENSWOOD SOUTH AUSTRALIA)

Michael is a third generation orchardist and has had over twenty years experience as a managing partner in a family owned apple pear and cherry orchard at Lenswood South Australia.

He has extensive experience in the fruit growing industry having been involved particularly in the fruit improvement field. He has been secretary of the South Australian Pome fruit Improvement Committee for six years. In this role he has been active in the establishment and management of experimental demonstration tree training trials.

For five years he has been president of the Lenswood and Forest Range Agricultural Bureau, which is a grower representative group focused on technology transfer. He also represents growers on the Onkaparinga Water Catchment Management Board, a body that monitors and

DIRECTORS REPORT AS AT 30 JUNE 2003

advises on water quality issues of the Adelaide Hills catchment.

In 1998 Michael was the recipient of the Apple & Pear Growers of South Australia leadership award.

RALPH WILSON (DIRECTOR, BATLOW NEW SOUTH WALES)

Ralph has a wealth of experience in apple production, his involvement ranges from running his own orchard through to being a Board member of the Batlow Co-op for eight years, including two years as Chairman.

He has travelled extensively around the world looking at other pome fruit industries. During 1995 he was a member of the Australian apple industry benchmarking project. He travelled to the United States and South Africa as part of a fact finding team and assisted in preparing the final report.

Apart from representation on various industry committees he has been appointed by the New South Wales minister of Agriculture and Conservation to sit on the Murrumbidgee Unregulated Stream Management Committee.

MARCEL VEENS (DIRECTOR, STANTHORPE QUEENSLAND)

Marcel was born in Herveld, the Netherlands into a family of third generation orchardists. Eight of his nine bothers are fruit growers.

He has worked in fruit production in several countries around the world including New Zealand, France, Thailand and of course the Netherlands. He came to Australia in 1991 and since his arrival has been manager of the CH. Fueglistner (Australia) Group P/L. The company has two farms in south-east Queensland that are producing apples, pears, peaches, nectarines and lychees.

Marcel is currently a director of the Australian Fresh Fruit Company; he is a board member of Queensland Fruit & Vegetables and Chairman of its apple committee.

IAN BOLITHO (DIRECTOR, ARDMONA VICTORIA)

Ian is a third generation fruit grower from Goulburn Valley Victoria, married with three children he lives on his 100 ha property at Coomboona growing apples, pears, and stone fruit.

His industry involvement is extensive and he is currently Chairman of the Northern Victorian Fruit Growers Association, member of NVFA production committee, president of the Victoria Apple and Pear Growers Council a past member of the AAPGA R&D committee, and a member of the National Pear Breeding Steering Committee.

In 1997 Ian won the NVFA fruit grower of year award for contribution to the fruit industry and also the Royal Agricultural Society of Victoria farm management award. His highlights

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DIRECTORS REPORT AS AT 30 JUNE 2003

from being involved with NVFA are contributing to the establishment of the Northern Victorian Fruit Growers Association young grower group, and the orchard liaison committee at Dookie Agricultural College.

Ian has an active interest in trialing new and different tree training systems and planting densities and in new and old pear varieties.

3. PRINCIPAL ACTIVITIES

The Australian Pome Fruit Improvement Program was established in September 1996 by the Australian Apple and Pear Growers Association Inc. to work cooperatively with all sectors associated with the pome fruit industry to maximise the commercial potential and international competitiveness of the Australian pome fruit industry.

The program is funded by an industry levy that is administered and matched by Horticulture Australia Limited (HAL). The operations of the program were transferred into a company that was incorporated on 7th February 1997.

4. TRADING RESULT

The company's operating loss for the year to 30 June 2003 was \$106,049 (2002 loss of \$43,752).

5. REVIEW OF OPERATIONS

The company is a not for profit entity. It has received part of its funding entitlements for the year and further grants to which they are entitled are being held on their behalf by Horticulture Australia Limited (HAL). (Refer Note 1(d) for further explanation).

6. STATE OF AFFAIRS

The company is operating within its program guidelines and is currently in a sound financial position.

7. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

8. LIKELY DEVELOPMENTS

In the opinion of the Directors, it would prejudice the interests of the company to provide additional information relating to likely developments in the operations of the company and expected results of those operations in subsequent financial years.

DIRECTORS REPORT AS AT 30 JUNE 2003

9. DIRECTORS BENEFITS

Since the end of the previous financial year, no Director of the company has received or become entitled to receive any benefit, (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company accounts), by reason of a contract made by the company with the Director or with a firm of which a Director is a member, or with a company in which the Director has a substantial financial interest.

10. INSURANCE OF OFFICERS

During the financial year, Australian Pome Fruit Improvement Program Limited paid a premium of \$4,384 to insure the directors and officers of the company. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company.

Director
Scott Price

Director
Ralph Wilson

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STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 30 JUNE 2003

	2003	2002
OPERATING REVENUE		
Subscriptions	32	36
Interest received	4,064	3,389
HAL Grants—operating, salaries and travel	293,942	276,692
Rootstock	36,684	36,035
Consulting	19,161	9,796
Sale of fixed asset	182	-
Other	10,169	15,356
Total operating revenue	364,234	341,304
OPERATING EXPENSES		
Salaries	125,859	96,204
Superannuation and workcover	20,330	12,571
Travel - Board	15,614	16,970
Travel - Staff general	61,370	64,954
Sitting fees and allowances	2,710	2,384
Administration expenses	33,513	21,314
Accounting and auditing	2,325	2,626
Communication and promotion	10,894	14,992
Depreciation	12,548	12,305
Sundries	1,264	6,918
Project operations—evaluation	41,672	31,104
Project operations—ertification	69,354	21,962
Project operations—rootstock	60,328	70,082
Project operations—other	3,497	4,217
Consulting	9,005	6,452
Total operating expenses	470,283	385,055
Surplus/(Loss) for period	(106,049)	(43,751)
Accumulated funds brought forward	225,772	269,523
Accumulated funds at end of financial year	119,723	225,772

The accompanying notes form an integral part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003

	NOTE	2003 \$	2002 \$
CURRENT ASSETS			
Cash	2	50,223	141,777
Receivables		507	12,835
Total Current Assets		50,730	154,612
NON CURRENT ASSETS			
Property, plant and equipment	3	68,993	72,167
Total Non Current Assets		68,993	72,167
TOTAL ASSETS		119,723	226,779
CURRENT LIABILITIES			
Accounts payable		-	1,007
Total Current Liabilities		-	1,007
TOTAL LIABILITIES		-	1,007
NET ASSETS		119,723	225,772
ACCUMULATED FUNDS			
Accumulated surplus		119,723	225,772
TOTAL ACCUMULATED FUNDS		119,723	225,772

The accompanying notes form an integral part of these accounts.

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STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2003

	NOTE	2003 \$	2002 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		372,498	325,080
Payments to suppliers and employees		(458,742)	(376,751)
Interest received		4,064	3,389
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	4	(82,180)	(48,282)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(9,374)	(2,970)
NET CASH USED IN INVESTING ACTIVITIES		(9,374)	(2,970)
Net increase/(decrease) in cash held		(91,554)	(51,252)
Cash at the beginning of the period		141,777	193,029
CASH AT THE END OF THE PERIOD		50,223	141,777

The accompanying notes form an integral part of these accounts.

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2003

NOTE 1 – STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the accounts of the company, Australian Pome Fruit Improvement Program Limited, are stated to assist in a general understanding of these accounts.

In accordance with Accounting Standard AASB 1025: Application of the Reporting Entity Concept and Other Amendments, the Directors have determined that the company is not a reporting entity and therefore a general purpose financial report is not required.

This special purpose financial report has been prepared for distribution to members and is in accordance with the Corporations Law and Accounting Standard AASB 1034: Information to be Disclosed in Financial Reports. Other Accounting Standards and professional reporting requirements (UIG Consensus Views) have not been applied, as they do not have mandatory applicability to the company.

(a) Basis of Accounting

The accounts have been prepared on the basis of historical costs and except where stated do not take into account current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. While the accounts recognise expenses on a cash basis, it is not expected that this amount will vary materially from the total of expenses reported on an accrual basis.

(b) Income Tax

The company is a not-for-profit company and accordingly there is no income tax applicable.

(c) Depreciation of Plant and Equipment

Plant and equipment are depreciated over their estimated useful lives using the straight-line method. Profits and losses on disposal of property, plant and equipment are taken into account in determining the result for the year.

(d) Unpaid Grant Monies

As at 30 June 2003, there is still an amount of \$276,224 (2002–\$516,331) due to the company from Horticulture Australia Ltd (HAL) in accordance with the company's previous formal funding arrangements. The company has agreed with HAL that these amounts will be retained by HAL until the company needs these funds. This amount has not been recognised in the accounts at 30 June 2003.

Financial Statements



NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2003

	2003	2002
NOTE 2 – CASH		
NBA Cheque Account	4,474	41,777
Term deposit	45,749	100,000
	50,223	141,777
NOTE 3 – PROPERTY, PLANT AND EQUIPMENT		
Office Equipment at cost	33,523	30,569
Less: accumulated depreciation	(17,834)	(18,493)
	15,689	12,076
Plant and Equipment (Rootstock Development Project)	93,377	93,377
Less: accumulated depreciation	(40,073)	(33,286)
	53,304	60,091
Total fixed assets	68,993	72,167
NOTE 4 – CASH FLOW INFORMATION		
Reconciliation of net cash flows from operating activities to operating profit		
Operating surplus/(loss)	(106,049)	(43,751)
Depreciation	12,548	12,305
Changes in assets and liabilities:		
(Increase)/decrease in receivables	12,328	(12,836)
(Decrease)/increase in creditors	(1,007)	(4,000)
NET CASH INFLOWS (OUTFLOWS) FROM OPERATING ACTIVITIES	(82,180)	(48,282)

DIRECTORS' DECLARATION FOR THE PERIOD ENDED 30 JUNE 2003

The Directors declare that the financial statements and notes set out on pages 30 to 38:

- (a) comply with accounting standards to the extent explained in note 1 to the financial statements.
- (b) give a true and fair view of the profit of the company for the year ended 30 June 2003 and the financial position of the company as at 30 June 2003

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Director
Scott Price

Director
Ralph Wilson

Financial Statements

AUDITORS' REPORT TO THE MEMBERS OF AUSTRALIAN POME FRUIT IMPROVEMENT PROGRAM LIMITED

SCOPE

We have audited the special purpose financial report of Australian Pome Fruit Improvement Program Limited for the period ended 30 June 2003 as set out on pages 30 to 38. The Directors are responsible for the preparation and presentation of the financial report and have determined that the accounting policies used are consistent with the financial reporting requirements of the Corporations Law and are appropriate to meet the needs of the members. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of Australian Pome Fruit Improvement Program Limited. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

The financial report has been prepared for distribution to members for the purpose of fulfilling the Directors' financial reporting requirements under the Corporations Law. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with the accounting policies described in Note 1 to the financial statements.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the financial report of Australian Pome Fruit Improvement Program Limited is in accordance with:

- (a) the Corporations Act, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2003 and of their performance for the financial year ended on that date; and
 - (ii) complying with Corporations Regulations and accounting standards to the extent explained in note 1 to the financial statements.

Day Neilson
Accountants and Advisors

G.T. Ross
Partner

