



annual report to industry
2005-2006



Australian Pome Fruit
Improvement Program Ltd



Apple & Pear Australia Ltd.

Apple and Pear Industry

Apples and pears are grown in all six Australian states, (not in the Northern Territory). The major apple and pear producing areas are Stanthorpe in Southern Queensland, Orange and Batlow in New South Wales, the Goulburn Valley and Southern Victoria, Huon Valley in Tasmania, Adelaide Hills in South Australia and the Perth Hills, Donnybrook and Manjimup regions in Western Australia. In addition, there are many small pockets of apple and pear production in each state.

Victoria is Australia's largest producer of apples and pears, generally producing more than 30 per cent of the nation's apples and close to 90 per cent of the nation's pears – mostly from the Goulburn Valley area around Shepparton. Tasmania and Western Australia are the next largest apple producing states.

The main apple varieties grown traditionally have been Red Delicious and Granny Smith (55 per cent of production in 1998/99). But newer varieties such as Gala, Fuji, Cripps Pink (which may be sold using the trademark brand name Pink Lady™) and Cripps Red (which may be sold using the trademark brand name Sundowner™) now account for more than 40 per cent of production.

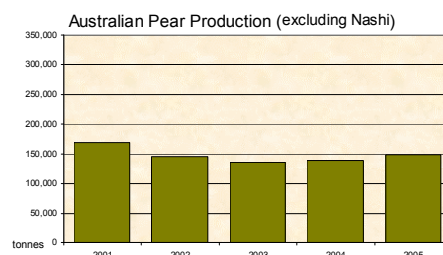
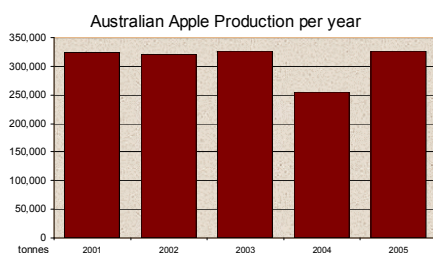
Apple and pear exports are focused on the premium markets of Asia, Europe and Sub-Continental Asia.

Australia, in relation to other Apple and Pear producing countries, represents around 0.8 per cent of world production of apples and 1.4 per cent of world pear production.

At a glance

- * Farm gate value of production in 2001-02 was \$378 million
- * The apple and pear industry is the third largest horticultural industry in Australia after grapes and citrus
- * Total apple production is about 330,000 tonnes, with about 23 per cent used for processing
- * Total pear production is about 210,000 tonnes, with about 30 per cent used for processing
- * Apples were grown on about 1100 orchards, pears on 708 orchards
- * Area under apple orchards is 14,590 hectares, with 5,600 hectares under pears
- * Around Australia, the capacity of Controlled Atmosphere storage is 22,000 tonnes
- * There is another 8,000 tonnes capacity of cool storage.

(Source for figures: ABS survey, 2005)



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Our organisation

Apple and Pear Australia Limited (APAL) is the peak industry body representing commercial apple and pear growers in Australia.

It is a key influencer on the direction of research and development projects and the marketing and promotions strategies for advancing the industry domestically and internationally. These activities are funded through levies paid by each apple and pear grower in Australia. The funds and many of the activities are administered through Horticulture Australia in close association with APAL.

APAL also represents the industry on an agri-political level, including campaigning to protect the Australian pome fruit industry against quarantine risks posed by unsafe imports. These activities are funded separately from the levies through specific contributions.

In addition, APAL manages a number of trademarks internationally on behalf of industry – most notably the **PINK LADY™** and **SUNDOWNER™** trademarks, which offer a mechanism for growers worldwide to sell premium quality apples from the varieties Cripps Pink and Cripps Red at a premium price.

Industry Advisory Committee

The apple and pear Industry Advisory Committee is the body that reports to the board of Horticulture Australia Limited on matters that affect the apple and pear industry. The Industry Advisory Committee reports on levy issues on behalf of the industry and in particular on the design and development of marketing, and research and development programs and investment of levy funds.

The apple and pear Industry Advisory Committee has an independent chairman, Mr Bob Granger, with the remaining members of the IAC being the board members of Apple and Pear Australia Ltd. Having APAL board members as directors of the IAC as well ensures a high level of synergy between the business undertaken by APAL and Horticulture Australia Limited.



Bob Granger, Chair IAC

Members of the APAL Board



Darral Ashton
Chairman—New South Wales
Reappointed August 2005, term concludes AGM 2008



Kevin Sanders
Deputy Chair—Victoria
Reappointed August 2005, term concludes AGM 2008



John Lawrenson
Chair, Finance and Audit Committee—Board Appointment
Appointed January 2006, term concludes AGM 2008



Vick Grozotis
Director—Western Australia
Appointed May 2004, term concludes at AGM 2006



Ugo Tomasel
Director—Queensland
Reappointed August 2004, term concludes at AGM 2007



John Magarey
Director—South Australia
Appointed September 2003, term concludes at AGM 2006



Jon Durham
Managing Director
Appointed February 2004



Andrew McNab
Director—National Pear
Reappointed September 2003, term concludes at AGM 2006



Jos Driessen
Director—Tasmania
Reappointed August 2004, term concludes at AGM 2007



Chairman's report

In the past year, Apple and Pear Australia Ltd has continued to work hard to deliver a positive environment for Australian apple and pear growers. However, I am acutely aware that we need to work harder and smarter in the future to ensure the ongoing competitiveness of our industry.



One of the biggest issues we managed was our scientific response to the draft New Zealand Import Risk Assessment (IRA) on New Zealand apples coming into Australia. Trevor Ranford did a great job to coordinate the responses from many expert scientists addressing all the issues raised in the Biosecurity Australia response to the New Zealand apples issue. The response ended up being 417 pages long.

I extend my sincere thanks to John Corboy, who chaired the IRA task force and to Trevor Randford for the work he also did in collating and editing the responses from our scientific experts.

We expect to have Biosecurity Australia's report later this year.

Another positive feature of the year was the strong relationship the apple and pear industry maintained and further developed with the federal government and the Department of Agriculture, Fisheries and Forestry.

The Minister for Agriculture, Fisheries and Forestry, Senator Peter McGauran has demonstrated his strong interest in horticulture through many actions. He attended a number of horticultural industry functions, including the opening of the new grading plant at the Batlow Fruit Co-operative.

The Minister has also been generous in his support and partnership with the apple and pear industry.

During 2005-06 the Minister approved funding for the development of three significant reports

- * A strategic review and needs situational analysis of the Australian apple and pear industry.
- * A scoping study of supply chain efficiency.
- * Accelerating the adoption of intensive orchards systems.

From those reports, our industry was able to demonstrate the need to conduct a major communication – extension effort to encourage growers to continue to increase their competitiveness by further developing the intensity of orchard plantings. The Minister was generous in providing \$1 million from the Industry Partnership Program for us to conduct what is now known as the Future Orchards 2012 project. There are more details of that program in the Operational Report section of this report.

The Future Orchards 2012 work will also help us manage the impact that having a few dominant retailers has on the smaller growers. There have been a number of developments in the supply chain that has caused APAL to give considerable thought to developing mechanisms to ensure that small growers are not disadvantaged.

Another significant positive that I can report on is the continuing growth of our Pink Lady™ and Sundowner™ management business. Based on this success and the increasing importance this business is to APAL, we are considering what role APAL can play in developing other Intellectual Property opportunities.

The future

Despite the great work done in 2005-06, I see the future of our industry as being even more exciting and challenging.

Globalisation will change our industry more in the next five years than it has previously. We have to be realistic that in the next few years, there is a strong possibility that apples will be imported into Australia from New Zealand, USA and China. Whatever happens, we have to be prepared to bring our industry up to international competitiveness in both the domestic and export markets.

While I believe country of origin labelling will help to some degree, I don't believe that by itself, it will save the local industry.

We also have to respond to the internal pressures we are facing such as labour shortages, the retail environment and the low price of processing fruit.

With all these pressures, there is no room for complacency.

I strongly believe we need to:

- * position ourselves to take advantage of premium markets both here and overseas
- * reduce the costs of production and increase the overall quality to get the maximum proportion of products into the premium markets
- * be innovative with varieties and variety management systems
- * work cooperatively to ensure we get greater returns on the capital invested in our infrastructure
- * work more closely with our allied industries such as cherries and summer fruits to create a greater critical mass in dealing with governments, markets and industry issues
- * encourage and develop future leaders at all levels to ensure the ongoing success and professionalism of the industry.

As I said, the industry's future is both challenging and exciting but I have every confidence that the people in the apple and pear industry can embrace this future.

Thanks

The APAL office has once again risen to the challenges of the year and I want to thank Jon Durham and the office team for their dedicated and hard work.

As we face our future, the work of the APAL office will become more complex, more challenging and more demanding, but I have every confidence that the staff will cope and thrive in this environment.

Finally I would like to once again thank my fellow APAL board directors for their generous support of both the industry and me. They continue to perform their duties with dedication and enthusiasm. Together we look forward to addressing the challenges and opportunities of the future.



Darral Ashton
Chairman
Apple and Pear Australia Ltd



Managing Director's report

An outstanding feature of the 2005-06 year was the relationships we maintained and built upon with the many organisations and groups associated with the apple and pear industry. Working with these people allows Apple and Pear Australia Ltd (APAL) to lead and manage activities on behalf of growers and the wider apple and pear industry.



The operational report details many of the interactions APAL has had with industry organisations. It is interesting to reflect on these relationships as they give a greater sense of the depth and breadth of APAL's work and of the complexity of the industry at large.

Our relationship with Horticulture Australia Limited (HAL) continues to be strong and robust, which is critical, as I'm sure most growers are aware that HAL is the custodian of industry marketing and research and development funds for the apple and pear industry as well as for all other horticultural industries.

We have also made a successful move to strengthen and develop our relationships with State based organisations and we see this improvement continuing into the future.

Our relationships with federal, state and local government representatives and organisations has again proved to be highly beneficial to the industry, the most notable example being the \$1 million in funding for the Future Orchards 2012 project.

Overall we will continue to work at improving all our relationships during the 2006-07 financial year.

IP Management

It has been pleasing to see the strength of the Pink Lady™ and Sundowner™ brands in our partnership countries. In Europe and the United Kingdom, growth in sales of branded apples has been of the order of 20 per cent year on year, but importantly, that growth has occurred with stable prices, despite the overall market being quite volatile.

Another highlight of the year was the conclusion of negotiations with Japan so that it is now licensed to produce the Pink Cripps variety and use the Pink Lady™ brand in the Japanese market.

Staff

The APAL office continued to improve its work practices to meet and exceed company goals. Staff worked with directors to create APAL strategic and operational plans to provide more focus for the company and its staff to support the industry.

As part of staff development, the Business Manager, Tony Russell, attended the US Produce Marketing Association meeting in Atlanta, Georgia and subsequently visited major apple and pear growing areas of Oregon and Washington State to observe the latest developments in production techniques, supply chain management, communication, and industry structures and organisations. This HAL funded study tour was important in developing the skills and knowledge base of APAL staff.

Staff changes during the year led to the appointment of a new financial manager, Leanne Groves, in February. Leanne has had over 25 years experience in accounts, administration and secretarial roles within government and private industry sectors, including citrus and dried fruits organisations.

Interviews were conducted during May to fill the newly created communications manager position. The position was offered to Stuart Gray who commenced duties on 1 July 2006.

I wish to express my thanks to the APAL staff for their hard work and ability to manage the increasing workload of the office with good spirit and diligence.

Leadership and Future Directions

The Future Orchards 2012 project has highlighted the significant change that will be required during the next ten years for the Australian industry to meet the challenges of international competition. These changes will require leaders in all areas of the industry, amongst growers, at the APAL office and all along the value chain.

APAL is investigating how it can support leadership development especially among younger members of the industry. From an APAL perspective, it is critical for the ongoing success and relevance of the company that there is a growing number of enthusiastic young growers prepared to contribute to the governance of the company and the industry.

In the foreseeable future there is no doubt that globalisation of world markets will impact on Australian apple and pear growing businesses, we have already experienced the impact in our market of low priced Chinese apple juice concentrate, have been competing with imported pears from China and are now facing the prospect of imported fresh apples from New Zealand. Other countries will surely follow. APAL has focused on this change potential with programs like APFIP, international study tours and Future Orchards 2012, all of which are intended to provide the tools and the knowledge that will take the industry forward in a viable and sustainable manner.

Australian apples and pears do have a place in the domestic and international markets, but we will have to work hard to reduce our production costs and increase the overall percentage of absolute premium quality. Our future will not be at the commodity end of the world market but through premium quality apples and pears innovatively marketed into the high value market opportunities that exist globally.



Jon Durham
Managing Director
Apple and Pear Australia Ltd





Operational report

During 2005/06, Apple and Pear Australia Ltd developed its first formalised Operational Plan. The plan contained goals and strategies designed to move the organisation forward in terms of both its own strategic plan, which was formulated in 2005, and the industry strategic plan, which was updated in 2005.

Major achievements for the 2005/06 year have been:

- * To develop and maintain significant industry relationships across the full range of organisations supporting and interacting with the apple and pear industry
- * The development of the Future Orchards 2012 program
- * The production of a submission in response to the re-revised Draft Import Risk Analysis for New Zealand Apples
- * Signing agreements to establish Pink Lady™ in Japan
- * A significant improvement in the relationship between APAL and State Associations
- * A significant upgrade in account keeping standards and practices

Industry Relationships - Horticulture Australia Limited

Apple and Pear Australia Ltd has many important industry relationships but its most significant is with **Horticulture Australia Limited (HAL)**. HAL is the custodian of industry funds for the apple and pear industry as well as all other horticultural industries.

How Horticulture Australia Limited uses those funds, which are provided by grower levies and the federal government, is strongly guided by Apple and Pear Australia Ltd, the Apple and Pear Industry Advisory Committee and Horticulture Australia Limited itself.

APAL provided focussed and well-researched input into industry marketing and research and development plans. It established the Pear Advisory Group to provide a more focussed direction to the Industry Advisory Committee on priorities for investment in pear marketing and research and development.

Reporting of the results and ongoing projects is available from Horticulture Australia Limited but in summary:

- * Total investment in apple and pear marketing and research and development in 2005-06 was \$6.74 million.
- * There are 53 apple and pear research projects currently funded across the whole range of industry issues including technical, plant varieties, disease management, domestic and export marketing.
- * The apple and pear industry also contributes funds to an across industry program that addresses issues that affect all horticultural industries.
- * Key across industry initiatives were:
 - Addressing security of water supply and access to water issues Market access issues
 - The role of biotechnology in the apple and pear industry.

APAL continued to work with HAL to improve delivery of services to growers and better administer levy funded projects.

Other Activities

Also during the year, APAL

- * Completely revised its Industry Strategic Plan, which was presented to researchers at the annual conference in August 2006.
- * Managed appropriate research and development projects to support the technical response to the New Zealand Import Risk Analysis
- * Prepared a study tour to major pome fruit producing areas in Italy, Germany and France. The study tour occurred during July and August 2006.

State Associations

APAL identified a need to improve communications with its State Association members and to achieve this, phone conference calls were conducted on two occasions and a face to face meeting with APAL, State Executive Officers and State Chairmen was conducted in June in the APAL office.

These meetings proved successful in transferring information from APAL and importantly, getting feedback from the state associations on a range of important industry issues.

The improved relationship is adding much value, particularly in addressing industry issues in a timely manner.

Government Relationships


Another very significant set of relationships for the industry and APAL is with the **three tiers of government** and many government departments that interact with the apple and pear industry.

The industry and Apple and Pear Australia Ltd have established strong working relationships with key members of the Federal government, which has assisted the industry through:

- * Political support, scrutiny and diligence with respect to the Import Risk Analyses (IRA) that have been conducted
- * Support for improving market access for Australian fruit into export markets
- * Representations regarding labour issues
- * Representations regarding environmental issues
- * Representations regarding the Horticultural Code of Conduct

Their support has also helped us secure Industry Partnership Program funding for the project *Future Orchards 2012* that will give the industry a major boost in the years to come.





Operational report

Government Relationships

There are many **government departments** that impact on the apple and pear industry:

Department of Agriculture, Fisheries and Forestry has a very close working relationship with the apple and pear industry and its staff worked hard to secure \$1 million in funding for the Industry Partnership Program.

The Industry Partnership Program has funded the Future Orchards 2012 project and details are provided below.

Biosecurity Australia has had a long relationship with the apple and pear industry with respect to the Import Risk Analysis of fruit imported into Australia.

While the long running debate over New Zealand apple access and biosecurity risks associated with Fire Blight, European canker and a number of insect pests is drawing to a close, biosecurity issues are under international scrutiny for access of apples from China and United States. It is expected these two applications in particular will be dealt with by Biosecurity Australia in the very near future. (see below).

Australian Quarantine and Inspection Service has responsibility for implementing quarantine policy and provides valuable pre-border, at the border and post-border activities.

AQIS also facilitates exports and provides certification of Australian product to comply with foreign import requirements.

APAL has had discussions with AQIS regarding the cost of services to the industry as these costs do impact on grower returns.

Levy Management Services collects levies on behalf of the industry. APAL regularly meets with Levy Management Services to discuss issues such as cost of collecting levies and the effectiveness of collection processes.

National Residue Survey monitors apple and pear samples at many stages of the value chain to ensure the industry complies with Australian and international residue standards. It is pleasing to note that in 2005-06, all the apple and pear samples tested were 100 per cent compliant with the Australian Food Standards, that is, no residue levels were found above the limit.

In 2006-07, due to a small increase in the survey levy, savings in residue testing and other efficiencies, NRS will double the number of apple and pear samples to be tested.

This will:

- * Allow sampling from a greater number of pack houses and growers and therefore spread the residue testing program across a broader industry spectrum
- * Allow pack houses to take samples at harvest and when fruit comes out of cool storage,
- * Provide further information on the residues on fruit directly after harvest, and before and after cool storage.

Other Industry Bodies

Other industry bodies that are important to the apple and pear industry are the:

Industry Management Committee, which is a HAL Board sub-committee that deals with issues that impact across all horticultural industries such as water management and usage. Tony Russell makes a valuable contribution to this committee.

Industry Advisory Committee for apples and pears, which advises on industry investment in research and marketing activities. It has an independent chairman, Mr Bob Granger, and APAL Board Directors serve on this as well to ensure industry cohesion with respect to research and marketing priorities.

Director Selection Committee for Horticulture Australia Limited, which manages, recommends and nominates candidates for the Horticulture Australia Limited board. Chairman of APAL, Mr Darral Ashton, is a member of this committee.

Plant Health Australia This year saw a real strengthening of the industry's relationship with Plant Health Australia through the development of the National Apple and Pear Industry Biosecurity Plan (IBP). Preparing the Apple and Pear IBP was a joint effort between Plant Health Australia (PHA), Apple and Pear Australia Limited, the Australian Government and state and territory governments.

The IBP provides a national framework for managing biosecurity risks and ensures that risks associated with pests are minimised and there is a capacity to respond effectively to any pest threats.

Alma Reynolds has responsibility for working closely with Plant Health Australia, where she has achieved a great deal over the past twelve months.

IP Management

An increasingly important function of APAL is the management of Pink Lady™ and Sundowner™ intellectual property (IP) through a network of licensed users of the trademarks, who have either a master license or a sublicense.

Europe is currently a major market for branded Pink Lady™ sales and is managed effectively in the European Union by Starfruits, except for the United Kingdom, where Coregeo, a wholly owned subsidiary of APAL, manages the Pink Lady™ and Sundowner™ brands.

Growth in the EU and UK markets, currently running at around 20 per cent year on year in the use of the Pink Lady trademark while maintaining stable prices in a volatile market, is a real highlight.

Other highlights include:

- * In Asia, APAL concluded negotiations with Japan, which makes that country licensed to produce Cripps Pink variety and use the Pink Lady™ trade mark. Garry Langford has provided valuable assistance through his long standing relationships with Japanese growers to make this possible.
- * APAL is also addressing ongoing challenges in the southern hemisphere and with a small number of retailers in Europe with respect to the brand.





Operational report

International Pink Lady Alliance

This alliance provides a global representation for Pink Lady™ intellectual property management using expertise from participating countries around the world. It has developed an international business plan and model for the advancement of the Pink Lady™ brand. The Board of Directors met in Chile in 2005-06 and will meet in Seattle, Washington State, USA, in 2006-07.

Future Orchards 2012

Apple and Pear Australia Ltd secured government funding from the Industry Partnership Program to conduct a major program designed to lead the Australian apple and pear industry to world competitiveness through production efficiencies.

The program is called Future Orchards 2012, and it is described as a roadmap to an internationally competitive Australian apple and pear industry.

The goals of Future Orchards 2012 are:

- * Year 2: Australian apple and pear growers are thinking about and planning new actions in relation to intensification, product quality, international competitiveness and profitability.
- * Year 5: All new plantings are intensive. Older plantings are managed to provide maximum profitability.
- * Year 10: The Australian apple and pear industry is world competitive.

The technical component of the project is being facilitated by AgFirst, a world leading consultancy company from New Zealand which has specialist horticultural skills. It was chosen after an international search was conducted to find the best skills and experience required for the consultancy. Alma Reynolds from APAL is managing the project.

The main drivers for the project are to lower orchard production costs per kilogram of fruit and increase the percentage of premium fruit harvested to prepare Australian orchardists for international competition in the domestic markets and increase competitiveness in export markets.

The project will monitor designated blocks with different tree densities in each apple and pear growing district. Orchard walks will be held four times each year at these blocks to give growers first hand comparisons of the costs and returns from different tree densities.

Communications

The primary focus of communications with growers and the industry remained through Tree Fruit magazine, which was produced ten times during the year and Apple and Pear World News, which was produced 45 times during the year and distributed via email.

Funding was set aside for the new communications manager too conduct a communications audit to assess grower and industry attitudes towards a range of communication matters with a view to improve the quality and range of ways in which APAL conducts its communications.

Biosecurity

The Fireblight Task Force continued to have an important role in the industry with a major effort directed towards the response to the New Zealand Import Risk Analysis. However, during the year, Fire Blight had a lot lower public and political profile than it has had it previous years.

Biosecurity Australia submitted its Revised Draft Import Risk Analysis Report for Apples from New Zealand in December 2005 and the industry and other stakeholders submitted comments on it in March 2006.

A team of expert scientists contributed to the 417-page response that APAL prepared. The response was coordinated and written by Trevor Ranford. Once again, John Corboy made a huge strategic contribution through his chairmanship of the Fireblight Task Force.

The draft final report was referred to the independent Eminent Scientists Group to ensure that Biosecurity Australia had taken stakeholder comments into account before producing a Final Import Risk Analysis Report, which is expected by the end of 2006.

The final report and recommendations will be provided to the Director of Animal and Plant Quarantine, who will then make a quarantine policy determination.

Australian Pome Fruit Improvement Program

APAL recognises the value the Australian Pome Fruit Improvement Program (APFIP) program is providing the Australian apple and pear industry. The General Manager of APFIP, Garry Langford, provides increasing value to industry networks, particularly through his chairmanship of the Prevar Marketing and Technical Committee and its work in commercialising new apple and pear varieties.

Prevar

Prevar™ Limited is a company designed to globally develop and commercialise a continuous line of innovative apple and pear varieties. It also expects to play an important role in helping to increase the global per capita consumption of apples and pears.

The 2005-06 year saw a number highlights:

- * There were 12 apple and 6 pear varieties assigned from HortResearch while commercialisation strategies reached final stages for two apple and three pear varieties.
- * Commercialisation partners were engaged in New Zealand. Representatives from a number of Australian companies have been visited by or have visited Prevar during the year to look at the new varieties. APAL is encouraging more to do so this season. There will be fruit available for evaluation this season in Australia from trees grown in Australia.
- * Prevar has engaged a market research company to undertake a survey of 1200 consumers from North America, Europe and Asia. The market research aims to give Prevar an understanding of likely consumer preferences. Namely, is coloured flesh important and if so which colours would be the preferred and should we breed for composition with regard to health benefits etc.
- * International promotion of Prevar occurred through presentations in the USA during the year. It will also have a presence in Europe this coming year at Interpoma in Italy in November and Fruit Logistica in Germany in February.
- * Prevar investigated commercialisation opportunities in emerging economies. Reconnaissance work has been undertaken in China to assess the potential for local market development of Prevar varieties and a further visit is planned for October this year. There are no commercial plans developed for China at this stage.





Financial Statements

DIRECTORS REPORT AS AT 30 JUNE 2006

The Directors of Apple and Pear Australia Ltd, a company limited by guarantee and not having a share capital, submits the following report on the accounts for the company for the year ended on 30 June 2006.

DIRECTORS

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

Darral Ashton
Jos Driessen
Andrew McNab
Kevin Sanders
Ugo Tomasel
John Magarey
Vick Grozotis
Jon Durham
John Lawrenson

INFORMATION ON DIRECTORS

Darral Ashton – Diploma Marketing Management, Company Directors Diploma, Advanced Company Directors Diploma, FAICD

Mr. Ashton is an apple grower from Batlow in NSW and has worked within the apple industry for 32 years. Mr. Ashton is currently Chairman of the Batlow Co-operative. Mr. Ashton is currently the Chairman and a member of APAL's Board Remuneration Committee and Finance and Audit Committee. He has been a Director since August 2002.

Joseph Driessen

Mr. Driessen is an apple grower from Tasmania and has worked in the apple industry for 36 years. Mr. Driessen is a member of the Board Remuneration Committee and Finance and Audit Committee. He has been a Director since August 2002.

Andrew McNab

Mr. McNab currently manages a fruit growing business in the Goulburn Valley in Victoria and has worked within the apple and pear industry for 25 years. He has been a Director of APAL Board since August 2002.

Kevin Sanders

Mr. Sanders is an apple grower from Victoria and has worked within the apple and pear industry for 35 years. Mr. Sanders is Deputy Chairman of the Board and has been a Director since August 2002.

John Magarey – Bachelor of Science, Agriculture

Mr. Magarey is currently a pear grower in South Australia and has worked in the pear industry for 29 years. He has been a Director since August 2003.

Ugo Tomasel

Mr. Tomasel is an apple grower from Queensland and has worked in the apple and pear industry for 34 years. Mr. Tomasel is a member of the Board Remuneration Committee and Finance and Audit Committee. He has been a Director since August 2002.

Vick Grozotis – Bachelor of Science, Agriculture

Mr. Grozotis has been managing an orcharding/coolstore/packhouse operation in Western Australia for the last 15 years. He has been a Director since May 2004.

Jon Durham

Mr. Durham has worked in the apple and pear industry for 37 years. Mr. Durham is the Managing Director, and is a member of the Board Remuneration committee and Finance and Audit Committee. He has been Managing Director since August 2002.

John Lawrenson – ASA, FCA (UK)

Mr. Lawrenson is an independent Director appointed in January 2005. Mr. Lawrenson is currently a Director and Chairman of the Australian Fresh Fruit Company and Chairman of Pink Lady Australia. Mr. Lawrenson is a member of the Board Remuneration committee and Finance and Audit Committee.

3. PRINCIPAL ACTIVITIES

Apple and Pear Limited (APAL) was incorporated on 9 August 2002. Its principal activity is to act as the peak industry body representing commercial apple and pear growers in Australia. APAL is a key influence on the direction of research and development projects and the marketing and promotions strategies for advancing the industry domestically and internationally. These activities are funded through levies paid by each apple and pear grower in Australia. The funds and many activities are administered through Horticulture Australia in close association with APAL.

APAL also represents the industry on an agri-political level, including campaigning to protect the Australian pome fruit industry against quarantine risks posed by unsafe imports. These activities are funded separately from the levies through specific contributions.

In addition, APAL manages a number of trademarks internationally on behalf of the industry – most notably the Pink Lady and Sundowner trademarks. APAL has licensed users of the trademarks in major producing countries and in the principal markets for the Pink Lady™ products. The primary export market for Australian Pink Lady™ apples is the UK with the majority of fruit for the export market being co-ordinated through Pink Lady™ Australia – a company established in 1999 by APAL and the Australian Fresh Fruit Company.

4. TRADING RESULT

At 30 June 2005 APAL valued its Prevar equity at cost. The Directors assessed the value at 30 June 2006, and have valued Prevar equity based on the net asset value as reported by Prevar Limited at their year end.

APAL's operating deficit for the year to 30 June 2006 was \$917,518, after the Prevar asset write down of \$2,389,438.





Financial Statements

5. DIVIDENDS PAID OR RECOMMENDED

As the company is limited by guarantee and has no issued capital, no dividends were paid.

6. REVIEW OF OPERATIONS

APAL's operations performed well during the year due to a continued growth in trademark management revenues.

7. STATE OF AFFAIRS

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

8. 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.

9. 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.

10. ENVIRONMENTAL REGULATION

The directors do not believe that the operations of the company are subject to any particular and significant environmental regulation.

11. DIRECTORS BENEFITS

Since the end of the previous financial year, no Director of the company has received or become entitled to receive any benefit, 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.

12. DIRECTORS' MEETINGS

The number of directors' meetings held in the period each director held office during the financial year, and the number of meetings attended by each director, are:

Board of Directors' Meetings

Director	Number held while in office	Number attended
Darral Ashton	6	6
Jos Driessen	6	6
Andrew McNab	6	5
Kevin Sanders	6	6
Ugo Tomasel	6	6
John Magarey	6	6
Vick Grozotis	6	5
Jon Durham	6	6
John Lawrenson	6	6

INSURANCE OF OFFICERS

During the financial year, APAL paid a premium of \$3,581 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.

AUDITORS INDEPENDENCE DECLARATION

A copy of the Auditors Independence declaration that is required under section 307C of the Corporations Act 2001 is set out on the following page.

Dated at Melbourne this 5th day of September, 2006.

Signed in accordance with the resolutions of the Directors:



Director: Darral Ashton



Director: John Lawrenson



Financial Statements

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$	2005 \$
Operating Income from ordinary activities	2	4,067,866	7,916,004
Operating Expenditure from ordinary activities			
Travel		115,467	112,117
Meeting expenses		35,292	29,105
Office expenses		197,853	258,978
Consultants		80,293	53,788
Professional fees		39,936	23,414
Insurance		9,867	18,211
Employee Costs		514,417	500,009
Publications		137,854	132,584
Depreciation		17,205	15,071
Trade Mark Management		683,288	467,864
Prevar R&D expenses	5	-	3,496,960
Asset write down	5	2,399,773	-
Project Management		754,139	772,466
		4,985,384	5,880,567
Operating Surplus/(Deficit) for year		(917,518)	2,035,437

The accompanying notes form part of these accounts.

**BALANCE SHEET
FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	2006	2005
		\$	\$
Current Assets			
Cash	3	863,236	346,325
Receivables	4	511,324	195,323
Total Current Assets		1,374,560	541,648
Non Current Assets			
Receivables	4	189,393	199,729
Investments	5	307,992	1,931,748
Property, Plant & Equipment	6	904,617	916,267
Other	7	11,625	21,079
Total Non-Current Assets		1,413,627	3,068,823
TOTAL ASSETS		2,788,187	3,610,471
Current Liabilities			
Creditors	8	305,359	340,730
Provisions	9	110,143	36,109
Deferred Income	10	697,050	202,740
Total Current Liabilities		1,112,552	579,579
Non Current Liabilities			
Provisions	9	1,783	39,522
Interest Bearing Liabilities	11	174,000	574,000
Total Non Current Liabilities		175,783	613,522
TOTAL LIABILITIES		1,288,335	1,193,101
NET ASSETS		1,499,852	2,417,370
RETAINED EARNINGS			
Retained Earnings		1,499,852	2,417,370

The accompanying notes form part of these accounts.



Financial Statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$	2005 \$
Cash Flows from Operating Activities			
Receipts from operations		2,747,469	8,022,660
Interest received		14,190	5,646
Payments to suppliers and employees		(1,839,193)	(5,725,679)
Net cash inflow from Operating Activities	13	<u>922,466</u>	<u>2,302,627</u>
Cash Flows from Investing Activities			
Property, plant and equipment		(5,555)	(289,668)
Investment in Prevar Ltd		(765,682)	(1,732,318)
Net cash flow from Investing Activities		<u>(771,237)</u>	<u>(2,021,986)</u>
Cash Flows from Financing Activities			
Funding from HAL		765,682	-
Loan - National Australia Bank		(400,000)	140,000
Net cash flow from Financing Activities		<u>365,682</u>	<u>140,000</u>
Net Increase in Cash Held		516,911	420,641
Cash at beginning of financial year		346,325	330,718
Prior year adjustment		-	(405,034)
Cash at the end of period	3	<u><u>863,236</u></u>	<u><u>346,325</u></u>

The accompanying notes form part of these accounts.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006**

	Retained Earnings	Total
	\$	\$
2005		
Balance at 1 July 2004	622,543	622,543
Profit/(Loss) after tax	2,035,437	2,035,437
Less correction of error (i)	(35,305)	(35,305)
Less correction of error (ii)	(205,305)	(205,305)
Equity as at 30 June 2005	<u>2,417,370</u>	<u>2,417,370</u>
2006		
Equity as at 1 July 2005	2,417,370	2,417,370
Profit/(Loss) after tax	(917,518)	(917,518)
Equity as at 30 June 2006	<u>1,499,852</u>	<u>1,499,852</u>

Correction of Errors

Under the previous AGAAP errors found in comparative amounts were to be adjusted against the earnings in the period in which the error was noted. Under AIFRS, per AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, errors are to be corrected by restating prior period information. The effect of this is:

At 30 June 2005:

- (i) an amount of \$35,305 representing funds from Export Development Grants were previously classified in equity in the 2005 accounts, and due to a change in Board policy have been re-classified as a liability 'deferred income'. This adjustment to the June 2005 comparatives increased liabilities with a consequent revaluation in retained earnings.
- (ii) Cash balances of \$205,305 were written off once they were found to be legally owned by a related company rather than APAL.

The accompanying notes form part of these accounts.





Financial Statements

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared to satisfy the financial report preparation requirements of the Corporations Act 2001. The directors have determined that the company is not a reporting entity.

The financial report has been prepared in accordance with the following Australian Accounting Standards:

AASB 1:	<i>First time Adoption of Australian Equivalents to International Financial Reporting Standards</i>
AASB 101:	<i>Presentation of Financial Statements</i>
AASB 107:	<i>Cash Flow Statements</i>
AASB 108:	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
AASB 116:	<i>Property, Plant and Equipment</i>
AASB 136:	<i>Impairment of Assets</i>
AASB 1031:	<i>Materiality</i>

No other Australian Accounting Standards, Urgent Issues Group Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The report is also prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

(a) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS apart from the correction of prior year errors as set out in the statement in changes of equity no material adjustments have been required to the comparatives for the year ended 30 June 2006 and hence no reconciliation for the transition to Australian equivalents to International Financial Reporting Standards (AIFRS) from previous Australian generally accepted accounting practice (AGAAP) has been prepared.

(b) Income Tax

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

**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2006**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(c) Property, Plant and Equipment

Items of property and equipment purchased are included at cost and are depreciated on a straight-line basis over their estimated useful lives.

(d) Deferred Income

The Company receives grants in respect of certain programs. At balance date, program commitments to which the grant relates may not be fully expended. The excess of the grant received over the expenditure incurred at balance date has been recorded as deferred income and will be brought to account in a future accounting period.

(e) Employee Costs

Liability for accrued annual leave is based on the employees' unpaid entitlement and current pay rate. Liability for long service leave is measured as the present value of expected future payments to current employees.

(f) Investments

Non current investments are measured on the cost basis. The carrying amount of the investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the underlying net assets for non-listed corporations.

(g) Cash Flows

For the purpose of the statement of cash flows, cash includes cash on hand and deposits held at call with banks, net of any bank overdraft.

(h) Comparative Figures

Where necessary the previous year's figures have been reclassified to facilitate comparisons.



Financial Statements

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
NOTE 2 REVENUE		
Operating Income from ordinary activities during the year:		
Pink Lady™ & Sundowner™ Management	1,439,780	878,697
Funding for Projects	1,672,084	1,653,749
Funding for Prevar Investment	765,682	5,229,278
Other	190,320	154,280
	<u>4,067,866</u>	<u>7,916,004</u>
NOTE 3 CASH		
Cash on hand	550	300
Cash at bank	862,686	346,025
	<u>863,236</u>	<u>346,325</u>
NOTE 4 RECEIVABLES		
Current		
Trade debtors	294,474	171,923
Other debtors	216,850	23,400
Non-current		
Other debtors	189,393	199,729
	<u>700,717</u>	<u>395,052</u>
NOTE 5 INVESTMENTS		
Shares in Coregeo Ltd at cost	199,430	199,430
Shares in Prevar Ltd	108,562	1,732,318
	<u>307,992</u>	<u>1,931,748</u>

An amount of \$765,682 was further invested in Prevar during the year. At 30 June 2006 the Directors reviewed the carrying value of Prevar Ltd against the recoverable amount and determined in the circumstances a write down of \$2,389,438 should be recorded.

The audited net asset of Coregeo Ltd, a wholly owned subsidiary, at 30 June 2006 was \$237,435.

**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$	\$
NOTE 6 PROPERTY, PLANT AND EQUIPMENT		
Land at cost	620,000	620,000
Buildings & improvements at cost	268,230	268,230
Less accumulated depreciation	(11,065)	(4,471)
	<u>257,165</u>	<u>263,759</u>
Total Land & Buildings	<u><u>877,165</u></u>	<u><u>883,759</u></u>
Office equipment and furniture at cost	154,938	149,682
Less accumulated depreciation	(127,486)	(117,174)
	<u>27,452</u>	<u>32,508</u>
Total fixed assets	<u><u>904,617</u></u>	<u><u>916,267</u></u>
NOTE 7 OTHER ASSETS		
Prepayments	11,625	21,079
	<u>11,625</u>	<u>21,079</u>
NOTE 8 PAYABLES		
Current		
Trade creditors	121,183	88,188
GST payable	125,025	206,787
PAYG payable	-	9,495
Other creditors	59,151	955
Monies payable - Coregeo shareholders	-	35,305
	<u>305,359</u>	<u>340,730</u>
NOTE 9 PROVISIONS		
Current		
Provisions for annual leave	46,165	36,109
Provision for Long Service Leave	63,978	-
	<u>110,143</u>	<u>36,109</u>
Non-Current		
Provision for Long Services Leave	1,783	39,522
	<u>1,783</u>	<u>39,522</u>



Financial Statements

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
NOTE 10 DEFERRED INCOME		
DAFF - Industry Partnership Program	599,727	-
Export Development	20,929	35,305
Net amount unexpended on HAL projects	76,394	167,435
	<u>697,050</u>	<u>202,740</u>
NOTE 11 INTEREST BEARING LIABILITIES		
National Australia Bank – Loan (secured by mortgage over land & buildings)	174,000	574,000
	<u>174,000</u>	<u>574,000</u>
NOTE 12 OPERATING LEASE COMMITMENTS		
Commitments in relation to operating lease contracted for at the reporting date but not recognized as liabilities payable:		
Not later than one year	-	24,050
Later than one but less than five years	-	-
	<u>-</u>	<u>24,050</u>
NOTE 13 RECONCILIATION OF SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Surplus/(Deficit) for year [<i>from P&L</i>]	(917,518)	2,035,437
Depreciation	17,205	15,071
Provision for annual leave/long service leave	36,295	(13,109)
Add back write down of investments	1,623,756	-
Changes in assets and liabilities:		
(Increase)/Decrease in receivables	(305,665)	46,720
Decrease/(Increase) in prepayments	9,454	(13,316)
(Decrease)/Increase in payables	(58,262)	(31,604)
Increase/(Decrease) in other creditors	22,891	197,846
(Decrease)/Increase in deferred income	494,310	65,582
Net cash inflow from operating activities	<u>922,466</u>	<u>2,302,627</u>
NOTE 14 AUDITORS REMUNERATION		
Auditing of the accounts	7,500	5,000
Other services	591	10,190
	<u>8,091</u>	<u>15,190</u>

**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2006**

NOTE 15 MEMBERS' GUARANTEE

The company is limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the company.

NOTE 16 COMPANY COMMITMENTS

The company has an investment in Prevar Limited where the shares are only partly paid and subject to call. At 30 June 2006 the uncalled liability is \$1,326,730.

The company is committed to the payment of future calls in terms of the Joint Venture Agreement, and anticipate these calls being met from Horticulture Australia Limited (HAL) as per the investment contributions made by HAL to date. The provisional call dates are as follows:

1 July 2007	\$663,365
1 July 2008	\$663,365

NOTE 17 COMPANY DETAILS

Apple and Pear Australia Ltd is a company limited by guarantee, incorporated in Australia with its principal place of business and registered office at 39 O'Connell Street, North Melbourne Victoria. The principal activities of Apple and Pear Australia Ltd are described in the Director's Report. At balance date the Company had 5.5 equivalent full time employees.





Financial Statements

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2006

The Directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.


The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 - 16 are in accordance with the Corporations Act 2001 and:
 - a) comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
 - b) give a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 of the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director: Darral Ashton



Director: John Lawrenson

Dated Melbourne this 5th day of September 2006

AUDITOR'S REPORT TO THE MEMBERS OF APPLE AND PEAR AUSTRALIA LIMITED

Scope

We have audited the financial report, being a special purpose financial report of **Apple and Pear Australia Limited** for the financial year ended 30 June 2006 comprising the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and notes to the financial statements.

The company's directors are responsible for the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements which form part of the financial report are consistent with the financial reporting requirements of the company's constitution and are appropriate to meet the needs of the directors and the members. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company. No opinion is expressed as to whether the accounting policies used, and described in Note 1, 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 company's constitution. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and significant accounting estimates. These procedures have been undertaken to form an opinion 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 so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements in Australia.

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

Audit Opinion

In our opinion, the financial report of **Apple and Pear Australia Limited** presents fairly in accordance with the accounting policies described in Note 1 to the financial statements, the financial position of **Apple and Pear Australia Limited** as at 30 June 2006 and the results of its operations and its cash flows for the financial year then ended.

WHK Greenwoods Audit & Assurance



Peter Sexton
Partner



Australian Pome Fruit Improvement

Our Organisation

The vision of the Australian Pome Fruit Improvement Program Ltd is ...

'To become the industry's first choice supplier of pome fruit planting material that is pathogen tested and certified. To promote and further enhance prompt and secure access to new varieties and rootstocks through efficient post entry quarantine protocols. To deliver independent and objective variety/rootstock information to all parts of the Australian pome fruit industry'

The main company functions of the Australian Pome Fruit Improvement Program Ltd are ...

- * Develop and promote standards for pome fruit material
- * Evaluate varieties and rootstocks throughout different growing regions
- * Facilitate and promote efficient quarantine services
- * Multiply and provide selected budwood
- * Multiply and provide selected rootstocks
- * Safeguard rootstock and budwood material in repositories
- * Seek and acquire rootstocks and varieties

Members of the APFIP Board



Michael Stafford
Chairman—Adelaide Hills, South Australia



Marcel Veens
Director—Stanthorpe, Queensland



Robert Green
Director—Lenswood, South Australia



Ian Bolitho
Director—Mooroopna North, Victoria

Andrew Hall from Huon Valley, Tasmania was appointed as a Director on 1 July 2006.



Chairman's Report

I am delighted to be presenting my first Annual Report and as Chairman of Australian Pome Fruit Improvement Program (APFIP), I hope to continue to build on the substantial progress made towards our goals and objectives by my predecessors.

The Board has met on three occasions this year, at the APAL Conference in Melbourne, the opening of the new APAL offices in Melbourne and on our annual regional site tour, which this year went to Batlow and Orange.

Financially the Company is performing well and in accordance with the R&D agreements that it has with Horticulture Australia Ltd (HAL projects AP03018, AP04001 and AP05017). The Company has an accumulated cash surplus of \$121,902. A one off write down of assets associated with the sale of the Monash shed (\$32,000) resulted in a small paper deficit of approximately \$20,603 for the year. The proceeds from the sale of the shed have been used to further the objectives of the Company.

APFIP is now moving into an implementation phase, with licensees now establishing stool beds of certified rootstocks. The heat-treated varieties are now starting to crop at our evaluation sites. We will soon see APFIP tagged trademarked planting material provided by our commercial partners. Unfortunately, a setback with a M9 clone has slowed some progress, but this has only highlighted the need for a systematic approach with no shortcuts if we are to deliver only the highest quality propagules to industry.

Most growing areas will have been able to participate in a fruit variety showcase that was managed by our Evaluation Co-ordinator, Greg Cramond. As you would have been aware from his recent articles in Tree Fruit magazine, Greg has recently returned from a Churchill Scholarship in Europe in which he investigated evaluation systems in Europe. This experience has proven to be most beneficial in our recent review of evaluation system operations. We hope this review will have major benefits for grower's as we find more efficient ways to better communicate the variety information gained from our Australian wide evaluation site network as a lot more varieties filter through our evaluation system.

Certainly one of our main reasons for APFIP'S steady progress towards its goals is it's excellent staff both our Evaluation Co-ordinator Greg Cramond and our General Manager Garry Langford who has had an exceptionally busy year both on the national and international scene. I think Garry's reputation and standing globally is demonstrated by being the first person to be appointed to the International Fruit Tree Association Board outside of North America. Garry has been instrumental in bringing the IFTA's Winter Conference to Tasmania this February, which no grower in Australia can afford to miss.

I would like to thank my fellow Directors Ian Bolitho, Marcel Veens and Robert Green for their efforts and counsel during the year. A special thanks to Scott Price, who is retiring this year. Scott's commitment, his vision towards APFIP and sense of humour will certainly be missed. I am sure the incoming Board Member Andrew Hall will be a worthy replacement.

In closing APFIP is making progress that in the very near future will make a real difference to how growers will plant and manage their orchards and if growers are to remain viable these tools will be of vital importance.

Michael Stafford

Michael Stafford
Chair



Australian Pome Fruit Improvement

General Manager's Report



I can report that we are well on the way to delivering certified rootstocks to the industry. In the past year two additional nurseries have applied to become approved users of the APFIP certification trademark. A license agreement has been completed with Tangara Nursery in Tasmania, which brings the number of licensees to five. It is expected that the other applicant will complete the certification trademark agreement by the end of July. This is very encouraging and shows the commitment from the nursery industry to improving the quality of propagating material with the resultant benefit to growers.

The first production from the certified M26 rootstocks that we distributed to our certification licensees in 2004 will occur this winter. It's expected that there will be around 15,000 stocks in total. In the first instance these rootstocks will be used to expand existing beds and to make nursery trees. It is anticipated that APFIP will be in a position to offer certified rootstocks (in limited quantities) to the wider industry from 2007 onwards.

The non M9 rootstocks that we reported on last year were certified as far as virus status was concerned and they have been used as nurse roots for the rootstocks NAKB® M9 T 337 and NAKB® M26 sel. These stocks will form the basis of production beds from 2007 onwards. We are continuing with our efforts to produce NAKB® M9 T 337 in tissue culture but to date this has not been successful.

Evaluation

Evaluation Coordinator Greg Cramond spent almost 3 months in Europe during the year on his Churchill Fellowship studying pome fruit evaluation in France, Italy and Germany. Since his return he has written several articles for Tree Fruit magazine and given a number of presentations to grower meetings about his experiences these have been well received. Greg's experiences gave the company an opportunity to directly gauge what we do against other well established evaluation networks. As a result of this a discussion paper was developed for consideration by the Board at its May meeting. It is clear that our system is working quite well at the operational level but we need to do more to get the information that we collect out to growers and the industry in general. An annual evaluation report is being considered that would be distributed with Tree Fruit. It would not include every variety/rootstock combination but instead would report on a range of varieties and direct those interested to the online database (www.apfip.com.au) where the complete range of information is stored. To ensure that we have enough fruit for our variety displays we are considering an increase in the number of replications per variety that we have in each site. We are also considering restricting the rootstocks that we will accept trees on to M9 and M26.

Repository

The lease on the Monash site was relinquished during the year. The Riverland Vine Improvement Committee the owner of the site purchased the shed we had built. All the required equipment has been relocated to Tasmania. We have leased 0.5ha from the University of Tasmania and the land is on its farm at Cambridge near Hobart Airport. The repository is now planted on this site and includes all the heat-treated mother plants along with a range of certified rootstocks. It will take a couple of years to reestablish small production beds on this site but all rootstocks produced will be certified. The main aim will be to supply rootstocks for the expansion of production beds with our certification licensees but we will offer rootstocks for sale to the wider industry.

Program Limited

Quarantine

The new importation protocols for pome fruit budwood are working effectively. There have been some issues around timeliness of testing but in the main the new testing system is fully operational. Varieties imported by APFIP in November 2004 were released in May 2006, which is exactly the 18month time period referred to in the protocol. To be able to achieve this, importers need to communicate their intentions to import to the quarantine station as far in advance as possible and arrange for the importation to occur in summer between November and February.

There is always the risk that in the future additional pathogens will be identified that will require the development of effective testing protocols. The pome fruit industry's ability to invest and work closely with AQIS to deal with this situation will be vital in maintaining an effective system for the importation of new varieties/rootstocks into Australia. APFIP has established a number of international contacts in the area of quarantine testing and plans to maintain these links so as to keep up to date with new developments as they arise. APFIP will also maintain its position on the AQIS operated Post Entry Plant Industries Consultative Committee (PEPICC). This committee meets twice per year and gives the industry the opportunity to keep abreast of local issues that may impact on the pome fruit importation protocols.


Pears

The pear rootstock trial is progressing well with the first growth data collected. Trunk cross sectional diameter and average shoot growth per tree was collected from each rootstock x-variety combination on both the centre leader and V trellis systems. This data is available from the APFIP website www.apfip.com.au or by contacting the APFIP office. The trees on quince A will be added to the site this winter, the 2 additional rootstocks DCA Fox 11 and Pyrodwarf are not yet available for inclusion in the trial.

We did have a hiccup with regard to accessing the planned European advisor for the project. Tom Deckers from Belgium was engaged to undertake the 4 planned visits over the next 4 years but due to reasons beyond our control he is not able to visit. An alternative European advisor was sought and Jef (Joseph) De Coster a well-respected advisor also from Belgium has agreed to visit as part of this project. His first visit will be in August of this year he will be presenting at the APAL conference in Hobart followed by orchard visits in the Goulburn Valley and a field day at the pear rootstock trial site on the 22nd of August.

Following heat treatment certified lines of Quince A, Quince BA29 and Quince C along with Williams, Packhams and Burre Hardy will be planted in the repository this winter. This will give us the opportunity to offer certified pear rootstocks and budwood to the industry from 2008. Our certification trademark licensees will also have the opportunity to propagate and sell this material.





Australian Pome Fruit Improvement

Financial

The Company finished the year with a small loss of \$20,603. The sale of the shed at Monash resulted in a one off write down on the value of company assets of \$32,729, in effect a loss on paper only. The Company has a healthy cash surplus of \$121,902. The proceeds from the shed sale have been used to further the Company objectives.

The new APFIP project AP05017 began in October and will run until July 2010. The Company is up to date with all milestones associated with the three HAL projects (AP03018, AP04001 and AP05017) that we are conducting.

The balance of the APFIP levy held in our account by Horticulture Australia is \$72,051 as at the 31st of May 2006. The budgets going forward are aimed at maintaining this balance in reserve.

APFIP will conduct a HAL project for the International Fruit Tree Association annual meeting in Hobart in February 2007. The project will be funded by a voluntary contribution (VC). This project will be cash neutral for the company with the VC coming from the IFTA with all the funds being used in accordance with the HAL project agreement conducting the conference.

Conclusion

I would like to thank retiring Director Scott Price for his commitment to APFIP during his 6 years on the Board; Scott's sense of humor will be missed around the Board table. Thanks to Board Chair Michael Stafford for his leadership and support during the year. To the other directors, Ian Bolitho, Marcel Veens and Robert Green I offer my thanks for their support throughout the year and their dedication to the role.

I would like to welcome Andrew Hall from Tasmania to the Board for his first term and Ian Bolitho back for his second 3-year term. Thanks to Greg Cramond for his support and commitment to the evaluation role during the year.

One of APFIP's aims is to gather variety/rootstock information from around the world and report it to growers and I think that we complete this task quite well.

The 2007 IFTA Annual Conference in Hobart from the 3rd to the 7th of February is a great opportunity for our industry to engage with industry participants from a range of countries. IFTA focuses on a range of fruit including apples, pears, cherries, peaches, nectarines and apricots. I understand that the conference will be during our harvest season but it's usually in the northern hemisphere and much more difficult and expensive to get too. This is the 50th annual meeting and quite a big deal for the organisation to hold this conference outside North America so I urge everyone to make the effort to attend at least part of the conference.

Garry Langford

Garry Langford
General Manager

Financials

DIRECTORS REPORT AS AT 30 JUNE 2006

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 for the company for the year ended on 30 June 2006.

DIRECTORS

The names of the Directors in office at any time during the year and at the date of this report are:

Scott Price (resigned 30 June 2006)
Michael Stafford
Marcel Veens
Ian Bolitho
Robert Glen Green
Andrew Alexander Hall (started 1 July 2006)

INFORMATION ON DIRECTORS

Michael Robert Stafford (Director, Lenswood South Australia)


Michael is a 3rd generation orchardist and has 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 6 years. In his role he has been active in the establishment and management of experimental demonstration tree training trials. For 5 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 advises on water quality issues of the Adelaide Hills catchment. In 1998 Michael was the recipient of the Apple and Pear Growers of South Australia leadership award.

Marcel Veens (Director, Stanthorpe Queensland) – Horticulture Degree

Marcel was born in Herveld, The Netherland into a family of 3rd generation orchardists. Eight of his nine brothers 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 the manager of the CH. Fueglistler (Australia) Group P/L. The company has two farms in S.E. 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 and Vegetables and Chairman of its apple committee.





Australian Pome Fruit Improvement

DIRECTORS REPORT AS AT 30 JUNE 2006

2. INFORMATION ON DIRECTORS (continued)

Ian Bolitho (Director, Ardmona Victoria)

Ian is a 3rd generation fruit grower from Goulburn Valley Victoria, married with 3 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 Council, a past member of the APAL 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 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 trailing new and different tree training systems and planting densities and in new and old pear varieties.

Robert Glen Green (Director, Lenswood South Australia)

Robert is a fourth generation grower in the Adelaide Hills where he grows apples in partnership with this father. He has 24 years growing experience and has been a member of the Lenswood and Forest Range Agricultural Bureau since he was 17, serving a term as Secretary. In 1994 he was appointed to the Board of Management of the Lenswood Coldstore and its subsidiary Lenswood Rural in 1998, becoming vice chairman in 2000. In 1995 he became an Executive Member of the Apple and Pear Growers Association of SA and was the representative to the national R&D committee just prior to its restructure in 2003. From 1997 until 2000 he represented horticulture on the Central Hills Soil Conservation Board.

Andrew Alexander Hall (Director, Tasmania)

Andrew Hall completed an honours degree in Agricultural Science in 1990, specializing in cereal management. Andrew then worked in areas as diverse as seed production and electronic livestock identification before settling into horticulture with as an Agronomist with Roberts Ltd. Andrew developed a wide rapport with apple and pear growers particularly in southern Tasmania and became involved in industry groups such as the Pome Fruit ARAC. In 1997 he moved to Harcourt to manage orchard for Geoffrey Thompson and then returned to Tasmania with his young family late in 1999 to manage the orchard for Reid Fruits in Geeveston and to help develop Reid Fruits new orchards in the Derwent Valley. He has been involved in study tours to Europe, SE Asia, Japan and New Zealand and fully appreciates what growers need to be striving toward to be competitive in world markets. Andrew has been a member of Apex, Landcare, Catchment management committees in both Victoria and Tasmania and is the current President of the Young Tasmanian Fruit Growers Assn.

Garry Langford (Company Secretary)

Garry Langford held the position of company secretary at the end of the financial year. He has 20 years experience in the pome fruit industry during which time he has been responsible for managing and developing orchards and more recently, nursery production. Awarded a Churchill Fellowship in 1994, Garry spent time in the USA, Canada, UK, France, Holland and Germany studying rootstock production, including tissue culture techniques. He established many contacts during this time with government, commercial and industry sectors. Garry has worked with the company for the past 7 years, as its National Co-ordinator and was prompted to General Manager during the year. He was appointed company secretary on the 6th of October 1997.

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF AUSTRALIAN POME FRUIT IMPROVEMENT PROGRAM LTD**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

1. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

WHK Day Neilson
Chartered Accountants

Margaret D Crossley
Principal



Australian Pome Fruit Improvement

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$	2005 \$
INCOME			
<i>Continuing operations</i>			
Interest received		5,436	3,151
HAL grants – operating, salaries and travel		327,600	418,340
Rootstock		17,055	15,375
Consulting		14,860	24,326
Post Entry Quarantine (PEQ)		5,618	13,542
Certification		0	51,380
Subscriptions		8	8
Cripps Pink Japan – Royalties		1,798	0
Asset sales		18,568	0
Other		5,819	6,597
TOTAL INCOME		396,762	532,719
EXPENDITURE			
<i>Continuing operations</i>			
Salaries		110,522	129,644
Superannuation and WorkCover		26,399	21,088
Annual leave/long service leave entitlement		(3,389)	2,371
Travel – Board		11,585	16,027
Travel – staff general		44,535	42,096
Sitting fees and allowances		3,655	2,260
Administration expenses		25,758	24,304
Accounting and auditing	6	2,775	2,340
Communication and promotion		2,085	8,511
Depreciation		5,757	9,541
Sundries		1,884	1,264
Project operations – evaluation		33,078	36,199
Project operations – certification		54,748	76,819
Project operations – rootstock		23,926	38,378
Project operations – other		17,247	2,744
Post Entry Quarantine (PEQ)		10,922	14,049
Consulting		6,436	10,254
Pear rootstock trial		4,274	25,524
Solicitor fees and allowances		1,150	0
Asset write down		32,763	0
Cripps Pink Japan – CP Development		1,255	0
TOTAL EXPENDITURE		417,365	463,413
(Loss)/Surplus for the year		(20,603)	69,306

The accompanying notes form part of these accounts

Program Limited

BALANCE SHEET AS AT 30 JUNE 2006

	Notes	2006 \$	2005 \$
CURRENT ASSETS			
Cash and cash equivalent assets	2	117,612	107,733
Trade and other receivables		4,290	8,757
TOTAL CURRENT ASSETS		121,902	116,490
NON CURRENT ASSETS			
Property, plant and equipment	3	23,289	53,066
TOTAL NON CURRENT ASSETS		23,289	53,066
TOTAL ASSETS		145,191	169,556
CURRENT LIABILITIES			
Trade and other payables		1	374
Provision for annual leave		7,741	12,266
TOTAL CURRENT LIABILITIES		7,742	12,640
NON-CURRENT LIABILITIES			
Provision for long service leave		9,651	8,515
TOTAL NON CURRENT LIABILITIES		9,651	8,515
TOTAL LIABILITIES		17,393	21,155
NET ASSETS		127,798	148,401
EQUITY			
Accumulated surplus	4	127,798	148,401
TOTAL EQUITY		127,798	148,401

The accompanying notes form part of these accounts



Australian Pome Fruit Improvement

STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2006

	Accumulated surplus	Total
Balance at 1 July 2005	148,401	148,401
Net surplus/(deficit) for the year	(20,603)	(20,603)
Balance at 30 June 2006	<u>127,798</u>	<u>127,798</u>

	Accumulated surplus	Total
Balance at 1 July 2004	79,095	79,095
Net surplus/(deficit) for the year	69,306	69,306
Balance at 30 June 2005	<u>148,401</u>	<u>148,401</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$	2005 \$
Receipts from customers		377,225	521,207
Payments to suppliers and employees		(382,608)	(451,127)
Interest received		5,436	3,151
NET CASH INFLOW FROM OPERATING ACTIVITIES	5	<u>53</u>	<u>73,231</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceed from property, plant and equipment		18,569	-
Payment for property, plant and equipment		(8,743)	(2,915)
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES		<u>9,826</u>	<u>(2,915)</u>
Net increase/(decrease) in cash held		9,879	70,316
Cash at the beginning of the financial year		107,733	37,417
Cash at the end of the financial year		<u>117,612</u>	<u>107,733</u>
CASH AT THE END OF THE PERIOD		<u>117,612</u>	<u>107,733</u>

The accompanying notes form part of these accounts

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The directors have determined that Australian Pome Fruit Improvement Program Ltd (APFIP) is not a reporting entity and, accordingly, this financial report is a special purpose report prepared for the sole purpose of distributing a financial report to members and must not be used for any other purpose. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the members.

It has been prepared in accordance with Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and UIG Interpretations as selected and modified for use by non-reporting entities in the Institute of Chartered Accountants in Australia's Business Practice Guide for Non-Reporting Entities. It has been prepared on an accrual basis, and under the historical cost convention except where otherwise stated.

Unless otherwise stated, the accounting policies adopted are consistent with those of the prior year.

a) Basis of accounts

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 fair values of the consideration given in exchange for assets. While the accounts recognize 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) Impairment of assets

At each reporting date, the company reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generated unit to which the asset belongs.

e) Unpaid grant monies

As at 30 June 2006 there is still an amount of \$72,051 (2005 \$78,887) due to the company from Horticulture Australia Ltd (HAL). The company has agreed with HAL that these amounts will be retained by HAL until the company meets the agreed milestones and needs these funds. This amount has not been recognised in the accounts at 30 June 2006.





Australian Pome Fruit Improvement

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)

f) Employee benefits

The employee benefits are based on pay rates expected to be settled within 12 months of the reporting date. On costs such as WorkCover and superannuation are included in the calculation of leave provisions.

Long service leave provision is determined in accordance with Accounting AASB 1038. Generally, the entitlement under the various awards becomes payable upon completion of 15 years service. The provision is classified as a non-current liability as there are no employees presently that are entitled to long service leave.

g) Cash Flows

For the purpose of the statement of cash flows, cash includes cash on hand and deposits held at call with banks, net of any bank overdraft.

h) Critical accounting estimates and judgement

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates – impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of assets.

Key judgements – Doubtful debts provision

Included in accounts receivable at 30 June 2006 is an amount receivable from trade debtors. The directors believe that all the full amount of the trade debtors will be recoverable and a doubtful debt provision has been made/not made at 30 June 2006.

i) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

j) Rounding amounts

The company has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest dollar.

Program Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	\$	\$
NOTE 2: CASH AND CASH EQUIVALENT ASSETS		
NAB Cheque Account	26,928	21,814
Investment	90,684	85,919
	117,612	107,733
NOTE 3: PROPERTY, PLANT AND EQUIPMENT		
Office Equipment at cost	44,759	38,638
Less accumulated depreciation	(28,300)	(27,786)
	16,459	10,852
Plant and Equipment (Rootstock Development Project)	39,994	94,510
Less accumulated depreciation	33,164	(52,296)
	6,830	42,214
Total fixed assets	23,289	53,066
NOTE 4: ACCUMULATED SURPLUS		
Opening balance of accumulated surplus	148,401	79,095
Surplus/(Loss) for the year	(20,603)	69,306
Accumulated surplus at 30 June 2005	127,798	148,401
NOTE 5: CASH FLOW INFORMATION		
RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING PROFIT		
Operating surplus/(loss)	(20,603)	69,306
Depreciation	5,757	9,541
Net loss on disposal of fixed assets	14,194	0
Changes in assets and liabilities:		
(Increase)/decrease in receivables	4,484	(8,361)
(Decrease)/increase in payables	(390)	374
(Decrease)/increase in provisions	(3,389)	2,371
NET CASH INFLOWS (OUTFLOWS) FROM OPERATING ACTIVITIES	53	73,231



Australian Pome Fruit Improvement

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
NOTE 6: AUDITORS REMUNERATION		
Auditing of the accounts	2,400	2,090
Other services	375	250
	2,775	2,340

NOTE 7: MEMBERS' GUARANTEE

The company is limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the company.

NOTE 8: ECONOMIC DEPENDENCY

The continuing research activities of the company is dependent on the supply of grants from HAL Ltd.

NOTE 9: COMPANY DETAILS

Australian Pome Fruit Improvement Program Ltd is a company limited by guarantee, incorporated in Australia with its principal place of business and registered office at 35 Fourteen Turn Creek, Grove Tasmania.

The principal activities of Australian Pome Fruit Improvement Program Ltd are described in the Director's Report.

At balance date the Company had 2 equivalent fulltime employees.

DIRECTORS REPORT AS AT 30 JUNE 2006

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 co-operatively 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 2006 was (\$20,603) (2005 surplus of \$69,306).

5. DIVIDENDS PAID OR RECOMMENDED

As the company is limited by guarantee and has no issued capital, no dividends were paid or recommended to be paid during the year.

6. 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) pending the achievement of agreed milestones and funding required. (Refer Note 1(e) for further explanation).

7. STATE OF AFFAIRS

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

8. 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.


9. 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.

10. ENVIRONMENTAL REGULATION

The directors do not believe that the operations of the company are subject to any particular and significant environmental regulation.





Australian Pome Fruit Improvement

DIRECTORS REPORT AS AT 30 JUNE 2006

11. 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.

12. DIRECTORS MEETINGS

The number of directors' meetings held in the period each director held office during the financial year, and the number of meetings attended by each director, are:

Board of Directors' Meetings

Director	Number held while in office	Number attended
Scott Price	3	3
Michael Stafford	3	3
Marcel Veens	3	3
Ian Bolitho	3	3
Robert Glen Green	3	3
Andrew Alexander Hall	0	0

INSURANCE OF OFFICERS

During the financial year, Australian Pome Fruit Improvement Program Limited paid a premium of \$6,750 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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Dated at Melbourne this day of August 2006.

Signed in accordance with the resolutions of the Directors:

Director

Director

Program Limited

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2006

The Directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 8-16 are in accordance with the Corporations Act 2001 and:
 - a) comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
 - b) give a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 of the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.


This declaration is made in accordance with a resolution of the Board of Directors.

Director

Director

Dated Melbourne this day of August 2006





Australian Pome Fruit Improvement

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

The special purpose financial report and directors' responsibility

The special purpose financial report comprises the income statement, balance sheet, statement of changes in equity and cash flow statement, accompanying notes to the financial statements, and the directors' declaration of Australian Pome Fruit Improvement Program Limited for the year ended 30 June 2006.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report and have determined that the accounting policies used and described in Note 1 of the financial statements which form part of the financial report are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

This special purpose financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting requirements under the Corporations Act 2001. We disclaim any assumptions 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 for which it was prepared.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects, the financial report is presented fairly in accordance with the accounting policies described in Note 1, so as to present a view which is consistent with our understanding of its operations and cash flows. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements in Australia. No opinion is expressed as to whether the accounting policies used and described in Note 1, are appropriate to the needs of the members.

We formed our audit opinion on the basis of these procedures, which include:

- * examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- * assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration, set out on page 6 of the financial report, has not changed as at the date of providing our audit opinion.

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

Audit Opinion

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

the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
- (ii) complying with Accounting Standards in Australia to the extent described in Note 1 and the Corporations Regulations 2001; and

Other mandatory financial reporting requirements to the extent described in Note 1.

Signed at Melbourne this day of August 2006

WHK Day Neilson
Chartered Accountants

Margaret D Crossley
Principal



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