PIPFRUIT NEW ZEALAND INCORPORATED

Annual Report 2017

PIPFRUIT
NEW ZEALAND

OFFICERS

as at 31 March 2017

Board of Directors

Grower Directors

Peter Beaven, Hawkes Bay
Evan Heywood, Nelson
Matthew Hoddy, Nelson
Cameron Taylor, Hawkes Bay

Post Harvest Directors

Bruce Beaton, T + G Global Ltd
Andy Borland, Scales Corporation Ltd
Nadine Tunley, Hoddy's Orchard (Chairman)

Independent Director

Richard Punter

Senior Management

Chief Executive: Alan Pollard
Technical Manager-Market Access and Regulatory Affairs: Roger Gilbertson
Technical Manager-Crop Protection: Tim Herman
Business Development Manager: Gary Jones
Finance & Administration Manager: Peter Bull
Capability Development Manager: Erin Simpson

Director Board Meeting Attendance

Board Meetings Held during Financial year 6

Director	Attended	Notes
Nadine Tunley	6	
Stephen Anderson	3	Retired August 2016
Peter Beaven	4	
Matthew Hoddy	6	
Darren Drury	3	Resigned August 2016
Andy Borland	6	
Evan Heywood	6	
Richard Punter	6	
Cameron Taylor	3	Appointed August 2016
Bruce Beaton	2	Appointed August 2016

CHAIRS INTRODUCTION

Pipfruit New Zealand Incorporated is the representative organisation for the New Zealand apple and pear industry. Our objectives are to provide New Zealand pipfruit growers with technical, economic, and marketing information resources to enable them to be the world's best possible pipfruit producers; and to represent New Zealand growers nationally and internationally, to ensure they maintain a competitive advantage in all markets.

It is our pleasure to present the annual report for the year ended 31 March 2017.The report covers the 2016 selling season and the 2016/17 growing season to the start of harvest.

Gross production for the 2016 year was 550,487 mT, slightly less than in 2015. Export production of 352,805 mT was 5.4% up on 2015. Our largest individual markets in order of size were Germany, United States, United Kingdom and Taiwan.

Industry export returns were around $720m, an increase of 100% over 2012 when the government set its "Export Double Goal". This goal has been achieved some 9 years earlier than the government's target date. Of most note is that, of the extra $360m in export returns over this period, only around $90m was attributed to volume – the rest is by extracting greater value out of our product.

The 2016/17 growing season was very good with fewer weather events compared to the previous year. In all regions, the quality of the crop and the forecast export pack outs looked very good.

Pipfruit NZ belongs to our growers. Our purpose is to invest their levies in the activities that are defined in our Rules to achieve increasing and sustainable long term returns for all growers.

In pursuit of that purpose Pipfruit NZ remains focussed on its core strategic priorities, of which there are 9. Of those 9, the three key priorities are market access, biosecurity and access to labour (including RSE).

With export volumes increasing, particularly into Asia, there has been a significant increase in PNZ activity. This has been focussed on ensuring that exporters have the best possible market access into each of those markets. Nowadays this not only concerns technical market access, but also working with the likes of MFAT, NZTE and MPI, to address the growing influence of non-tariff barriers on trade and market access.

PNZ has adopted a prioritisation model to ensure that its limited resources are allocated to those markets of most strategic importance.

PNZ invests heavily in R & D and other activity focussed on addressing phyto-sanitary issues in key markets such as Taiwan, China and Japan.

Biosecurity is an increasingly important strategic priority for PNZ, and we continue to show leadership in this area. While fruit fly has dominated our biosecurity work in the past, today the Brown Marmorated Stink Bug poses a serious risk. With significant increases in incoming passenger numbers, freight and mail, the risk from these pathways increases. PNZ is actively engaged across all work that is being done to protect our borders.

In respect of access to labour, PNZ continues to take a leadership position to ensure that as volumes increase across the regions, there are sufficient permanent and seasonal workers available, with the right skills for a growing and changing industry. At a strategic level, we are actively engaged in promoting the industry as a viable, vibrant and rewarding career option.

We are continually looking at how we can improve our communication and engagement with industry. We acknowledge that we have more to do here. We appreciate any feedback from our members as to how we can communicate, or engage more effectively. We are mindful that we need to get the right information, to the right people, at the right time, and in the right way, to assist them to make the right decisions. Changes are underway to our systems and to our technology platform to enable us to do this in a more targeted way.

At the 2016 AGM, Stephen Anderson retired from the Board having served the maximum of five consecutive terms. Darren Drury also retired from the Board. We are very grateful for the significant contribution that both Stephen and Darren made to the Board during their terms. We welcomed Evan Heywood (grower Director) and Bruce Beaton (Post-Harvest Director) to the Board at the AGM.

We have enjoyed serving the industry during the 2016/17 year. It is a privilege to be able to do so and one that gives the Board and the PNZ team immense fulfilment and pride.

Nadine Tunley
Chair
Pipfruit New Zealand Incorporated

EXECUTIVE REPORT

We are pleased to be able to report on the year ended 31 March 2017.

The 2016 national crop estimate forecast a national export crop of 19.5m TCE's or 351,000 metric tonnes.

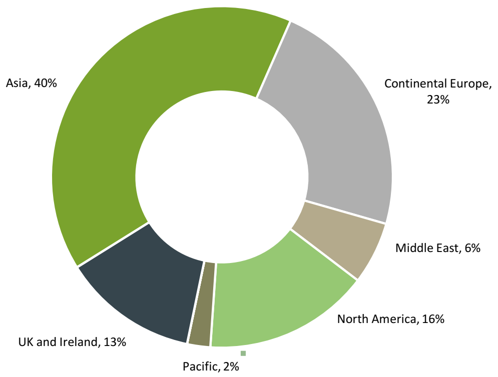
Planted area increased 3%, with varieties such as Envy, Cripps Pink strains, NZ Queen and Royal gala strains dominating new plantings, while varieties such as Braeburn, Cox, Granny Smith and NZ Beauty showed reductions in plantings. Fruit set was very high, but there was widespread hail damage in the Nelson region in December 2015.

As a result, final export production figures for the 2016 season were as follows:

NATIONAL EXPORT PRODUCTION (TONNES) BY REGION AND VARIETY 2016

Variety	Hawke's Bay	Nelson	Otago	Rest of NZ	TOTAL	% Mix
Braeburn	38,627	17,110	1,124	3,395	60,256	17.1%
Cox	53	1,952	974	0	2,979	0.8%
Cripps Pink	14,071	7,494	0	966	22,531	6.4%
Envy™	7,118	7,130	0	1,114	15,362	4.4%
Fuji	30,128	2,425	1,484	439	34,476	9.8%
Granny Smith	5,715	446	689	588	7,438	2.1%
Jazz™	17,220	15,125	2,110	274	34,729	9.8%
Pacific Beauty™	2,367	74	0	175	2,616	0.7%
Pacific Queen™	147,595	263	592	130	18,580	5.3%
Pacific Rose™	9,373	77	218	390	10,058	2.9%
Royal Gala	94,316	17,121	4,019	5,062	120,517	34.2%
Other Apples	7,958	6,750	2,632	1,337	18,677	5.3%
Pears	3,203	1,280	27	72	4,583	1.3%
Total	**247,745**	**77,247**	**13,869**	**13,943**	**352,805**	

EXPORT PRODUCTION BY DESTINATION REGION 2016



RESEARCH PROGRAMME

Investment: approximately $2.9 million was invested in the 2016-17 year.

Industry funding and in-kind effort was leveraged to gain almost $1.2 million of funding from the Sustainable Farming Fund, Ministry of Primary Industries, the Ministry of Business, Innovation and Employment and AGMARDT.

SOME KEY PROJECTS:

- The third year of the seven-year Apple Futures II programme ($1.24M pa) continues to make good progress in research to enhance our access into the Asian markets. Most field work has been completed but some postharvest research continues with samples in storage. We held our first grower seminars to deliver relevant research outcomes that the industry could start implementing in their production systems (on-orchard and postharvest). The first papers emanating from the research programme have been submitted for publication. The AFII programme is jointly funded by PNZI and the Ministry for Business, Innovation and Employment.
- Two new projects gained Ministry of Primary Industry Sustainable Farming Fund (SFF) funding and these started in July. An extension of the European canker project, previously funded, is allowing the Best Practice Guidelines to be validated in other apple-growing regions, and a new project on crop load management is developing decision support systems to optimise crop load management decisions.
- The current Pipfruit NZ Fellowship recipient, Jing Liu, is reporting good progress in her study of the apple endomicrobiome for protection against European canker. Half-way through her PhD studies at Lincoln University, Jing reports she has isolated a number of bacteria and fungi from her collections from apple orchards around New Zealand, that are showing degrees of antagonism to Neonectria ditissima, the causal pathogen of European canker.

Other research projects are helping the industry to respond to issues currently causing production and/or market access problems, as well as tools to improve crop production management and science to challenge the boundaries of apple and pear growing today.

PIPFRUIT NZ STRATEGIC PRIORITIES

Pipfruit NZ's strategic plan originally identified eight key strategic priorities on which the organisation is to focus its efforts and investment. Biosecurity was added as a 9th strategic priority in 2016. .

1. Market Access-General

Market access remains PNZ's number one priority. Our own work plan, and our joint work plan with MPI, is focussed on ensuring that our industry has the highest quality commercially viable market access of any other exporting country.

In 2013 PNZ led an initiative to establish a strategic market access partnership with MPI. This continues to serve us well, and has led to a common and collaborative approach to addressing market access matters. The joint governance group comprises three industry representatives and three senior MPI representatives. The role of this governance group is to establish and agree on priority markets, determine the work plan in each market, allocate resources (people and finance), and manage an accountability process to ensure that expected outcomes are achieved.

This group is well supported by a significant number of MPI resources, and by the Market Access Advisory Group (MAAG), chaired by Roger Gilbertson. The MAAG focusses on the operational implementation of the market access workplan and managing industry risk.

Quality and commercially sustainable continued market access can only be achieved if the industry maintains the integrity of the product supplied. If quality is compromised, or if export protocols are not followed, the ability for MPI (working with industry) to expand market opportunities and to keep existing markets open can also be compromised.

Our market access programme is varied. During 2016/17 this included:

- Working in partnership with MPI on a range of projects to aid future market access including;
  - o Pre-negotiating requirements with key trading partners if a fruit fly population established in NZ.
  - o Shaping the future look of a NZ export regulatory food assurance programme as many countries focus more on food safety issues.
  - o Preparation of technical documentation to aid in bilateral negotiations to reduce perceived technical trade barriers and to open up trade with new markets (e.g. Myanmar).
- Trouble shooting key access issues to minimise potential damage to the wider industry (e.g. resumption of trade for organic products into the US, maintaining access to the Russian market, dealing with problematic interceptions at the border).
- Assisting in prioritising the Industry R&D investment to ensure our future issues are understood and can be defended technically.

2. Market Access-Asia

Asia (collectively) continues to grow as an export destination, last year accounting for over 40% of all exports.

Changes in demographics remain a key driver of the shift in demand, with Asia continuing to experience significant economic and population growth, a very large shift from low to middle class, and consumers with more disposable income available demanding fresh, high quality, tasty and safe fruit.

We have seen the continuation of the trend toward more complex phytosanitary barriers and the rise of non-tariff barriers, with a continued focus on protecting domestic pipfruit industries.

Pipfruit NZ implemented a market access strategy to try and break down barriers by working with domestic industries as well as in market NZ officials in key Asian markets. This programme of cooperation involves capability and technology transfer appropriate for a given market in return for a more welcoming trade environment, be that tariff relief, improved phytosanitary measures, or both. In addition, the great relationships that we have with MPI, MFAT and NZTE both within New Zealand and off-shore go a long way toward putting in place strategies to achieve our goals.

We experienced a few market access challenges during the year to 31 March 2017 in particular into Taiwan (pest interceptions), China (rots) and Japan (Apple leaf curling midge). However, some good progress has been made to consolidate and improve industry market access in a number of markets.

Our work in Asia during 2016/17 included:

- Participation in Asia trade fairs to showcase the NZ pipfruit sector – including China Fruit & Vegetable Fair in Beijing, Fresh Produce India in Mumbai, and Asia Fruit Logistica in Hong Kong.
- Using the contacts from the trade fairs to increase the Pipfruit sector interface with NZ representatives in the markets to better understand and deliver programmes that enhance access – particularly into the growth markets in Asia.
- Continuing to work in partnership with MFAT and NZTE to coordinate the NZ effort in the World Bank project on helping the State of Himachal Pradesh to transform its horticulture industry.
- Ongoing involvement in developing an equivalence approach for continued access to Indonesia and other markets to assist in the smooth transition of increasing importing country requirements.

3. Improved Relationships with MPI, MFAT, and Hort NZ

PNZ works closely with a number of key Ministers and Officials, including those from MBIE, MSD, MPI, MFAT and NZTE.

As Minister for Primary Industries, we engage frequently with Hon. Nathan Guy, and appreciate his continued support.

Historically, the relationship between PNZ and Horticulture NZ has at times been strained. However, both CEO's have developed a very good relationship and have put in place protocols that will guide the relationship in the future.

PNZ also works very closely with the kiwifruit, avocado and wine sectors.

4. Defining and telling the Apple story.

The New Zealand apple story has gained good traction since it was launched in 2015.

Most notably the story has been used as the foundation for promoting careers in the industry, with the videos currently on our website being particularly useful as we discuss the types of roles available in the industry.

In addition, we use the apple story to support our international market access work. Here the story helps to differentiate New Zealand from any other exporting country, and New Zealand apples and pears from any other competing product. We support a presence at trade shows in China, India, Hong Kong and Berlin.

We also make the story available to trade posts in our key markets so that they can have resources available should that be useful in government to government discussions or negotiations.

It is important that the story is continually updated, and to do that we need the support of members who are prepared to share their stories with a broad target audience.

Pipfruit NZ has also maintained a Facebook and Twitter account during the year, updated regularly with relevant news and stories.

5. Grow and improve the way Pipfruit NZ generates and provides information to industry

A core role for Pipfruit NZ is to ensure that the right information gets to the right person in the right way and at the right time to make the right decisions.

We are conscious that our contacts database is not as user friendly nor accurate enough to support this core role. During the year a project has been initiated to address this issue.

Other projects that have been scoped during the year and which will progressively roll out in the next financial year include updating the Pipfruit NZ website; making decision tools that growers use accessible on orchard via hand held devices; updating key manuals and documents i.e. IFP manual, more user friendly; and migrating our knowledge assets and database to a cloud based platform.

6. Recognised Seasonal Employer (RSE) scheme

Access to sufficient seasonal and permanent labour continues to be a core strategic priority.

The government completed its Sector Workforce Engagement Project (SWEP) which was a first step in developing a long-term labour supply and demand model for the horticulture industries. The project report has supported the government to increase the number of RSE workers from 9,500 to 10,500 for the 2016/17 season. Apple and Pear growing regions also saw cap increases with Hawkes Bay lifting to 4,100; Nelson to 1,500; and Otago to 800.

The SWEP confirmed that seasonal worker demand would grow across the country with midpoint demand for another 2,500 workers in 2017 and 5,000 by 2022.

There is still significant risk for the scheme. Poor employer behaviours, thankfully in non-apple and pear sectors, are eroding government confidence. Additionally, housing shortages across the country are focusing attention on housing supply. RSE employers are having to consider limiting their use of urban based rental houses if they intend to increase their worker numbers.

7. Attract, grow and retain talent

Capability development activity during the last year has been strongly aligned with the strategic plan, and progress has been made in the following important areas.

- PNZ has been proactive in the development of an industry led diploma programme for post-harvest and fruit production in collaboration with regional education providers, industry sector groups and the PRITO.
- Socialised widely the outcomes from our needs analysis commissioned last year with other sector groups and government agencies to ensure that the scarcity of skills in our industry is recognised and addressed at a national level.
- Participated in the Horticulture Capability Group, a pan horticulture group focussed on promoting careers in our sector. This group has initiated a paradigm shift in the way we engage with students who may or could be looking at a career in horticulture.
- Led the Pipfruit Industry Partnership Group (IPG), under the Primary Industry Training Organisation to consult throughout industry around the specific context of qualifications for the Pipfruit sector.
- Commissioned a report to complete a stocktake within schools of the resources they have available and use to provide information about the Pipfruit sector to students.
- Liaised with other primary sector groups and government agencies to communicate a unified approach to skills and training nationally.
- Initiated conversations with Massey University around engagement with students and employers with the specific goal to increase graduates available to our industry by 2020.
- Worked with Education developers to assess the merits of embedding Pipfruit understanding in the national curriculum for NCEA level 1 and 2.
- Actively collaborated with industry and government agencies to support job seekers from all demographics into full time sustainable employment.

8. Access to new varieties

Prevar's objectives are to:

- Provide NZ and Australian apple and pear growers with the opportunity to have first access to new varieties; and
- To achieve a competitive advantage for the apple and pear growing industries in NZ and Australia and enable them to develop and expand to obtain a greater share of the global apple and pear fresh fruit markets.

Pipfruit NZ is a 45% shareholder in Prevar, and during the year contributed $900,000 to Prevar; of this $750,000 was to invest in the Prevar industry breeding programme, and $150,000 was a contribution towards Prevar's operating expenses.

During the year, a referendum was held on the proposition *"That levy payers support spending by Pipfruit New Zealand Incorporated of levies raised pursuant to any order made under the Commodity Levies Act 1990 for the purpose of investing in Prevar Limited whether by way of acquiring shares, making loans or in such other form as the Board of Pipfruit New Zealand Incorporated may approve from time to time".* 113 votes were cast from 344 eligible grower voters. The proposition was passed with 70.4% in favour and 12.0% against.

The Minister subsequently approved such use.

9. Biosecurity

Biosecurity is taking an increasing share of PNZ's resources. The risks of a biosecurity incursion are growing as more passengers view New Zealand as a desirable destination, as international business travel increases with increased globalisation, as more freight enters the country via increased bilateral trade, and as mail and parcel volumes also increase.

PNZ was the second horticultural industry to join GIA and is a signatory to the Fruit Fly Operational Agreement. Alan Pollard chairs the Brown Marmorated Stink Bug (BMSB) Council which is in the process of negotiating an Operational Agreement for this pest.

Roger Gilbertson, Tim Herman and Rachel Kilmister are all engaged in some way across the biosecurity area. Our focus is first to work with other GIA partners and MPI to do whatever it takes to keep unwanted pests and other organisms out of New Zealand – this is our readiness activity. Our second priority is to ensure that in the event of an incursion, we are ready and prepared to respond swiftly and effectively – our response activity. We co-invest with other industry sectors, government and the science community to better understand the pests of significance; to develop protection, eradication and management tools; and to pre-negotiate market access protocols in the event of an incursion that has the potential to impact our ability to trade.

Biosecurity is not just a rural issue; it is also an urban issue. During the year PNZ co-funded a public awareness campaign for BMSB along with Kiwifruit Vine Health and MPI.

PIPFRUIT NZ OPERATIONAL MATTERS

Office

Pipfruit NZ's offices are located at 507 Eastbourne Street West, Hastings.

During the year, Prevar Ltd vacated its leased office within the premises. Pipfruit NZ no longer provides administrative services to Prevar.

Society Governance

The Pipfruit NZ Board comprises four grower directors, three post-harvest directors and an independent Director.

The Board elected at the 2016 Annual General Meeting was:

- Nadine Tunley, Post- Harvest, Hawkes Bay (Chairman)
- Bruce Beaton, Post-Harvest, Hawkes Bay
- Peter Beaven, Grower, Hawkes Bay
- Andy Borland, Post-Harvest, Christchurch
- Evan Heywood, Grower, Nelson
- Matthew Hoddy, Grower, Nelson
- Richard Punter, Independent, Hawkes Bay
- Cameron Taylor, Grower, Hawkes Bay

Industry committees

The board delegates some industry responsibilities to four committees.

1. Research Consultative Group

The Research Consultative Group (RCG) is constituted under the Pipfruit NZ Rules and is responsible for recommending the research programme for each year for Board approval, and for reviewing the progress of research undertaken on behalf of members. RCG reports to the Board via the Technical Manager – Crop Protection and the Board appointed member.

The RCG is constituted to meet at least quarterly to review research progress. The 2016/17 RCG comprised:

Industry representatives: David Easton, Wayne Hall, Stella McLeod, and Heidi Stiefel.

PNZ representatives: Tim Herman (Chair), Roger Gilbertson, Gary Jones (ex officio) PNZ Board Representative: Stephen Anderson.

2. Prevar Advisory Group

The Prevar Advisory Group was established to provide advice to the PNZ Board on a range of matters that affect the NZ shareholding in Prevar. They act as a sounding board for the PNZ Board to test ideas and look at the practical implications of Prevar activities.

The current members of the Prevar Advisory Committee are: Tim Goodacre (Chair), Paul Paynter, Lesley Wilson, Morgan Rogers and Evan Heywood.

The Group did not meet during 2016/17, although its Chair and PNZ appointed Prevar Director, Tim Goodacre, was actively involved in the industry referendum referred to previously.

3. Market Panel

Exporters continue to share export market information in order to make informed export decisions. This group represents a majority by volume of all Pipfruit exports from New Zealand.

4. Market Access Advisory Group

The Market Access Advisory Group provides the important technical link between the Market Access Governance Group (PNZ and MPI) and our member businesses.

The Market Access Governance Group comprises Nadine Tunley, Andy Borland and Alan Pollard from PNZ; and Tim Knox, Peter Thompson, and Stephen Butcher from MPI.

The current members of the Market Access Advisory group, with industry representatives elected at the market panel AGM in November 2016, are:

Duncan Park, T and G Global; Hans Doevendans, Qmac Systems/Crasborn's; Simon Thursfield, Apollo Apples; Karen Morrish, Mr Apple; Kelvin Le Comte, Compass Fruit; Stephen Butcher, MPI; Roger Gilbertson, PNZ (Chair).

The Group considers and advises on proposed changes to export protocols and official assurance programmes, phyto-sanitary issues that periodically arise, and any other matters to do with market access.

Communication

Pipfruit Newz, weekly emails, the Society's website (www.pipfruitnz.co.nz), and grower workshops and seminars continue to be the main communication methods with the industry. Pipfruit Newz is published monthly except for January, and during 2016 became an electronic publication.

During 2016 Pipfruit New Zealand combined with Horticulture New Zealand to deliver a Horticulture Conference in Nelson. This was the first time that this combined conference had been held and is likely to be repeated every two or three years.

PNZ hosts a number of workshops, training programmes, technical field days and seminars for growers and packers in all major districts to upskill members and to discuss various topics including market access programmes, pest and disease management, research and development, seasonal labour and orchard management.

Finance

The financial result for the year was a deficit of $838k after allowing for $385k for PNZ's share of the Prevar deficit and a further $305k being an impairment of the Prevar investment. The new Prevar shareholders agreement dealing with funding for the period 1 June 2014 to 31 May 2017 was signed on 19th of July 2016. In the 2016 year PNZ advanced $1,350k to Prevar (including $450k unpaid from the previous year).On signing, the shareholders advances were repaid through the issue of share capital in Prevar.

The operating deficit is $193k lower than in 2016 with revenue being $340k higher than 2016.Levy income is $210k higher as volumes increase. Research income is $156k higher than 2016 and annual conference income is higher by $187k due to PNZ holding a combined conference with Horticulture New Zealand.

Total spending increased by $340k during the year. As PNZ continues to implement its strategic priorities, this has resulted in higher spending on knowledge management, communication, capability development and increased staff numbers. Spending on new varieties increased by $104k due to legal costs associated with the review of the Prevar Investment.

Members' equity decreased by $838k to $2,527k at 31 March 2017.

PNZ has arranged an overdraft facility (secured against its reserve term deposits) to allow it to meet large research expenses at times of the year when only small amounts of annual levy income has been received.

The PNZI team and Board are acutely aware of their fiduciary duties to manage the Society's finances prudently and effectively. This responsibility is greatly supported by PNZI's strategic plan and the associated budgetary process.

Staff

At balance date Pipfruit NZ members of staff were:

Alan Pollard	Chief Executive
Gary Jones	Business Development Manager
Tim Herman	Technical Manager (Crop Protection)
Roger Gilbertson	Technical Manager (Market Access and Regulatory Affairs)
Peter Bull	Finance and Administration Manager
Catherine Scott	Operations Coordinator
Christine McRae	Information Coordinator
Jill Morley	Administration
Erin Simpson	Capability Development Manager
Rachel Kilminster	Technical Assistant

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Nadine Tunley
Chairman

Alan Pollard
Chief Executive

FINANCIAL REPORT
Year ended 31 March 2017

PIPFRUIT NEW ZEALAND INCORPORATED
STATEMENT OF COMPREHENSIVE REVENUE & EXPENSES
for the year ended 31 March 2017

	Note	2017	2016
Revenue	(1)	5,624,682	5,285,432
Expenses			
Research expenses		2,894,663	2,976,351
Employee related costs		972,392	867,808
Depreciation and amortisation		63,585	47,336
Other expenses	(2)	2,132,362	1,791,822
Total expenses		6,063,002	5,683,317
Operating deficit for the year		**(438,320)**	**(397,885)**
Share of equity accounted investees surplus/(deficit) for the year	(7)	(384,760)	(595,095)
Total deficit before income tax		**(823,080)**	**(992,980)**
Income tax expense	(3)	(14,813)	(38,465)
Total deficit after income tax		**(837,893)**	**(1,031,445)**
Other comprehensive revenue and expense		-	-
Total comprehensive revenue and expense for the year		**(837,893)**	**(1,031,445)**

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2017

	2017	2016
Equity at beginning of period	3,365,176	4,396,621
Total Comprehensive revenue and expense for the year	(837,893)	(1,031,445)
Equity at end of period	**2,527,283**	**3,365,176**

The Statement of Accounting Policies and the accompanying notes form part of the financial statements

CROWE HORWATH
Marked for Identification Purposes
NEW ZEALAND

PIPFRUIT NEW ZEALAND INCORPORATED
STATEMENT OF FINANCIAL POSITION
as at 31 March 2017

	Note	2017	2016
CURRENT ASSETS			
Cash and Cash Equivalents	(4)	601,469	454,651
Trade & other receivables	(5)	405,080	363,097
Prepayments and other assets	(6)	220,599	182,798
Income tax refund due	(3)	1,515	659
Advance to Prevar	(7)		1,800,000
Impairment of Advance to Prevar	(7)		(242,024)
Investments	(4)	1,000,000	2,600,000
Total Current Assets		**2,228,664**	**5,159,181**
NON-CURRENT ASSETS			
Investment in Prevar Ltd	(7)	1,768,185	-
Plant and equipment	(8)	84,789	92,644
Intangible assets	(9)	34,608	31,917
Total Non-Current Assets		**1,887,582**	**124,561**
TOTAL ASSETS		**4,116,246**	**5,283,742**
CURRENT LIABILITIES			
Trade and other payables	(10)	1,538,088	1,803,369
Employee entitlements		50,875	59,258
Income in advance		-	55,939
Total Current Liabilities		**1,588,963**	**1,918,566**
TOTAL LIABILITIES		**1,588,963**	**1,918,566**
EQUITY			
Accumulated comprehensive revenue and expense		2,527,283	3,365,176
TOTAL EQUITY		**2,527,283**	**3,365,176**
TOTAL EQUITY AND LIABILITIES		**4,116,246**	**5,283,742**

These Financial Statements have been authorised for issue by the Directors on 20 June 2017

Nadine Tunley, Chairman

Director

CROWE HORWATH Marked for Identification Purposes NEW ZEALAND

PIPFRUIT NEW ZEALAND INCORPORATED
CASH FLOW STATEMENT
for the year ended 31 March 2017

	Note	2017	2016
Cash flow from operating activities			
Receipts			
Receipts from commodity levies		4,092,396	3,618,046
Receipts from other non exchange transactions		1,016,847	1,279,129
Receipts from other exchange transactions		359,644	267,042
Interest received		55,199	143,564
Goods and Services Tax (Net)		2,459	33,347
Income tax		-	3,770
		5,526,545	5,344,898
Payments			
Payments to employees & directors		995,960	848,302
Payments to suppliers		5,009,677	4,006,245
Income Tax		15,669	-
		6,021,306	4,854,547
Net cash inflow/ (outflow) from operating activities		**(494,761)**	**490,351**
Cash flow from investing activities			
Receipts			
Proceeds from maturity of investments		1,600,000	312,614
		1,600,000	312,614
Payments			
Advance to Prevar		900,000	1,350,000
Purchase of property, plant and equipment and intangibles		58,421	61,381
		958,421	1,411,381
Net cash inflow/ (outflow) from investing activities		**641,579**	**(1,098,767)**
Net increase (decrease) in cash and cash equivalents		146,818	(608,416)
Add opening cash and cash equivalents		454,651	1,063,067
Closing cash and cash equivalents	(4)	**601,469**	**454,651**

The Statement of Accounting Policies and the accompanying notes form part of the financial statements

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PIPFRUIT NEW ZEALAND INCORPORATED
STATEMENT OF ACCOUNTING POLICIES
for the year ended 31 March 2017

REPORTING ENTITY

Pipfruit New Zealand Incorporated (society) is an Incorporated Society domiciled in New Zealand and registered under the Incorporated Societies Act 1908.

The Society is the national body that promotes and represents the New Zealand pipfruit industry - growers, packers, and marketers of apples and pears in domestic and export markets.

BASIS OF PREPARATION

a) Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards - Reduced Disclosure Regime ("PBE IPSAS RDR") and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not-For-Profit entities. For the purposes of complying with NZ GAAP, the Society is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS on the basis that it does not have public accountability and it is not defined as large.

b) Basis of Measurement

The financial statements have been prepared on the historical cost basis modified as detailed in the specific accounting policies below.

c) Functional and Presentation Currency

These financial statements are presented in New Zealand dollars (NZD), which is the Society's functional currency. All financial information has been rounded to the nearest dollar.

d) Use of Key Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of the income and expenses during the period. Actual results could differ from these estimates.

Judgements are made by management in the application of PBE IPSAS RDR that have a significant effect on the financial statements.

The following are significant judgements made by management in applying the accounting policies of the Society that have a significant effect on the financial statements:

Impairment of Prevar Limited
An impairment loss has been recognised for the Society's investment in Prevar Limited. PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* requires management to make an assessment whether there are any indications that the investment in Prevar Limited is impaired, and if so, recognise an impairment loss of the amount by which the carrying amount exceeds its recoverable service amount. In applying PBE IPSAS 21, management have determined that there is an impairment in the investment in Prevar Limited due to the continued requirement to fund the research activities of Prevar Limited. In arriving at a recoverable service amount management have determined the Society's share of the net tangible asset value of Prevar Limited at balance date to be the recoverable service amount.

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Recognition of Deferred Taxes

PBE IAS 12 *Income Taxes* requires that the Society recognise a deferred tax liability (or asset) for any assessable (or deductible) temporary differences in the carrying amount of the Society's assets and liabilities recognised on the balance sheet. The majority of the Society's assets and liabilities are derived from member activity and management have determined that no assessable (or deductible) temporary differences exit. As a result, no deferred tax liabilities (or assets) have been recognised.

SIGNIFICANT ACCOUNTING POLICIES

The following are the particular accounting policies, which have a material effect on the financial statements of the Society. They have been applied consistently to all periods presented in these financial statements.

Foreign Currency Transactions

Foreign currency balances are converted to NZD at the year-end rate of exchange. Transactions completed during the year are converted at the rate applying at the date of the transaction. Any foreign exchange gain or loss on monetary items is included within the statement of comprehensive revenue and expenses.

Financial Instruments

A financial instrument is recognised only when the Society becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Society's contractual right to the cash flows from the financial assets expire or if the Society transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset.

Purchases and sales of investments are recognised on trade date, the date on which the Society commits to purchase or sell the asset.

The Society classifies its financial instruments in the following categories: financial assets at fair value through surplus or deficit; loans and receivables; held to maturity financial assets; available for sale financial assets; financial liabilities at amortised cost. The classification depends on the nature of the instrument and the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at every reporting date.

At balance date, the Society only held financial instruments in the loans and receivables and financial liabilities at amortised cost categories.

Financial assets

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through surplus or deficit. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are stated at amortised cost using the effective interest rate method less accumulated impairment losses. Cash and cash equivalents, trade & other receivables, advance to Prevar and investments are classified as loans and receivables.

Impairment of financial assets

The Society assesses at the end of reporting date whether there is objective evidence that a financial asset is impaired. Where there is objective evidence of impairment subsequent to the initial recognition of a financial asset - such as a default or significant financial difficulty of the counterparty - the expected recoverable amount of financial assets carried at amortised cost is calculated as the present value of estimated future cash flows to be received from the asset, discounted at their original effective interest rate. Receivables with a short duration are not discounted.

Financial liabilities

All financial liabilities are initially recognised at fair value (plus transaction cost for financial liabilities not at fair value through surplus or deficit) and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus or deficit. The Society does not have any financial liabilities at fair value through surplus or deficit.

The Society's financial liabilities include trade and other payables and employee entitlements.

Impairment of non-financial assets

The Society separately identifies cash generating and non-cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return. All other non-financial assets are considered non-cash-generating. The Society does not have any cash-generating non-financial assets.

Impairment of non-cash-generating assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The Society conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment.

An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an assets fair value less costs to sell and its value in use. Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Impairment losses directly reduce the carrying amount of assets and are recognised immediately in the statement of comprehensive revenue and expense.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Society and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised.

Revenue from non-exchange transactions

Non-exchange transactions are those where the Society receives an inflow of resources (i.e. cash and other tangible or intangible items) but provides no (or nominal) direct consideration in return.

With the exception of services-in-kind, inflows of resources from non-exchange transactions are only recognised as assets where both:

- It is probable that the associated future economic benefit or service potential will flow to the entity, and
- Fair value is reliably measurable.

Inflows of resources from non-exchange transactions that are recognised as assets are recognised as non-exchange revenue, to the extent that a liability is not recognised in respect to the same inflow.

Liabilities are recognised in relation to inflows of resources from non-exchange transactions when there is a resulting present obligation as a result of the non-exchange transactions, where both:

- It is probable that an outflow of resources embodying future economic benefit or service potential will be required to settle the obligation, and
- The amount of the obligation can be reliably estimated.

The following specific recognition criteria in relation to the Societies's non-exchange transaction revenue streams must also be met before revenue is recognised.

Commodity Levies

Commodity levy is a levy imposed on all pipfruit grown and sold/exported by growers in New Zealand under the Commodity Levies (Pipfruit) Order 2012. Commodity levy revenue include levies from Pipfruit sales up to 31 March that are included in commodity levy returns received by the Society up to 30th April each year. Levy returns received after the April 30 each year are reported as revenue in the following year.

Shared Research

Shared research revenue includes grants given by government or other organisations for conducting research relating to or affecting the pipfruit industry. Shared research revenue is recognised when the conditions or restrictions attached to the grant have been complied with. Where there are unfulfilled conditions attaching to the grant, the amount relating to the unfulfilled condition is recognised as a liability and released to revenue as the conditions are fulfilled. Conversely, where research has been undertaken but the grant has not yet been received from the other party, the shared research revenue is accrued as an asset.

Revenue from exchange transactions

Membership fees and subscriptions

Revenue is recognised over the period of the membership or subscription (usually 12 months). Amounts received in advance for memberships or subscriptions relating to future periods are recognised as a liability until such time that period covering the membership or subscription occurs.

Interest and dividend income

Interest revenue is recognised as it accrues, using the effective interest method. Dividend income is recognised when the dividend is declared.

Rental income from sub-lease of operating leases

Rental income is recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Research expense

The society contracts external firms to undertake research on behalf of the pipfruit industry. These costs are expensed as incurred as there is no direct economic benefit to the society. Invoiced but unpaid research costs are recorded as a payable at balance date. An accrual is made at year end for estimated research work that has been performed but not yet reported on or invoiced at balance date.

Associates

Associates are those entities in which the Society has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Society holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method and are recognised initially at cost, including directly attributable transaction costs.

The financial statements include the Society's share of the surplus or deficit and other comprehensive revenue and expense of its equity accounted associates, after adjustments to align the accounting policies with those of the Society, from the date that significant influence commences until the date that significant influence ceases.

When the Society's share of losses exceeds its interest in its equity accounted associates, the carrying amount of the investment, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Society has an obligation or has made payments on behalf of the investee.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks, short term deposits and other highly liquid investments with original maturities of 90 days or less inclusive of accrued interest at balance date that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

Plant and Equipment

Items of plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Depreciation is recognised in the statement of comprehensive revenue and expenses on a straight line basis at rates calculated to allocate the assets' cost less estimated residual value, over their estimated useful lives. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

The estimated useful lives are:

Motor Vehicles	4 to 6 years
Computer Equipment	3 to 5 years
Furniture and Fittings	10 to 15 years
Office Equipment	3 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted if there is a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset. The Society's plant and equipment is considered to be a non-cash generating asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of comprehensive revenue and expenses.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits or service potential embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in surplus or deficit as the expense category that is consistent with the function of the intangible assets.

The Society does not hold any intangible assets that have an indefinite life.
The estimated useful lives for the Society's intangible assets are as follows:

Software	4 years

Employee Benefits
Liabilities for wages and salaries, annual leave and accumulating sick leave are recognised in surplus or deficit during the period in which the employee provided the related services. Liabilities for the associated benefits are measured at the amounts expected to be paid when the liabilities are settled.

GST

All amounts are shown exclusive of GST except for receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

Income Tax
Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'Surplus before tax' as reported in the statement of comprehensive revenue and expenses because the Society is exempt from income tax relating to member's activities. Taxable profit includes the society's interest income and non-member activity income during the year. The Society's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The society doesn't have any deferred tax assets or deferred tax liabilities.

Leases

Operating lease payments where the lessor retains substantially the risk and rewards of ownership of an asset, are recognised as an expense in the statement of comprehensive revenue and expenses on a straight line basis over the lease term.

Equity
Equity is measured as the difference between total assets and total liabilities. Equity is made up of accumulated comprehensive revenue and expense which is the Society's accumulated surplus or deficit since its formation, adjusted for transfers to/from specific reserves.

Changes in accounting policies
There have been no changes in accounting policies. The society has reclassified its term deposits from both cash and cash equivalents and non-current investments to current investments for the comparative period. The impact of the reclassification is to reduce cash and cash equivalents by $1,600,000, reduce non current investments by $1,000,000 and increase current investments by $2,600,000. This reclassification occurred to align the accounting treatment of term deposits with the Society's accounting policies.

PIPFRUIT NEW ZEALAND INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

1 Revenue	2017	2016
Revenue from non-exchange transactions		
Commodity Levy (a)	3,970,903	3,761,496
Shared Research	1,175,714	1,019,445
Revenue from exchange transactions		
Interest	55,199	135,727
Residue Testing	41,100	116,460
Orchard /IFP Registration Fees	50	31,192
Membership Fees	33,475	35,822
Annual conference	279,546	92,921
Rent & Administration Services	40,135	51,294
Miscellaneous	28,560	41,075
	5,624,682	5,285,432

(a) Net income from commodity levies of $3,821,575 (2016: $3,615,314) was received after allowing for commission, collection costs and bad or doubtful debts. Commodity levy income has been applied to advancing various industry interests and the administrative support of the Society as detailed in (2).

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2	**Other expenses**	*Note*	2017	2016
	Commodity Levy Collection Fees & Expenses		149,328	146,182
	Relationships		48,784	47,548
	Market Access		203,686	189,613
	Representation		86,165	79,904
	Apple Story		1,816	118,680
	Biosecurity		6,958	5,283
	Knowledge Manangement & communications		511,633	396,755
	RSE scheme		16,067	25,341
	Capability Development		188,485	123,237
	New Varieties		139,465	35,274
	Premises & Office costs		474,944	381,981
	Impairment of advance		305,031	242,024
			2,132,362	1,791,822

The following expenses are included in the expense lines above.

	2017	2016
Lease Expenses	10,410	10,410
Directors Fees	156,250	146,000
Rental Expenses	70,698	67,856
Fees Paid to Auditors		
- Financial statements	8,500	11,000
-Tax services	1,000	1,000
Bad Debts		

3	**Income Tax**	2017	2016
(a)	Components of income tax expense		
	Current year tax expense	14,813	38,465
(b)	Reconciliation of effective tax rate		
	Deficit for the year before income tax	(823,080)	(992,980)
	Income tax at 28%	(230,462)	(278,034)
	Tax effect of Taxation Adjustments		
	Exempted Income	(1,541,424)	(1,422,938)
	Exempted Expenses	1,679,246	1,573,090
	Equity Accounting of Prevar Limited	107,733	166,627
	Non-profit organisation deduction	(280)	(280)
	Current year income tax expense	14,813	38,465
(c)	**Income tax refundable**		
	Prior year refund outstanding	(660)	(3,770)
	Current year tax payable	14,813	38,465
	Resident withholding tax deductions	(15,027)	(38,768)
	Imputation credits held	(63)	(63)
	Refunds received	-	3,913
	Tax Paid	(143)	-
	Tax payable/(refundable) on behalf of Administered funds	(435)	(437)
	Tax payable/(refundable)	(1,515)	(660)

4	**Cash and Cash Equivalents & Investments**	**2017**	**2016**
	Cash and Cash Equivalents	601,469	454,651

Cash and cash equivalents do not include funds administered on behalf of industry groups.
At balance date thees totalled $155,264 (2016 $ 397,228)
In May 2017 a $0.5m overdraft facility was put in place with the BNZ. The funds held as investments are to be held as security for this facility.

Investments

	2017	2016
Term Deposits		
General	-	1,600,000
Reserve Fund	600,000	600,000
GIA Fund	400,000	400,000
	1,000,000	2,600,000

The reserve fund was created to provide for a shortfall in Commodity Levy income which may seriously impact on the ability of the Society to meet its objectives and obligations.

A specific reserve of $400,000 has been created this year after the signing of a Government Industry Agreement (GIA) for Biosecurity Readiness and Response to an event that is deemed a Biosecurity risk to New Zealand.The agreement details the cost sharing mechanism between industry and government and the Pipfruit Industry could be liable for a share of these costs. The society may put further levy funds to this reserve over the next few years to take it up to $1m as cashflow permits.

5	**Trade & other receivables**	**2017**	**2016**
	Receivables from non-exchange transactions		
	Commodity Levy	228,620	363,097
	Other Receivables	176,460	-
		405,080	363,097

6	**Prepayments and other assets**	**2017**	**2016**
	Insurance	15,963	15,777
	Research Prepaid	84,131	46,731
	GST	85,194	87,651
	Expenses to be recovered (net)	35,312	32,639
		220,600	182,798

7	**Investment in Prevar Limited**	**2017**	**2016**
	Equity Accounted Investment at cost	12,950,000	10,250,000
	Accumulated Share of deficit	(9,865,810)	(9,481,050)
	Accumulated Impairments	(1,316,005)	(768,950)
	Net carrying value	1,768,185	-

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7 Investment in Prevar Limited cont'd

Movements in carrying amounts

	2017	2016
Carrying value at the begining of the period	-	595,095
Conversion to share capital following signing of shareholders agreement on 19th July 2016.	1,557,976	-
Share capital introduced during the year	900,000	-
Share of (deficit)/profit for the year	(384,760)	(595,095)
Impairment for the year	(305,031)	-
Carrying value at the end of the period	1,768,185	-

Prevar Limited has a balance date of 31 May. Equity accounting has been adopted on the basis of management reports to 31 March 2017 and the share of the deficit reflects the Society's 45% shareholding.

Advance to Prevar

The new Prevar shareholders agreement dealing with funding to 2017 was signed on 19th of July 2016. In the 2016 financial year the Society advanced $1,350,000 in addition to the $450,000 advanced in 2015 in anticipation of the agreement being signed. On signing, the advances were repaid through the issue of share capital in Prevar.

	2017	2016
Value of advance at the beginning of the period	1,557,976	450,000
Advances made during the year	-	1,350,000
Conversion of advances to share capital	(1,557,976)	-
Impairment losses	-	(242,024)
Carrying value at the end of the period	-	1,557,976

8 Plant & Equipment

As at 31 March 2016	Motor Vehicles	Computer Equipment	Furniture & Fittings	Office Equipment	Total
Cost	103,811	196,869	42,109	37,907	380,696
Accumulated amortisation	(48,980)	(175,456)	(29,738)	(33,878)	(288,052)
Net Book Amount	**54,831**	**21,413**	**12,371**	**4,029**	**92,644**
Year ended 31 March 2017					
Opening Net book Value	54,831	21,413	12,371	4,029	92,644
Additions	-	14,467	3,093	21,316	38,876
Disposals	(30,213)	-	-	-	(30,213)
Depreciation	13,470	(21,475)	(2,526)	(5,987)	(16,518)
Net Book Amount	**38,088**	**14,405**	**12,938**	**19,358**	**84,789**
As at 31 March 2017					
Cost	73,598	211,336	45,202	59,223	389,359
Accumulated amortisation	(35,510)	(196,931)	(32,264)	(39,865)	(304,570)
Net Book Amount	**38,088**	**14,405**	**12,938**	**19,358**	**84,789**

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NEW ZEALAND

9 Intangible assets

	Software
As at 31 March 2016	
Cost	45,596
Accumulated amortisation	(13,679)
Net Book Amount	**31,917**
Year ended 31 March 2017	
Opening Net book Value	31,917
Additions	18,787
Disposals	-
Depreciation	(16,096)
Net Book Amount	**34,608**
As at 31 March 2017	
Cost	50,704
Accumulated amortisation	(16,096)
Net Book Amount	**34,608**

10 Trade and other payables

	2017	*2016*
Trade creditors	759,788	831,472
Research contracts	628,082	821,164
Accruals	116,277	124,952
PAYE/Kiwisaver payable	33,941	25,781
	1,538,088	1,803,369

11 Related Party Transactions

Prevar Ltd is a related party due to the Society's 45% shareholding. The Society appoints two directors to the board of Prevar. The Society received income for providing administration and office rooms and for cost recoveries during the period. The rental income from Prevar has now ceased but there will be small cost recoveries by the Society going forward. Refer to Note 7 for details around the advances & share capital provided to the company.

Evan Heywood is a Director of the Society and also a Director of Heywood Orchard Ltd and Prevar Ltd. There were minor related party transactions with Heywood Orchard Ltd during the period.

Andrew Borland is a Director of the Society and also a Director of Mr Apple New Zealand Ltd, Fern Ridge Produce Ltd and Scales Corporation Ltd. The Society received sponsorship, levies, residue testing fees and other minor revenue during the period.

Cameron Taylor is a Director of the Society and also a key management personnel of Golden Del Orchard Ltd and Taylor Corporation Ltd. The Society received levies, residue testing fees and other minor revenue during the period.

Matthew Hoddy is a Director the Society and and also a Director of Vailima Orchard Ltd. There were minor related party transactions during the period.

Nadine Tunley is the Chairperson of the Society and during the year was a key management personnel of Freshmax NZ Ltd and was contracted to Kono Horticulture Ltd for part of the year. The Society received levies and other minor revenue during the period from Freshmax NZ Ltd.

11 Related Party Transactions cont'd

	Sales made		Amount receivable	
	2017	**2016**	**2017**	**2016**
Prevar Ltd	23,660	35,103	2,468	5,774
Mr Apple New Zealand Ltd	796,792	696,877	-	-
Fern Ridge Produce Ltd	107,850	108,859	-	-
Scales Corporation Ltd	-	264	-	-
Golden Del Orchard Ltd	-	565	-	-
Taylor Corporation Ltd	67,543	124,188	-	29,031
Freshmax NZ Ltd	308,488	83,000	-	4,341

Key management personnel include the Directors and Senior management.

Senior Management consists of the CEO, Technical Manager -Market Access and Regulatory Affairs, Technical Manager Crop Protection, Business Development Manager, Finance & Administration Manager and the Capability Development Manager.

The aggregate level of remuneration paid and number of persons (measured in 'full-time-equivalents' (FTE's)) in each class of key management personnel is presented below

	2017		2016	
	Remuneration $	Number of FTE's	Remuneration $	Number of FTE's
Board Members	156,250	8	146,000	8
Senior Management	739,258	6	541,223	5
Total	895,508		687,223	

12 Commitments

a *Operating lease commitments*

The Society has obligations payable after balance date for office rental and its photocopier

	2017	***2016***
No later than one year	69,645	74,795
Later than one year and not later than five years	11,318	77,832
Later than five years	-	-
	80,963	152,627

b Capital Commitments

There are no capital expenditure commitments outstanding as at 31 March 2017. (2016: $nil).

c Research Commitments

At 31 March 2017, the Society had ongoing research commitments of $1,230,482 (2016 $1,901,611)

The Society has entered into a partnership with MBIE to manage the Apple Futures II research program. The expected cost of the program is approximately $8.6m which will be funded by MBIE and the industry. MBIE is contracted to contribute $621,571 p.a for the seven years of the program effective from 1 October 2014.

13 Contingent Liabilities

There are no known contingent liabilities at 31 March 2017. (2016: $nil).

14 Subsequent Events

Subsequent to balance date, the funding that Prevar receives from the Ministry of Business Innovation and Employment ("MBIE") is to cease from 31 May 2017. This results in uncertainty over the continued co-funding support to Prevar by the Society. Prevar are exploring other co-funding options and shareholders are yet to agree on their own level of funding for the next year. Directors believe it will be no less than the current funding level of $900,000 per annum.

15 Financial Instruments

Categories of financial assets and liabilities

The carrying amounts of financial instruments presented in the statement of financial position relate to the following categories of assets and liabilities:

	2017	2016
Financial assets		
Loans and receivables		
Cash and cash equivalents	601,468	454,651
Trade & other receivables	211,459	326,620
Advance to Prevar	-	1,557,976
Investments	1,000,000	2,600,000
	1,812,927	4,939,247
Financial liabilities		
At amortised cost		
Trade and other payables	793,728	818,153
Employee Entitlements	50,872	59,258
	844,600	877,411

Crowe Horwath

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Pipfruit New Zealand Incorporated

Independent Auditor's Report to the Members of Pipfruit New Zealand Incorporated

Opinion

We have audited the financial statements of Pipfruit New Zealand Incorporated on pages 9 to 24, which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pipfruit New Zealand Incorporated as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards – Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Pipfruit New Zealand in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Society.

Other Information

The Board of Directors are responsible responsible for the other information. The other information comprises the information included in the annual report on pages 1 to 7, but does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible on behalf of the Society for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards – Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board, and for such internal control as the Board of

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Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

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CHARTERED ACCOUNTANTS
20 June 2017

Crowe Horwath New Zealand Audit Partnership is a member of Crowe Horwath International, a Swiss verein. Each member of Crowe Horwath is a separate and independent legal entity.

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