NEW ZEALAND APPLES & PEARS INCORPORATED

Annual Report 2018

New Zealand Apples & Pears®

New Zealand Apples & Pears®

OFFICERS

as at 31 March 2018

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 7

Director	Attended	Notes
Nadine Tunley	7	
Peter Beaven	7	
Matthew Hoddy	7	
Andy Borland	7	
Evan Heywood	6	
Richard Punter	7	
Cameron Taylor	7	
Bruce Beaton	6	

CHAIRS INTRODUCTION

New Zealand Apples & Pears Incorporated (NZAPI) 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 market 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.

This annual report is for the year ended 31 March 2018. It covers the 2017 selling season and the 2017/18 growing season to the start of harvest.

Gross production for the 2017 year was 517,516 mT, some 6% less than in 2016. Export production of 342,514mT was 3% below 2016, with domestic production 3% up and processed fruit 19% below 2016 levels.

Our largest individual markets in order of size were Germany, United Kingdom, United States and Taiwan.

Industry export returns were less than predicted due primarily to a challenging growing and harvest season.

NZAPI belongs to our growers. Our purpose is to invest grower levies in the activities defined in our Rules, which are focussed on helping growers to achieve increasing and sustainable long-term returns.

NZAPI is focussed on its 9 core strategic priorities. Of those 9, the three key priorities are market access, biosecurity and access to labour/careers and capability (including RSE).

The world in which we live and trade is changing rapidly. Rules based systems are giving way to an increasingly protective trade agenda where non-tariff barriers are hidden behind phyto-sanitary requirements. The focus of the NZAPI team is certainly to continue to challenge unreasonable and unjustified access conditions, but at the same time to look for other ways to break down these barriers. Non-tariff barriers are often imposed to protect a domestic industry that is facing its own challenges or is feeling threatened. As the most competitive apple industry in the world, we are uniquely placed to leverage our knowledge, expertise and intellectual property to improve our trade and market access. We are closely engaged with officials from MFAT and MPI to maximise these opportunities.

The industry has been steadily growing its export returns since 2012, when exports amounted to $360m. In 2017, exports amounted to over $720m, of this additional $360m in export returns, 80% is due to extracting greater value from our export produce. Significant investment in new plantings and post-harvest infrastructure continue, reflecting a sustained confidence in the future of the industry.

NZAPI's role is to support trade and market access conditions that will ensure strong commercial returns for that investment.

Our role is also to protect the industry from risk. The two most significant risks that the industry faces are biosecurity and access to labour.

With New Zealand becoming increasingly popular as a tourist destination, and with our reliance on bilateral trade, the pressures at our border to keep unwanted pests and other organisms out of the country are growing. A large increase in detections of Brown Marmorated Stink Bug (BMSB) during the 2017/18 high risk period shows just how vulnerable we are to an incursion. NZAPI is working with other GIA partners to do what we can to mitigate this risk.

As industry production increases and the provincial New Zealand economies improve, our access to enough seasonal labour is compromised. The industry works hard to enable (particularly unemployed) New Zealanders to access jobs, and supplements this with the RSE scheme. Our aim is to ensure a balanced supply and demand position. In addition, we continue to work with education and training providers to make sure that the industry can access well qualified and trained permanent staff.

It is a privilege to serve the industry and our members. We look forward to your continued success and offer our assurances that everything that we do is focussed on supporting that.

EXECUTIVE REPORT

We are pleased to be able to report on the year ended 31 March 2018.

The 2017 national crop estimate forecast a national export crop of 21.7m TCE's or 390,400 metric tonnes.

However, the actual crop harvested came in 12% below forecast, and the export recovery was at forecast.

Harvest conditions for all late varieties in the Hawkes Bay were very poor. Rainfall was twice the average for the February to May period and there was a total of three damaging cyclones, the worst of them just prior to Easter.

Nelson experienced fruit set issues caused by poor sunlight over bloom. In addition, the harvest was poor, meaning late maturity fruit did not get harvested.

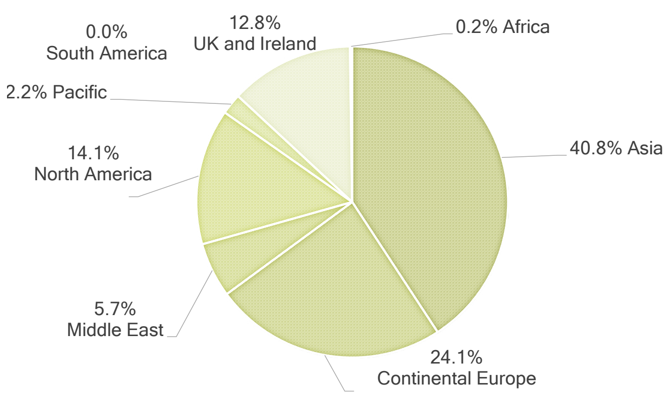
The 2017 harvest conditions were described as some of the worst in recent memory. The high volume of rain, cloudy poor colouring conditions, and several damaging cyclones, reduced the export crop by approximately 10% overall. In addition, the impact of hail in the Hawke's Bay and the large fruit set losses in Nelson were underestimated in the forecast.

As a result, final export production figures for the 2017 season were as follows:

NATIONAL EXPORT PRODUCTION (TONNES) BY REGION AND VARIETY 2017

Variety	Hawke's Bay	Nelson	Otago	Rest of NZ	TOTAL	% Mix
Braeburn	37,168	20,186	1,170	3,069	61,593	18.0%
Cox	38	2,559	688		3,286	1.0%
Cripps Pink	12,262	8,119		599	20,980	6.1%
Envy™	7,443	9,447		1,252	18,143	5.3%
Fuji	23,262	2,287	1,763	473	27,786	8.1%
Granny Smith	6,710	717	557	224	8,209	2.4%
Jazz™	151,450	17,430	1 944	242	35,067	10.2%
Pacific Beauty™	1,533	24	2	57	1,617	0.5%
Pacific Queen™	19,725	317	602	196	20,840	6.1%
Pacific Rose™	7,428	46	530	360	8,365	2.4%
Royal Gala	88,593	16,010	2,717	3,166	110,487	32.3%
Other Apples	7,547	11,582	2,345	1,072	22,547	6.6%
Pears	1,702	1,786	25	80	3,594	1.0%
TOTAL	228,865	90,512	12,344	10,793	342,516	

EXPORT PRODUCTION BY DESTINATION REGION 2017



RESEARCH PROGRAMME

Investment: approximately $2.8 million was invested in the 2017-18 year.

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

SOME KEY PROJECTS:

- The seven-year Apple Futures II programme ($1.24M pa), jointly funded by NZAPI and the Ministry of Business, Innovation and Employment (MBIE), has reached the half-way stage and is undergoing a mid-term programme review by MBIE. Research in the programme has been assessing postharvest technologies for disinfestation and disinfection of apples in the packhouse. Some have been found to be unsuitable for apples while others with potential, e.g. Controlled Atmosphere Temperature Treatments (CATTs), continue to be studied. On-orchard research projects continue to expand our knowledge of pest invertebrates and pathogens, allowing the development of new tools and improvement of existing tools for better monitoring and control of pests and diseases, e.g. Lure & Kill technology and phenology modelling for apple leaf curling midge.
- Two new projects starting in July gained Ministry for Primary Industries Sustainable Farming Fund (SFF) funding. One project on the disease fire blight, which has caused issues in some orchards and some regions in the past couple of seasons, aims to assess novel control strategies and update best management practices. The other project focuses on poor drainage in orchards that can have a major impact on orchard productivity and profits through reducing tree health, increasing fruit rots, labour and production costs and amplifying health and safety hazards. This project will modify and extrapolate drainage management practices from broad-acre farming and other fruit crops for implementation in apple and pear orchards.

Extension

Using the Tech-Box model that was developed for the European canker project, we have modernised the delivery of the Integrated Fruit Production manual on the NZAPI website from cumbersome PDF files to simpler, easy-to-navigate web-pages. OrchardQC and FruitInspector have been developed further to include more training options and competency tests for fruit rots. Supply group grower workshops were introduced this year to provide more tailored extension of industry information. Best practice information on European canker and fire blight have been extended to industry through field days and workshops throughout the year.

NZ APPLES & PEARS INCORPORATED STRATEGIC PRIORITIES

NZAPI's strategic plan identifies nine key strategic priorities on which the organisation is to focus its efforts and investment.

1. Trade and Market Access-General

Trade Access

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) negotiations were concluded in January 2018. Ratification of the agreement is still to occur and the CPTPP does not enter into force until New Zealand and at least half the other countries ratify it. Implementation should occur by mid-2019.

On entry into force the tariff on apples to Japan will drop from 17% to 12.5% and then transition to 0% over the following 10 years. Also of importance is the negotiation leverage the CPTPP gives New Zealand as other countries seek to join.

Pacific Alliance FTA was underway in April 2017 and could provide better access for product into Mexico, Columbia, and Peru. Currently the import apple market is worth over $500m USD in these countries. New Zealand has a 20% tariff on apples imported by Mexico. Chile and the USA have a zero tariff under their individual FTA agreements. (At the time of writing Mexico had just signalled a 30% tariff for USA apples in retaliation to the

USA steel tariffs placed on Mexican products).

Market Access

Market access is NZAPI's number one priority. Our own work plan, and our joint work plan with Ministry for Primary Industries (MPI), focusses on delivering the highest quality commercially viable market access of any other exporting country.

Our strategic market access partnership with Industries MPI, started in 2013, continues to serve us well. The joint governance group comprises three industry representatives and three senior MPI representatives. 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.

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 2017/18 this included:

- Working with MPI on a range of projects 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.
    - o Preparation of technical documentation to aid in bilateral negotiations to reduce perceived technical trade barriers and to open up trade with new markets.
- Trouble shooting key access issues to minimise potential damage to the wider industry (e.g. 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 is an important export destination, last year accounting for about 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.

The trend toward more complex phytosanitary barriers and the rise of non-tariff barriers is increasing, with a continued focus on protecting domestic pipfruit industries.

Good progress has been made to consolidate and improve industry market access in a number of Asian markets.

Our work in Asia during 2017/18 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 contact 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.
- Developing a "systems" approach proposal as an alternative to fumigation/cold treatment for access to Japan
- Ongoing involvement in developing an equivalence approach for continued access to Indonesia, Thailand and other markets to assist in the smooth transition of increasing importing country requirements.

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

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

A change of government in November 2017 brought with it the need to establish relationships with a new set of Ministers. We are grateful for the access that we have to those Ministers and for their interest in our industry.

NZAPI works very closely with a number of industries including kiwifruit, avocados and wine, and with other industry bodies including Horticulture NZ.

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.

In addition, we use the apple story to support our international market access work. 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.

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

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

A core role for NZAPI 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 or 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 NZAPI website; making decision tools that growers use accessible on orchards via hand held devices; updating key manuals and documents i.e. IFP manual, to be more user friendly; updating our registration system; and migrating our knowledge assets and database to a cloud-based platform.

6. Recognised Seasonal Employer (RSE) scheme

With growth in planted area increasing at a steady 4% year on year, access to sufficient seasonal labour is, and will continue to be, a core strategic priority.

A change of Government made any significant increase in the national RSE visa cap difficult to achieve and it was only increased by 600 to 11,100.

Regional caps agreed with Government were Hawke's Bay 4,100, Nelson 1,670 and Central Otago 800. By March 2018, the numbers of RSE who were actually in each region was Hawke's Bay 3,834, Nelson 1,343 and Central Otage 641.

National and regional RSE caps are different in that the sum of the regional caps does not equal the national cap. The national cap is the maximum number of RSE visas that can be approved in any one year July to June. The regional caps relate to the maximum number of RSE workers that can be in the region at any one time. RSE workers are counted against the national visa cap once when they arrive in New Zealand. As workers can move around regions they are counted against regional caps potentially multiple times.

The national cap must rise significantly for the regions to meet their caps.

The term Modern Slavery became more of an issue with the United Kingdom implementing its Modern Slavery Act in 2016. Australia is set to implement their own Modern Slavery Act in mid-2018. Additionally, many European retailers made the social practices risk assurance programme GRASP (GlobalGAP Risk Assessment Social Practices) a requisite for supply. NZAPI provided members a complete set of guides and delivered regional training programmes to support the implementation of GRASP.

RSE will gain more importance in the 2018/19 year.

7. Attract, grow and retain talent

2017 has seen some real movement in several areas around capability within the sector, increasing the viability and visibility of Horticulture and Pipfruit in particular. The effect has been the enabling of a much better conversation with central government agencies, industry training organisations and generally a much better reception from the public at large.

There are still significant shortages of skills and people at most levels of industry, but the awareness of this is now much more widely acknowledged, and as such we are making good traction with initiatives that will support the mandate of attracting, growing and retaining talent for our sector. Our biggest challenge still remains the perception of work within our sector being" Picking bags and Ladders" and this perception will take time to change. It is vital that the stories and media we share nationally gives a more modern view of what we do and that this view focuses on technology, innovation and successful careers across all the different areas of industry.

Some key points from the last year.

- Massey University has begun development of a BHort degree and is looking to Industry to provide guidance and context around content across various faculties at Massey including IT, engineering and food safety. The first cohort is planned to enrol for 2019
- A collaborative partnership between the Primary industry training organisation (PRITO) the Eastern Institute of Technology (EIT) and NZAPI has resulted in a Post-Harvest Diploma programme at Level 5. The first cohort which started in July 2017 has attracted 13 students and industry have been responsible for much of the content and context of the programme.
- We continue to participate in the Horticulture Capability Group (HCG), 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.
- Liaised with other primary sector groups and government agencies to communicate a unified approach to skills and training through conversations at national and regional levels and continue to investigate leveraged funding opportunities collaboratively across the executive management team at NZAPI to support strategic initiatives.

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.

NZAPI is a 45% shareholder in Prevar.

Historically, the breeding programme has been funded by contributions from NZAPI and Apple and Pear Australia Ltd (APAL) of $750,000 each, giving a total industry contribution of $1.5m per annum. This was then leveraged to secure an additional $1.5m per annum from the Ministry of Business, Innovation and Employment (MBIE). Both NZAPI and APAL contributed an additional $150,000 per annum toward Prevar's operating costs.

During the year, MBIE advised Prevar that it would not continue to provide leveraged funding for the programme beyond 31 May 2017.

Also, during the year APAL advised Prevar that its own government funding via Horticulture Innovation Australia (HIA) would no longer be available, and that it did not intend contributing further capital to the programme. As a result, NZAPI itself did not make a capital contribution during 2017/18. Prevar instead applied its own cash resources to fund the programme for 2017/18.

At balance date, the shareholders were in discussions about the future shareholding structure and funding for Prevar.

9. Biosecurity

Biosecurity is now one of the top NZAPI strategic priorities. The risks of a biosecurity incursion are growing as trade and tourism continues to expand. This last year saw a significant increase in the number of BMSB interceptions and resulted in multiple car vessels from Japan being turned around at the border. Thanks to the vigilance of the MPI border team we continue to be free of BMSB and a number of other key pipfruit pests of concern.

GIA continues to build momentum as the partnership approach between MPI and Industry signatories develops. The Operational agreements and associated work streams from both the Fruit Fly Council and BMSB Council (chaired by Alan Pollard) are being implemented. The shared projects stemming from the councils have meant we have been able to collate our view of risk and plans to minimise the threats these key pests of concern pose. One of these projects is to support a submission to the EPA to import and release a highly effective biological control tool (Samurai wasp) in the event of a BMSB incursion in New Zealand.

The GIA construct has enabled NZAPI to focus its attention specifically on Biosecurity preparedness in the pipfruit sector. The team has developed a NZAPI Biosecurity strategy and associated operational plan to roll out initiatives at the industry level over the next 3 years. This includes the establishment of an industry Biosecurity Advisory and Response Group responsible to the NZAPI Board, and importantly an industry preparedness plan to enable everyone to be clear on what and how we need to respond if and when the need arises. A Biosecurity R&D plan has also been documented and implemented to help steer the industry research funds to areas that will give the industry best value for money invested.

NZ APPLES & PEARS INCORPORATED OPERATIONAL MATTERS

Office

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

Society Governance

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

The Board elected at the 2017 Annual General Meeting was:

- Nadine Tunley, Post- Harvest, Wairarapa (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 Board appointed committees.

There were 5 Board committees in existence during the 2017/18 year.

1. Market Access Governance Group

The Market Access Governance Group is an industry/MPI partnership that determines and agrees priority export markets, approves the work plan for each of these markets, allocates resources to implement the work plan, and ensures that the work programme is achieved.

Members of the Market Access Governance Group are Nadine Tunley, Andy Borland and Alan Pollard from NZAPI; and Tim Knox, Peter Thompson, and Stephen Butcher from MPI.

2. Market Access Advisory Group

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

The current members of the Market Access Advisory group, with industry representatives elected at the market panel AGM in November 2017, are:

Roger Gilbertson (Chair), Hans Doevendans (independent), Karen Morrish (Mr Apple), Duncan Park (T & G Global), Simon Thursfield (T & G Global), and Stephen Butcher (MPI)

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.

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 apple and pear exports from New Zealand.

4. Research Consultative Group

The Research Consultative Group (RCG) is constituted under the NZAPI Rules and is responsible for recommending the research programme 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 2017/18 RCG comprised:

Industry representatives: Stella McLeod (Chair – Hawkes Bay), Wayne Hall (Gisborne), Morgan Rogers (Hawkes Bay), Heidi Stiefel (Hawkes Bay), and Kevin Withington (Nelson)

NZAPI representatives: Tim Herman (Chair), Roger Gilbertson, Rachel Kilmister, Gary Jones (ex officio)

NZAPI Board Representative: Stephen Anderson (Hawkes Bay)

5. Prevar Advisory Group

The Prevar Advisory Group was established to provide advice to the NZAPI Board on a range of matters that affect the NZ shareholding in Prevar. They act as a sounding board for the NZAPI 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 - Australia), Paul Paynter (Hawkes Bay), Lesley Wilson (Hawkes Bay), Morgan Rogers (Hawkes Bay) and Evan Heywood (Nelson).

The Group did not meet during 2017/18.

Communication

The main communication methods with the industry are Pipfruit Newz, weekly emails, the Society's website (www.applesandpears.nz), and grower workshops and seminars.

Pipfruit Newz is published monthly except for January and is now an electronic publication.

The annual industry conference was held in Napier in August 2017. The conference was focused on challenging and disrupting industry thinking about what the future may hold.

NZAPI also hosts a number of workshops, training programmes, technical field days and seminars for growers and packers across our regions 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 NZAPI for the year ended 31 March 2018 was a deficit of $1,045,000 after allowing for a share of the deficit in Prevar of $996,000. No capital contributions or shareholders advances were made to Prevar by any of the shareholders during the year.

The operating deficit is $207,000 higher than in 2017, with revenue being $105,000 lower than in 2017. Levy income was slightly higher by $75,000 and shared research income was up by $32,000 in 2018. Annual conference income was lower by $173,000 due to NZAPI holding its own conference during the year rather than a combined conference with Horticulture New Zealand as in the previous year.

Total spending decreased by $492,000 during the year. As NZAPI continues to implement its strategic priorities, spending can change between the key priority areas year on year as projects get completed and new ones start. During the year spending was well up in "Relationships" due to advice sought in respect of a Mancozeb chemical spray issue. Spending was lower this year on knowledge management and communication, capability development and market access. Spending on new varieties was also well down from the rather abnormal amount in the previous year.

Members' equity decreased by $1,045,000 to $1,482,000 at 31 March 2018, although the cash position is only $37,000 lower than at 31 March 2017 at $564,000.

NZAPI's commitment to fund Prevar until it is self-sufficient means that cash reserves remain low. The overdraft NZAPI has in place (secured against its reserve term deposits) allows it to meet large research expenses at times of the year when only small amounts of annual levy income have been received.

The NZAPI 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 NZAPI's strategic plan and the associated budgetary process.

Staff

At balance date NZAPI 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)
Erin Simpson	Capability Development Manager
Peter Bull	Finance and Administration Manager
Rachel Kilmister	Technical Assistant
Jill Morley	Administration

During the year, Christine McRae retired from her position as Information Coordinator, and Catherine Scott resigned from her position as Operations Coordinator.

Subsequent to balance date two new staff members -Sandra Hughes (Executive Assistant) and Emma Sherwood (Business Analyst) have joined the NZAPI team

Nadine Tunley
Chairman

Alan Pollard
Chief Executive

New Zealand Apples & Pears®

FINANCIAL REPORT
Year ended 31 March 2018

NEW ZEALAND APPLES & PEARS INCORPORATED
STATEMENT OF COMPREHENSIVE REVENUE & EXPENSES
for the year ended 31 March 2018

	Note	2018	2017
Revenue	(1)	5,520,095	5,624,682
Expenses			
Research expenses		2,862,339	2,894,663
Employee related costs		1,048,100	972,392
Depreciation and amortisation		56,876	63,585
Other expenses	(2)	1,603,508	2,132,362
Total expenses		5,570,823	6,063,002
Operating deficit for the year		**(50,728)**	**(438,320)**
Share of equity accounted investees surplus/(deficit) for the year	(7)	(996,028)	(384,760)
Total deficit before income tax		**(1,046,756)**	**(823,080)**
Income tax expense	(3)	1,735	(14,813)
Total deficit after income tax		**(1,045,021)**	**(837,893)**
Other comprehensive revenue and expense		-	-
Total comprehensive revenue and expense for the year		**(1,045,021)**	**(837,893)**

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2018

	2018	2017
Equity at beginning of period	2,527,283	3,365,176
Total Comprehensive revenue and expense for the year	(1,045,021)	(837,893)
Equity at end of period	**1,482,262**	**2,527,283**

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

CROWE HORWATH NEW ZEALAND

NEW ZEALAND APPLES & PEARS INCORPORATED
STATEMENT OF FINANCIAL POSITION
as at 31 March 2018

	Note	2018	2017
CURRENT ASSETS			
Cash and Cash Equivalents	(4)	563,918	601,469
Trade & other receivables	(5)	532,242	405,080
Prepayments and other assets	(6)	62,874	220,599
Income tax refund due	(3)	12,694	1,515
Investments	(4)	1,000,000	1,000,000
Total Current Assets		**2,171,728**	**2,228,664**
NON-CURRENT ASSETS			
Investment in Prevar Ltd	(7)	772,157	1,768,185
Plant and equipment	(8)	58,420	84,789
Intangible assets	(9)	18,512	34,608
Total Non-Current Assets		**849,089**	**1,887,582**
TOTAL ASSETS		**3,020,817**	**4,116,246**
CURRENT LIABILITIES			
Trade and other payables	(10)	1,502,443	1,538,088
Employee entitlements		36,112	50,875
Total Current Liabilities		**1,538,555**	**1,588,963**
TOTAL LIABILITIES		**1,538,555**	**1,588,963**
EQUITY			
Accumulated comprehensive revenue and expense		1,482,262	2,527,283
TOTAL EQUITY		**1,482,262**	**2,527,283**
TOTAL EQUITY AND LIABILITIES		**3,020,817**	**4,116,246**

These Financial Statements have been authorised for issue by the Directors on 6 June 2018

Richard Punter, Chairman

Director

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

CROWE HORWATH NEW ZEALAND

NEW ZEALAND APPLES & PEARS INCORPORATED
CASH FLOW STATEMENT
for the year ended 31 March 2018

	Note	2018	2017
Cash flow from operating activities			
Receipts			
Receipts from commodity levies		3,890,633	4,092,396
Receipts from other non exchange transactions		1,311,169	1,016,847
Receipts from other exchange transactions		190,769	359,644
Interest received		36,255	55,199
Goods and Services Tax (Net)		42,045	2,459
		5,470,872	5,526,545
Payments			
Payments to employees & directors		1,067,093	995,960
Payments to suppliers		4,419,772	5,009,677
Income Tax		9,444	15,669
		5,496,309	6,021,306
Net cash inflow/ (outflow) from operating activities		**(25,437)**	**(494,761)**
Cash flow from investing activities			
Receipts			
Proceeds from maturity of investments		-	1,600,000
			1,600,000
Payments			
Advance to Prevar		-	900,000
Purchase of property, plant and equipment		13,799	58,421
Purchase of intangibles		(1,685)	
		12,114	958,421
Net cash inflow/ (outflow) from investing activities		**(12,114)**	**641,579**
Net increase (decrease) in cash and cash equivalents		(37,551)	146,818
Add opening cash and cash equivalents		601,469	454,651
Closing cash and cash equivalents	(4)	**563,918**	**601,469**

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

NEW ZEALAND APPLES & PEARS INCORPORATED
STATEMENT OF ACCOUNTING POLICIES
for the year ended 31 March 2018

REPORTING ENTITY

New Zealand Apples & Pears Incorporated (the Society) changed its name from Pipfruit New Zealand Incorporated at their last Annual General Meeting held on the 2nd August 2017. The Society is an Incorporated Society domiciled in New Zealand and registered under the Incorporated Societies Act 1908.

The Society is the national body thatpromotes 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 Societ 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 IPSAS21 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 it's recoverable service amount. In applying PBE IPSAS21, 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 that the Society's share of the net 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 amortized 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.

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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 separatley 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.

<u>Impairment of non- cash- generating assets</u>

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, anc
- 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.

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
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

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.

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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

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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

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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.

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NEW ZEALAND APPLES & PEARS INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

1 Revenue	2018	2017
Revenue from non-exchange transactions		
Commodity Levy (a)	4,045,900	3,970,903
Shared Research	1,208,241	1,175,714
Revenue from exchange transactions		
Interest	36,256	55,199
Residue Testing	56,100	41,100
Orchard /IFP Registration Fees	-	50
Membership Fees	33,600	33,475
Annual conference	108,099	279,546
Rent & Administration Services	26,000	40,135
Miscellaneous	5,899	28,560
	5,520,095	5,624,682

(a) Net income from commodity levies of $3,880,875 (2017:$3,821,575) 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 PNZI as detailed in (2).

2	**Other expenses**	*Note*	2018	2017
	Commodity Levy Collection Fees & Expenses		165,585	149,328
	Relationships		178,222	48,784
	Market Access		132,625	203,686
	Representation		87,780	86,165
	Apple Story		20,187	1,816
	Biosecurity		30,688	6,958
	Knowledge Manangement & communications		395,895	511,633
	RSE scheme		25,885	16,067
	Capability Development		119,486	188,485
	New Varieties		12,808	139,465
	Premises & Office costs		434,347	474,944
	Impairment of advance		-	305,031
			1,603,508	2,132,362

The following expenses are included in the expense lines above

	2018	2017
Lease Expenses	-	10,410
Directors Fees	172,292	156,250
Rental Expenses	67,910	70,698
Fees Paid to Auditors		
- Financial statements	9,500	8,500
-Tax services	-	1,000
Bad Debts		

3	**Income Tax**	2018	2017
(a)	Components of income tax expense		
	Current year tax expense	(1,735)	14,813
(b)	Reconciliation of effective tax rate		
	Deficit for the year before income tax	(1,046,198)	(823,080)
	Income tax at 28%	(292,935)	(230,462)
	Tax effect of Taxation Adjustments		
	Exempted Income	(1,530,112)	(1,541,424)
	Exempted Expenses	1,542,705	1,679,246
	Equity Accounting of Prevar Limited	278,888	107,733
	Non-profit organisation deduction	(280)	(280)
	Current year income tax expense	(1,735)	14,813
(c)	**Income tax refundable**		
	Prior year refund outstanding	(1,515)	(660)
	Current year tax payable	(1,735)	14,813
	Resident withholding tax deductions	(9,727)	(15,027)
	Imputation credits held	(84)	(63)
	Refunds received	804	-
	Tax Paid	-	(143)
	Tax payable/(refundable) on behalf of Administered funds	(437)	(435)
	Tax payable/(refundable)	(12,694)	(1,515)

4	**Cash and Cash Equivalents & Investments**	***2018***	***2017***
	Cash and Cash Equivalents	563,918	601,469

Cash and cash equivalents do not include funds administered on behalf of industry groups
At balance date these totalled $198,934 (2017 $155,264)
In May 2017 a $500,000 overdraft facility was put in place with the BNZ. The funds held as investments are to be held as security for this facility.

Investments

	2018	2017
Term Deposits		
General		
Reserve Fund	600,000	600,000
GIA Fund	400,000	400,000
	1,000,000	1,000,000

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 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 $1,000,000 as cashflow permits.

5	**Trade & other receivables**	***2018***	***2017***
	Receivables from non-exchange transactions		
	Commodity Levy	397,455	228,620
	Other Receivables	134,787	176,460
		532,242	405,080

6	**Prepayments and other assets**	***2018***	***2017***
	Insurance	15,996	15,963
	Research Prepaid		84,131
	GST	43,149	85,194
	Expenses to be recovered (net)	3,729	35,312
		62,874	220,600

7	**Investment in Prevar Limited**	***2018***	***2017***
	Equity Accounted Investment at cost	12,950,000	12,950,000
	Accumulated Share of deficit	(10,861,838)	(9,865,810)
	Accumulated Impairments	(1,316,005)	(1,316,005)
	Net carrying value	772,157	1,768,185

7 Investment in Prevar Limited cont'd

Movements in carrying amounts	**2018**	**2017**
Carrying value at the begining of the period	1,768,185	-
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	(996,028)	(384,760)
Impairment for the year	-	(305,031)
Carrying value at the end of the period	772,157	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 2018 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.

Value of advance at the beginning of the perioc	-	1,557,976
Advances made during the year		
Conversion of advances to share capital	-	(1,557,976)
Impairment losses		
Carrying value at the end of the period	-	-

8 Plant & Equipment

As at 31 March 2017	**Motor Vehicles**	**Computer Equipment**	**Furniture & Fittings**	**Office Equipment**	**Total**
Cost	73,598	211,336	45,202	59,223	389,359
Accumulated Depreciation	(35,510)	(196,931)	(32,264)	(39,865)	(304,570)
Net Book Amount	**38,088**	**14,405**	**12,938**	**19,358**	**84,789**
Year ended 31 March 2018					
Opening Net book Value	38,088	14,405	12,938	19,358	84,789
Additions	-	13,799	-	-	13,799
Disposals	-	-	-	-	-
Depreciation	(15,455)	(15,707)	(2,105)	(6,901)	(40,168)
Net Book Amount	**22,633**	**12,497**	**10,833**	**12,457**	**58,420**
As at 31 March 2018					
Cost	73,598	225,135	45,202	59,223	403,158
Accumulated Depreciation	(50,965)	(212,638)	(34,369)	(46,766)	(344,738)
Net Book Amount	**22,633**	**12,497**	**10,833**	**12,457**	**58,420**

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9 Intangible assets

As at 31 March 2017	**Software**
Cost	64,383
Accumulated amortisation	(29,775)
Net Book Amount	**34,608**
Year ended 31 March 2018	
Opening Net book Value	34,608
Additions	
Disposals	-
Depreciation	(16,096)
Net Book Amount	**18,512**
As at 31 March 2018	
Cost	64,383
Accumulated amortisation	(45,871)
Net Book Amount	**18,512**

10 Trade and other payables

	2018	***2017***
Trade creditors	444,434	759,788
Research contracts	811,025	628,082
Accruals	217,273	116,277
PAYE/Kiwisaver payable	29,711	33,941
	1,502,443	1,538,088

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 was a key management personnel of Freshmax NZ Ltd and during the 2017 year and was contracted to Kono Horticulture Ltd until May 2017. The Society received levies and other minor revenue during the period from Freshmax NZ Ltd.

Bruce Beaton is a Director of the Society,and is also a director of ENZA Fruit New Zealand International Limited, and is also General Manager of T&G Pipfruit NZ. The society received levies during the period from ENZA Fruit New Zealand Limited and T&G Pipfruit NZ

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	Sales made		Amount receivable	
	2018	2017	2018	2017
Prevar Ltd	9,577	23,660	2,507	2,468
Mr Apple New Zealand Ltd	822,240	796,792	-	-
Fern Ridge Produce Ltd	134,291	107,850	-	-
Taylor Corporation Ltd	98,070	67,543	-	-
Freshmax NZ Ltd	-	308,488	-	-
T&G Pipfruit Ltd (and related entities)	18,969	-	2,691	-
ENZA Fruit New Zealand International Ltd	702,812	-	-	-

11 Related Party Transactions cont'd

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

	2018		2017	
	Remuneration $	Number of FTE's	Remuneration $	Number of FTE's
Board Members	172,292	8	156,250	8
Senior Management	716,932	6	739,258	6
Total	889,224		895,508	

12 Commitments

a *Operating lease commitments*

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

	2018	2017
No later than one year	26,145	69,645
Later than one year and not later than five years	36,672	11,318
Later than five years	-	-
	62,817	80,963

b Capital Commitments

There are no capital expenditure commitments outstanding as at 31 March 2018. (2017: $nil).

c Research Commitments

At 31 March 2018, the Society had ongoing research commitments of $ 1,002,094 (2017 $1,230,482)

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 2018. (2017: $nil)

14 Subsequent Events

There have been no events subsequent to 31 March 2018 that materially affect these financial statements.

The leveraged funding that Prevar had been receiving from the Ministry of Business Innovation and Employment ("MBIE") ceased from 31 May 2017. In addition, during the year Apple and Pear Australia Limited (APAL) advised Prevar that it would not be making capital contributions for the year ended 31 May 2018. Consequently, the society decided not to make any capital contribuions for that year, with Prevar relying on its own cash reserves to fund the breeding programme to 31 May 2018.

At Balance date, the shareholders remained in discussion regarding the future ownership structure and capital of Prevar.

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:

	2018	2017
Financial assets		
Loans and receivables		
Cash and cash equivalents	563,918	601,468
Trade & other receivables	227,461	211,459
Investments	1,000,000	1,000,000
	1,791,379	1,812,927
Financial liabilities		
At amortised cost		
Trade and other payables	474,145	793,728
Employee Entitlements	36,112	50,872
	510,257	844,600

Crowe Horwath
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INDEPENDENT AUDITOR'S REPORT

To the Members of New Zealand Apples and Pears Incorporated

Opinion

We have audited the financial statements of New Zealand Apples and Pears Incorporated (the Society) on pages 9 to 24, which comprise the statement of financial position as at 31 March 2018, 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 Society as at 31 March 2018, 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 Society 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.

Information Other Than the Financial Statements and Auditor's Report

The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the financial statements, if other information is included in the annual report, 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 on the other information that we obtained prior to the date of our auditors' report, we concluded that there is a material misstatement of this other information, we are required to report that fact.

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Responsibilities of the Directors for the Financial Statements

The Directors are responsible on behalf of the entity 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 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 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 those charged with governance 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), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

Crowe Horwath

Crowe Horwath New Zealand Audit Partnership
CHARTERED ACCOUNTANTS

6 June 2018

New Zealand Apples & Pears®

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