



New Zealand
Apples & Pears®



Annual Report

2022

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New Zealand Apples & Pears Inc.

New Zealand Apples & Pears Incorporated (NZAPI) is the representative body of the New Zealand apple, pear and nashi (pipfruit) industry.

NZAPI promotes and represents the New Zealand apple, pear and nashi market in domestic and export markets, and provides advocacy on behalf of our levy-paying membership.

Your levy working for you

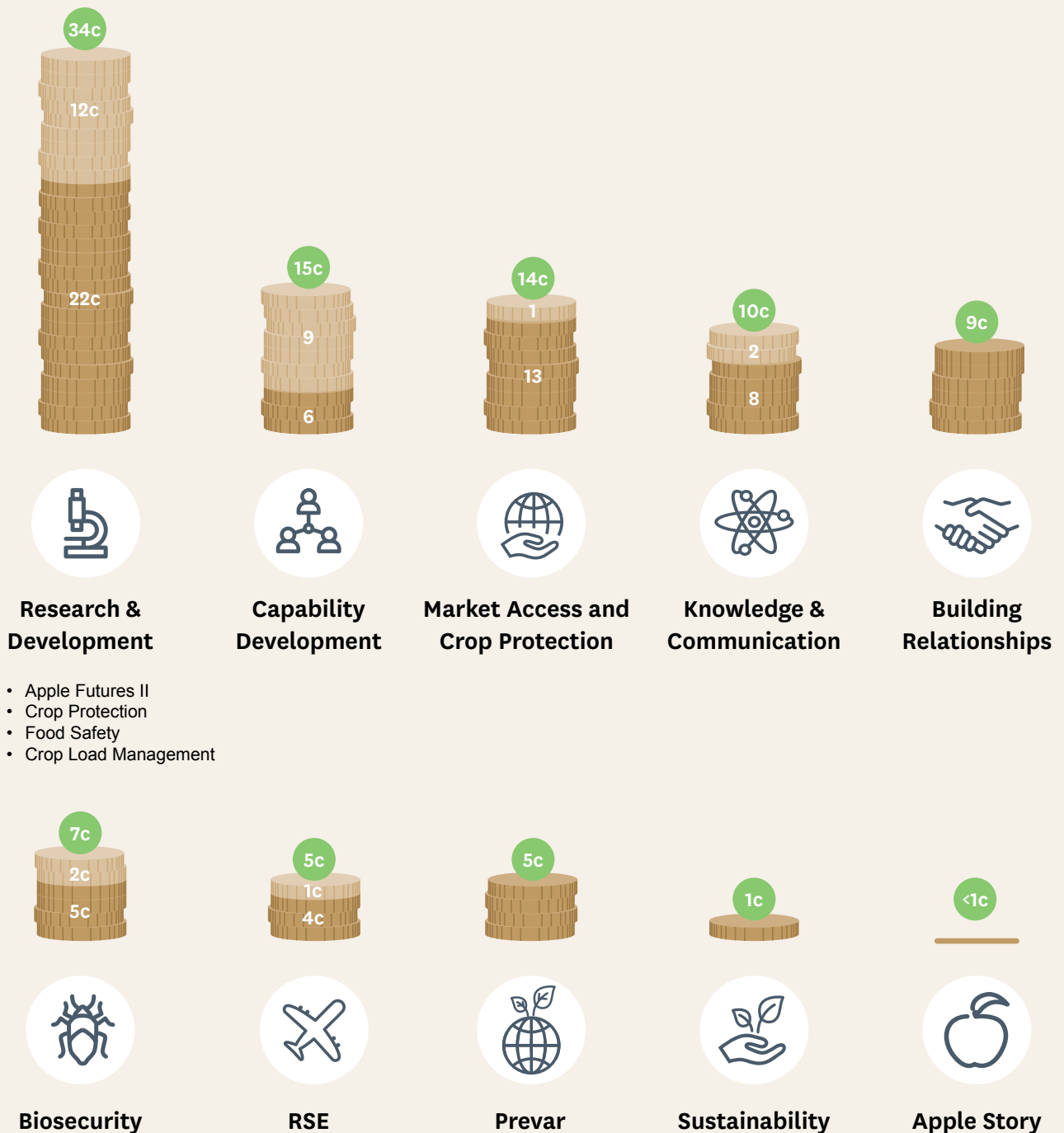
New Zealand Apples and Pears is focused on investing levy money into programmes that directly benefit, support and advocate for a better future for our growers.

We invest into programmes across our strategic priority areas. This includes research and development to create practical and future focused solutions, developing and maintaining market access, managing

biosecurity risks, promoting careers in the apple industry, and advocating for our industry with central and local government.

In 2021/22 New Zealand Apples and Pears collected \$4.8 million of levies from whole fruit sales. An additional \$1.9 million of co-funding investment was secured from a variety of research funds and other grants.

Grower levies and co-funding investment in strategic priority areas in 2021/22



Chairman's report

It is my pleasure to present the NZAPI Annual Report for the year ended 31 March 2022. This report covers the 2021 selling season and the 2021-22 growing season to the start of harvest.

The 2021-22 growing season will undoubtedly go down in the annals of history as one of the most challenging.

While growers put in the hard yards through the winter and spring of 2021 to set the scene for a quality fruit set, they could not have planned for events to come that would severely impact the harvest's outcomes.

The timing of Omicron establishing itself in New Zealand right at the beginning of the harvest season couldn't have been worse. Unfortunately, that was compounded by Omicron entering the Pacific Islands, which affected the flow of RSE workers in both directions. Next, we had the underwater volcano erupting off the coast of Tonga, which further impacted our Tongan RSE workers. With no communication for weeks with the outer islands, all NZAPI and members could do was move swiftly to join local relief support efforts for affected families.

In late February 2022, Russia invaded Ukraine, which has negatively impacted the entire global food supply chain, not to mention drive up the price of oil globally. Layered on top of that, China's continued efforts to eliminate COVID-19, and similar related impacts on other international transport hubs and ports has heavily impacted global shipping and logistics channels. As we go to print, New Zealand still remains well short of shipping containers and reliable shipping schedules. This has impacted members across the entire country, but it has hit the South Island particularly hard.

Unseasonable weather events in Gisborne and Hawke's Bay added further negative effects to the overall volume of the harvest.

In summary, the impact of all of the above on growers makes it one of the most challenging seasons ever.

Unfortunately, the resilience of the industry is likely to be further tested in the next two years by ongoing logistics problems and an avalanche of legislative issues bearing down on us - ranging from the effects of the Three Waters and environmental legislation to the impact of the Fair Pay Agreement, income insurance and the potential compliance costs of the Modern Slavery and Worker Exploitation Consultation.



On a brighter note, I am delighted to welcome Terry Meikle to his first AGM as your new CEO. Following an extensive recruitment process, Terry joined the team in December 2021.

It is vital that all sectors of the Primary Industries unite to mitigate the negative effects of these initiatives on already diminished returns.

On a brighter note, I am delighted to welcome Terry Meikle as your new CEO. Following an extensive recruitment process, Terry joined the team in December 2021.

Terry brings international diplomatic, trade and agriculture cooperation experience to the role. He also brings a collaborative leadership style that he has demonstrated effectively in the first six months by fostering and deepening the relationship with Horticulture New Zealand and the other horticulture and viticulture sector body leaders. We think it is more important than ever for growers to see their levies spent in the most effective and efficient fashion. I am grateful for the support the Board and membership have provided Terry in the first six months in the role.

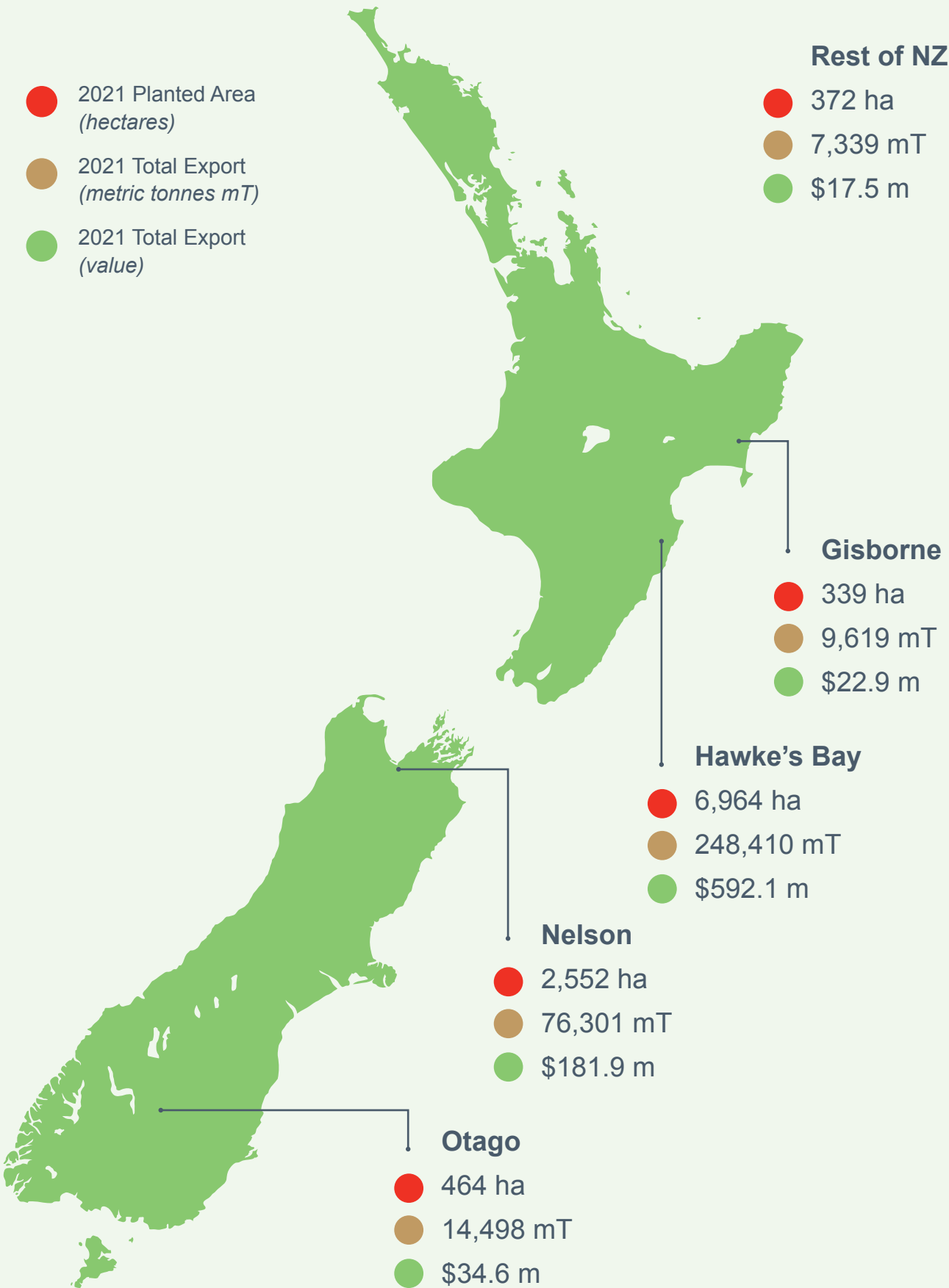
I also want to again acknowledge the Board for their ongoing commitment to their duties despite the extraordinary challenges of the harvest. They continue to provide sound governance and support to me. As a result of the motion raised at the 2021 AGM, a full evaluation of all aspects of the Board's performance was undertaken and the outcome shared with the membership. I remain confident that the Board is operating effectively.

In closing, I want to thank our growers and industry members for their ongoing resilience in these most challenging of times. As I always like to remind the members and the NZAPI staff, we exist to serve our memberships.

Richard Punter
Chairman



New Zealand's growing regions



Message from the CEO

I want to begin my first Annual Report by saying thank you to each member of the organisation. Thank you for trusting me at the helm of such an important and iconic New Zealand industry.

I had good intentions of trying to visit all the main growing regions by now. I wanted to personally get to know as many of you as possible. Unfortunately, Omicron slowed things down and I hope to meet many of you during the coming year.

Having worked previously for Beef and Lamb New Zealand, I completely understand that levy-funded organisations must be focused on membership interests and concerns. It is vital that I hear what you want us to be focused on.

While there has certainly been no shortage of challenges in the first six months, there is plenty of reason for optimism in the coming years. I was particularly drawn to this role by the importance of the global factors that are already, or soon will, impact on the industry.

There are international touchpoints to most of the NZAPI team's portfolios, from RSE and market access to Prevar, sustainability, biosecurity and R&D.

The bulk of New Zealand's apples and pears are harvested by RSE workers. It is vital that all New Zealanders appreciate the significance of the RSE scheme – not only for our growers, but for the lives it changes in the Pacific Islands. Increasingly, we also need to be mindful of the complex geopolitics of the South Pacific. It is important that Pacific Island economies continue to receive RSE remittances from New Zealand and Australia.

We should be proud of the RSE story - this is a world class temporary migration scheme and I believe it can be the blueprint for other such schemes.

The RSE efforts and focus do not diminish from the importance of continuing to try to attract, grow and retain a local Kiwi workforce. We are also focused on increasing innovation and automation across packhouses and orchards around New Zealand.

With sales of apples and pears to more than 80 countries worldwide, maintaining and growing market access will always be a priority. We must continue to develop capability across our orchards and packhouses to help ensure pests and diseases are


managed to meet market access requirements.

For the second year in a row, we have been requested to undertake a China audit. These additional requests are adding an additional cost of doing business but should also send a signal to the membership of needing to maintain a focus on market diversification options.

In February, the UK-NZ free trade agreement was signed. Members will benefit from the elimination of tariffs on apples from January to July on entry into force, and over three years on apples exported during the period from August to December. Over this period, a duty-free quota of 20,000 tonnes per annum will apply. The tariff on pears into the UK will be eliminated upon entry into force.

During the year, NZAPI was successful in its bid for a seven-year project, leading the industry's vision to achieve a spray free orchard status by 2050. Members will be joined by the scientific community and NZAPI staff across seven workstreams of the project. I also look forward to working closely with Prevar in the coming years.

To keep pace with the shifting sands of the global



I am determined to focus on telling our incredible story to New Zealand and the world.

legislative and regulatory landscape in areas like sustainability, water, and climate change, it will become increasingly important to gain a deep understanding of some of the drivers - from both a regulatory and consumer perspective.

This government is intent on pushing a return to greater unionisation of New Zealand industry. The speed at which they are bombarding New Zealanders is frightening. The result will serve to create additional bureaucracy and significant cost to NZAPI members and New Zealand taxpayers more generally. NZAPI continues to apply as much pressure as we can but unfortunately, ideology runs deep in this government. In this context, it is increasingly important to have our finger on the pulse in Wellington.

At 31 March 2022, the NZAPI team stood at seventeen staff, having had four new positions

approved following the Board-commissioned review carried out in 2021. During the first few months of 2022, we have also had some staff movement with the resignation of both the Trade Policy & Strategy Manager and Labour and Capability Development Manager. As we go to print, we are actively recruiting for these two replacements.

I am determined to focus on telling our incredible story to New Zealand and the world. We simply must do a better job of communicating to New Zealand and the world what our industry does to be the most productive, sustainable and ethical pipfruit industry in the world. This is a major priority in the next twelve months.

Behind the scenes a huge effort has gone into building a truly collaborative approach to doing business with Horticulture New Zealand and the other horticultural sector-body groups. We share a vision and acknowledgement that our members deserve their levies to be spent in the most effective way - and genuine collaboration is the only way for that to happen.

Finally, in closing, I would like to thank Chairman Richard Punter and the Board for their wise counsel and support in what have been challenging times behind the orchard gate. The membership can be proud of the work of the NZAPI staff and their elected directors.



Terry Meikle
CEO



NZAPI Board of Directors



Richard Punter Chair

Richard has been a professional independent director since 1996 and is a Chartered Fellow of the Institute of Directors New Zealand. Richard has held governance positions across a wide range of industries including Engineering, Software, Plastics, Construction, Retail, and nearly all the Primary Industries.

Richard joined the NZAPI Board in November 2015.



Jackie van der Voort

Jackie has 30 years of business experience, owning and managing businesses in multiple industries. She manages post-harvest for New Zealand's largest privately-owned apple and pipfruit packing shed, C.A.J van der Voort.

Jackie joined the NZAPI Board in May 2018.



Cameron Taylor

Cameron is a fourth-generation fruit grower, working in the family business as part of the senior management team, as the Export Manager at Taylor Corporation. Cameron is passionate about innovation and the marketing of New Zealand apples.

Cameron joined the NZAPI Board in August 2016.



Peter Landon-Lane

Peter is the Director (Innovation & Technical) at T&G Global, having joined the company in 2018. Prior to that Peter was CEO of the NZ Institute for Plant & Food Research and spent 17 years in the NZ dairy industry, heading in-market businesses in Taiwan, Japan and Europe.

Peter joined the NZAPI Board in February 2020.



Evan Heywood

Growing fruit has been a part of Evan's family business for 80 years.

Heywood Orchards is a shareholder in Golden Bay Fruit which recently opened a modern packhouse / coolstore in Motueka.

Golden Bay Fruit exports both apples and pears to its many customers around the globe.

Evan joined the NZAPI Board in August 2015.



Lesley Wilson

Lesley has been growing Pipfruit for 35 years in Hawke's Bay.

Her business is a strong, future-focused, family operation. Lesley is also a shareholder in Mt Erin Packhouse and the marketing arm, Mt Erin Group.

Lesley joined the NZAPI Board in August 2019.



Catherine Wedd

Catherine is the marketing and communications manager at Bostock New Zealand, playing a leading role in marketing Bostock New Zealand apples to the world, focusing on establishing premium IP apple brands in Asia, and promoting the company's organic story.

Catherine joined NZAPI Board in August 2021.



John Allen

John has spent the past five years working in brand development and export sales at Mr Apple. John spent 15 years in corporate and agribusiness banking and governance roles in New Zealand and Australia, working with businesses exporting horticulture, dairy, meat, plant and machinery goods.

John joined NZAPI Board in September 2021.

NZAPI's Objectives

NZAPI was established to promote and champion the New Zealand apple, pear and nashi industry for the benefit of all members and for the overall benefit of New Zealand. This includes to:

- **Speak on behalf of, and advocate for, all levy-paying members**
- **Provide forums for growers to be consulted or act as platforms for information sharing**
- **Develop and promote access to domestic and overseas markets**
- **Consider the future direction of the industry**
- **Promote the development and commercial exploitation of new plant varieties for the benefit of growers**
- **Arrange seminars, workshops, conferences and other meetings for the education and development of members**
- **Provide services to members to enable them to be the world's best apple, pear and nashi producers, and ensure they have the information they need to make sound commercial decisions**
- **Identify, undertake, fund and promote industry research and development**
- **Represent the interests of members both domestically and overseas in a manner that ensures New Zealand growers have a competitive advantage in the market**
- **Undertake any other requirements of the Commodity Levies Act 1990 or any other relevant legislation**

A snapshot of our industry

Members



Growers
259

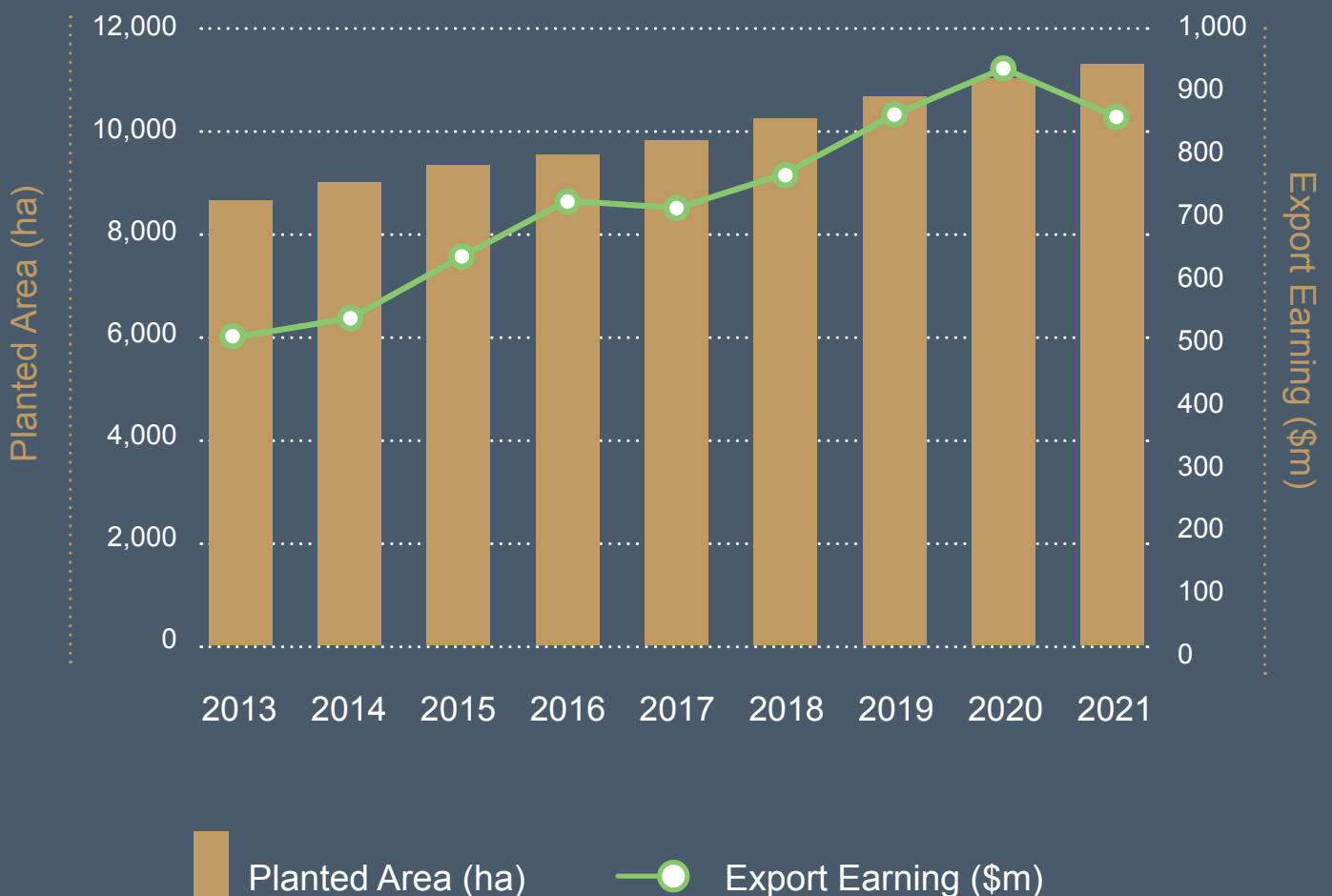


Post-Harvest
22

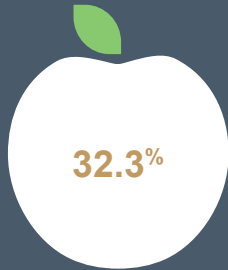


Associates
63

Export Earnings and Planted Area



Top 5 export varieties



Royal Gala



Envy™



Fuji



Braeburn



Cripps Pink

Export Production



356,484

Million tonnes of apples

19.9 Million

TCE'S (2021/2022)

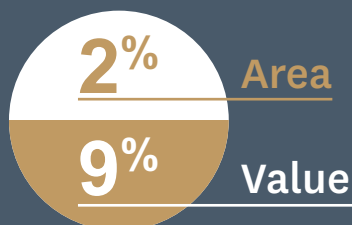
Annual Export Earnings



\$848 Million

(2021/2022)

Compound Annual Growth



Employment



17,635

Employees

13,484

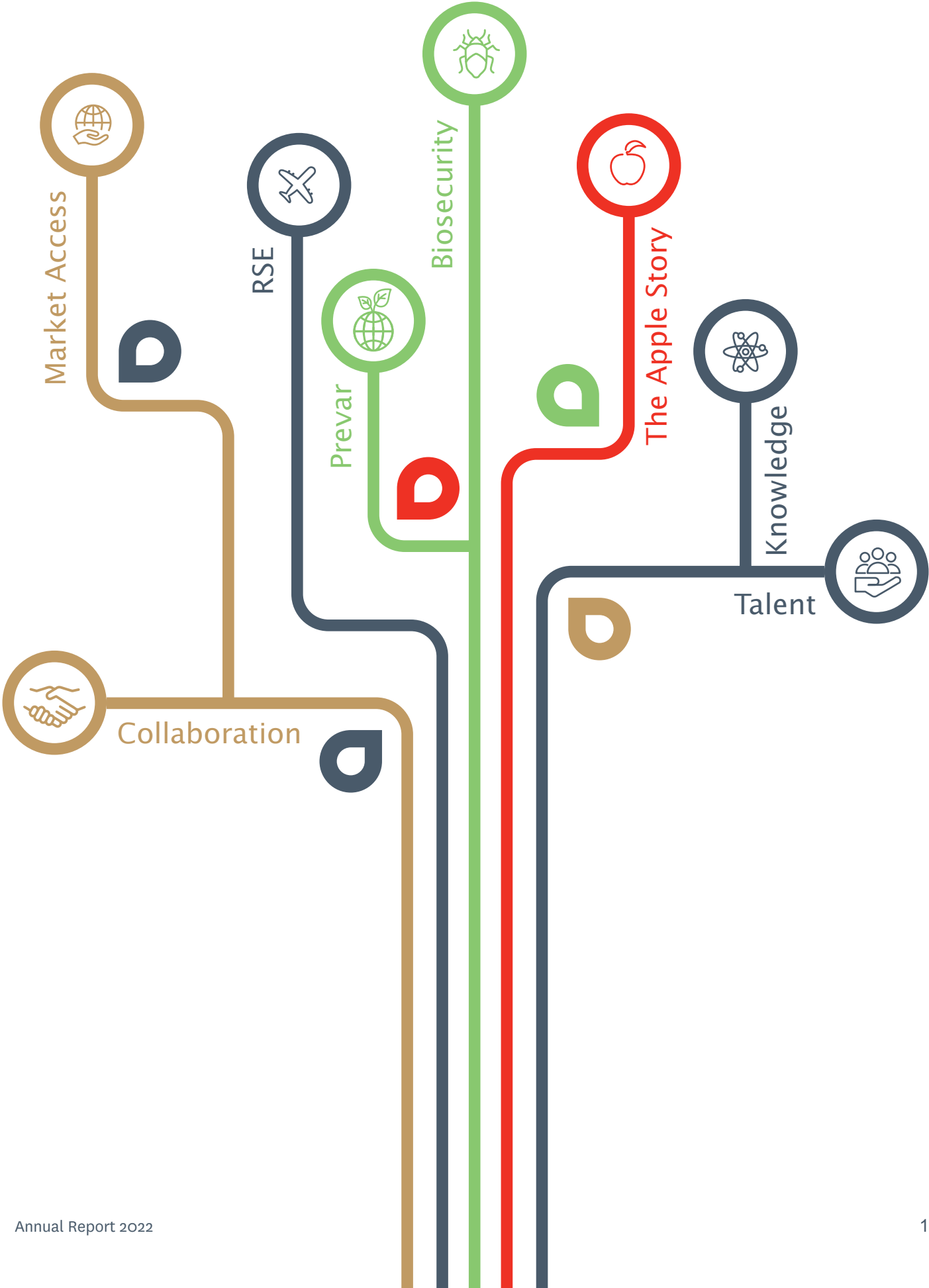
Seasonal workers

4,151

Permanent workers



NZAPI's strategic priorities





Government relations and industry collaboration

NZAPI advocates on behalf of the industry across various government portfolios at both ministerial and official levels.

A concerted and deliberate effort has gone into deepening the relationships across the core horticultural industry sector groups and Horticulture New Zealand over the past six months. With growers facing another challenging season, it is imperative that industry-funded organisations are spending grower levies in the most effective and efficient fashion. The leaders of the major fruit sector groups share this vision – and genuine cross-sector collaboration is the only way for that to truly happen.

RSE continues to command a huge amount of time and resource across multiple industry and government stakeholders. The 'RSE Chief Executive Collective' and 'RSE Operations Group' have met on a regular basis over the past year to help ensure we are all working collaboratively in the interests of all members, on both strategic and tactical levels.

NZAPI continues to play an essential leadership role. With COVID-19 now firmly established in both New Zealand and the Pacific Islands, we are working collaboratively to try to return to business as usual. This will be a 'managed retreat' and will require ongoing close cooperation to ensure a smooth transition. As part of this effort, the CE Collective continue to meet on a fortnightly basis with Minister of Immigration, Hon. Kris Faafoi. During the year, we have also met with Ministers O'Connor and Nash as well as the Deputy Leader of the Opposition, Opposition Trade spokesperson and ACT Party agriculture spokesperson.

A majority Labour government is committed to re-establishing a greater union footprint across New Zealand industry. The sheer number of legislative bills and consultation documents coming down the pipelines is ridiculous. The result will only serve to create more bureaucracy and significant additional cost to NZAPI members and New Zealand taxpayers more generally.

NZAPI continues to apply as much pressure as we can, but unfortunately, ideology runs deep in

this government. In this context, it is increasingly important to have our finger on the pulse in Wellington and to be working hand-in-glove with our industry partners. This will remain a core challenge and focus for the remainder of this government.

Another specific concern is the way in which the RSE scheme is being unfairly characterised by some in the media and politics as a source for modern slavery and worker exploitation. While we recognise New Zealand is not immune from worker exploitation, we stand proud that the RSE scheme is one of the more carefully regulated temporary migration schemes in the world that serves to benefit growers and workers alike. It is world class. We need to continue to remind New Zealand audiences of this fact.

NZAPI will soon be releasing an improved communications strategy that will focus on doing a better job of telling our story to New Zealand and the world. We simply must communicate in a more effective manner what our industry does to be the most productive, sustainable and ethical apple industry in the world. This is a major priority in the next twelve months.

With COVID-19 now firmly established in both New Zealand and the Pacific Islands, we are working collaboratively to try to return to business as usual.

NZAPI continues to retain active membership of a number of committees, boards and organisations at both a national and global level. This includes being active members of Southern Hemisphere Association of Fresh Fruit Exporters (SHAFFE), the World Apple and Pear Authority (WAPA), the Taiwan-New Zealand Business Council and the New Zealand International Business Forum (NZIBF).

Finally, sustainability and climate change is an increasingly important area requiring greater government relations and industry collaboration. There is a constant stream of activity and projects to digest across multiple public and private sector groups both in New Zealand and abroad. In order to assist members in this space, NZAPI recently recruited for a new role, Global Sustainability Advisor. This role will provide a critical lens across this portfolio and distil for the membership some key areas of risk, opportunity and challenge.





Market access

In 2021, the industry exported a total of 356,484 mT, or 19.9 million tray carton equivalents (TCE) to 62 countries.

The export season was nothing short of a challenge, with COVID-19 disruptions still prevalent, causing lockdowns domestically and in important markets, as well as significant and on-going issues with shipping and logistics. It is the diversity of market options for the New Zealand pipfruit industry, the commitment of growers and post-harvest operators to meet strict market access requirements, and the strength of relationships our exporters have in market that allowed this industry to rise to the challenge of another tough export season.

In the last five years there has been a clear market shift. Europe and the United Kingdom, which received 38% of our exported apples and pears in 2017, only received 30% in 2021. In the same period, Asia has gone from receiving 38% of total exports to 54%. This increase of fruit exported to Asia is a result of orchards planting or redeveloping into blocks of apples and pears that are red and sweet, away from varieties that have higher acid profiles.

The industry continues to grow apples with strict phytosanitary controls for Asia, and low residues for UK and Europe. However, sustainability criteria is now entering as a third market access challenge, with markets around the world beginning to require sustainability assurances in order to trade. Global Gap Version 6 will meet some of this criteria, it was initially released in April 2022, and will be compulsory in early 2023.



United States Department of Agriculture

- The USDA pre-clearance programme was a success in 2021. We had two inspectors arrive in New Zealand via MIQ to inspect apples from February.

Japan

- Japan continues to be a market opportunity for New Zealand apples, limited by the requirement to use methyl bromide treatment. A systems approach request has been made to Japan Ministry of Agriculture, Forestry and Fisheries, however it is still pending approval.
- Fortunately, a recent Environmental Protection Agency ruling resulted in the continuation of the use of this treatment, with some strict controls around recapturing to 80% by 2023 and 90% by 2027.

Fruit Fly Official Assurance Programme

- Ministry of Primary Industries published a Fruit Fly OAP after extensive consultation with industry. This is a precautionary measure that Ministry of Primary Industries Approved Organisation will be able to uptake either proactively or reactively in the event of a fruit fly incursion to aid in continued market access.

NZ-UK Free Trade Agreement

Following the signing of the NZ-UK FTA on 28 February, New Zealand and the UK are now completing necessary ratification processes to bring the FTA into force. An outcome of the FTA has been a Tariff Free Quota for up to 20,000mT of NZ apples that can arrive post 1 August for three years, and with unlimited volumes from year four onwards.

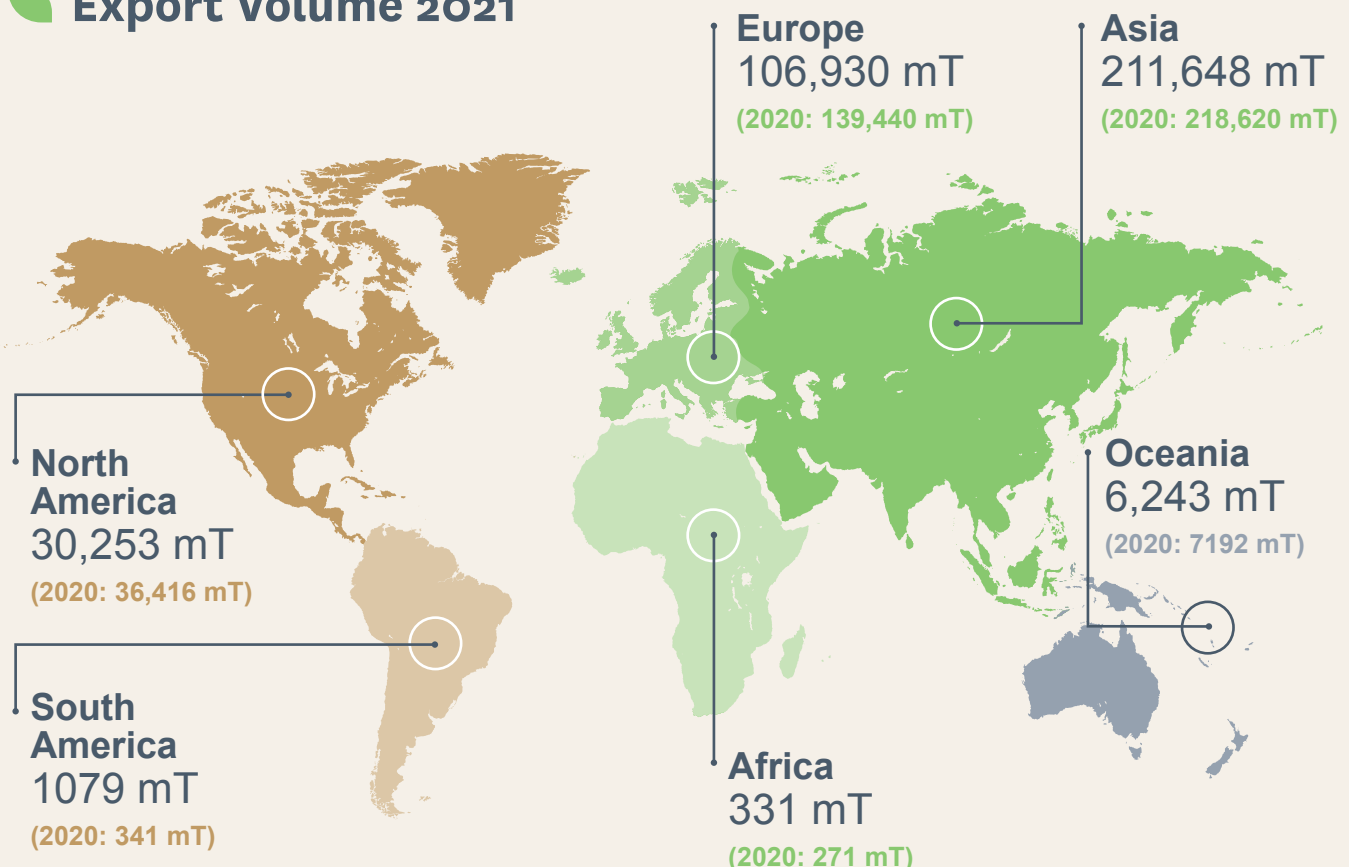
EU-NZ Free Trade Agreement

The twelfth (virtual) round of EU-NZ FTA negotiations took place in March. Agreement was reached between negotiators to finish as soon as possible. However, there remains a big gap on market access in goods. As of round twelve, the EU had yet to table an offer to beef and dairy and NZ on geographical indicators. Both parties will expect a good deal in these areas.

Market Access Forum

The Market Access Forum is an opportunity for our industry to hear the latest updates and insights relating to attaining and retaining market access for the industry. This year's presentations included insights from New Zealand Government and from some of our key export markets and potential growth opportunities.

Export Volume 2021





The RSE Scheme

Access to seasonal labour continued to be a significant issue and challenge for the 2021-2022 year. Despite achieving Quarantine Free Travel (QFT) status, with borders still closed the number of seasonal workers available was severely constrained.

We would normally expect up to 50,000 working holiday visa holders to be in New Zealand at any given time; there were an estimated 10,000 to 12,000 remaining in the country post-lockdown. In late 2020, the government extended their visas under the Supplementary Seasonal Employer programme, with the condition that they work only in horticulture or viticulture. However, government removed that condition at Christmas to allow those visa holders to work in any sector.

Additionally, unemployment has been at a record low. As of December 2021, the unemployment rate was the lowest rate documented since reporting began in 1986.

In early 2021, NZAPI managed the process to bring in 2,011 workers. This involved; allocation of an over-

subscribed group in conjunction with other sectors, identifying flight manifests, chartering flights, booking MIQ space, and making all payments to airlines and MIQ while recovering the costs from employers.

The NZAPI and agency teams worked very well together to make the process (almost) seamless. Whilst the Border Exemption provided some relief to our industry, the 2,011 number was still significantly short of the 'normal' number of RSE workers who would usually be entering New Zealand for the pipfruit harvest.

Following what was referred to as Border Exemption 1, or 'BE 1', the CEOs of NZAPI, Summerfruit NZ, NZ Kiwifruit Growers and Horticulture NZ, along with the Chair of NZ Ethical Employers (NZEE) continued to lobby for additional border exemptions to allow RSE workers back into New Zealand given the dire consequences of not having enough labour to perform critical tasks.

Border Exemption 2, or BE 2, spanned from July through to August 2021, with flights and numbers constrained heavily by Hamilton MIQ capacity and demand for MIQ spaces increasing due to the Afghanistan humanitarian crisis.

A proposal was submitted to government for an industry-led pilot scheme that would allow RSE workers from COVID-19-free countries the ability to isolate at their accommodation as opposed to MIQ, with the objective of QFT being achieved in time for the 2021/22 season.

Working collaboratively, industry assisted employers to implement strict arrival, isolation, and testing processes, in addition to requirements of minimum hours and pay rates. Horticulture became the first sector in New Zealand to achieve QFT post-COVID-19.

Tonga, Samoa and Vanuatu signed agreements with New Zealand with assurances of repatriation pathways and work-ready pools to support demand. Between November 2021 and April 2022, almost 60 flights were chartered for 7,646 RSE workers through QFT.

COVID-19 then established itself in all three of the QFT countries. The Hunga Tonga-Hunga Ha'apai volcano erupted in January, resulting in displacement of people and significant disruption to communications. Seasonal weather events added to the challenges.

It is now expected that the vast majority of pre-COVID-19 and BE 1 workers should be able to return home by August 2022. NZAPI has continued to lead repatriation to Samoa and has supported repatriation efforts and plans to other Pacific countries.

Onshore challenges were no less significant. COVID-19 vaccinations were introduced in mid-2021, and industry and employers lobbied for repatriating RSE to have early access to vaccinations to enable as safe a return as possible.

Through work with local District Health Boards, NZAPI was able to gain early access to vaccinations, allowing the opportunity for RSE workers to be

vaccinated prior to travelling home. Industry worked closely with agencies including the Ministry of Health and Ministry of Business, Innovation and Employment to develop processes around vaccination, certificates, reporting of results, and pre-departure protocols, often leading the way for other groups and industries across the country.

Due to limited inbound and outbound pathways, many RSE workers made the difficult decision to stay on in New Zealand through the winter and spring of 2021, to ensure they were in the country for the 2021/22 season.

The NZAPI and agency teams worked very well together to make the process (almost) seamless. Whilst the Border Exemption provided some relief to our industry

With repatriation pathways opening, and additional countries signing agreements to join QFT, industry is pivoting now to focus on the future of RSE. The increased RSE cap of 1,600 to 16,000 has been confirmed, and a more robust and equitable allocation process is under development. Horticulture CEs submitted a paper to government early in 2022 on behalf of industry requesting significant increases to the cap with other seasonal worker pools dwindling.

A key priority for 2022 is to provide industry input into the RSE Policy Review (which started in 2020 but was stalled due to COVID-19). After 15 years of RSE, the review will be vital in future-proofing the scheme against the myriad of challenges that lie ahead.





Biosecurity

With the borders closed over the past couple of years, we have had an additional layer of protection from biosecurity incursions.

As the border settings change we have the opportunity to travel more freely and re-establish overseas connections with customers and markets. However, it's also important to manage the biosecurity risks associated with travel and ensure our industry is protected.

Communication at the border will increase, with new messages in place about brown marmorated stink bug (BMSB), commonly found on passenger luggage. We also welcome the compulsory biosecurity messaging on incoming flights.

Despite our strong border biosecurity however, there's still always the risk of a new organism arriving. In early 2022 a lone Fall Army Worm (FAW) egg mass was found in Tauranga and with a bit of digging, found it had already spread across the upper North Island. Despite the low impact on pipfruit, NZAPI has remained a part of this response to ensure risks are managed. This is possible through our commitment to the Government Industry Agreement (GIA) and the Biosecurity Levy funds.

It is a timely reminder that as an industry we need orchard-level biosecurity controls in place to reduce

risks further. Unfortunately, by the time we find an unwanted pest it can already be widespread.

We have also been pre-empting the arrival of our priority pests. Our SFF Project for Biosecurity has allowed us to proactively undertake trials for cold treatment on apples, giving us an option for export if fruit fly were to be widespread here.

We are also considering what our industry would look like if BMSB established here. Trials on netted orchards will allow us to understand the impacts on other pests and biocontrol if we need to go down this path.

Despite an incredibly difficult season, we have still had multiple suspect BMSB reported by our industry. Thankfully these all turned out to be Brown Shield Bug (which looks very similar but is smaller than BMSB). However, an early report could make the difference between eradication and establishment, so we appreciate the dedication to biosecurity.

As the SFF for Biosecurity Capability comes to a close, we know that our industry is well set up to tackle both the known and unknown risks. We will continue to keep biosecurity front of mind, engage proactively with government and other industries and be ready to respond to any pest that manages to sneak through.



Prevar

Despite the ongoing disruption to the global industry due to COVID-19, labour shortages, shipping constraints and geo-political tensions, Prevar delivered a record year of tree plantings (1.07 million) and commercial revenue (\$4.4 million).

The momentum built up over the past five years, with a deepening of relationships in the New Zealand industry and in key production markets, has enabled Prevar to continue a sustained level of growth across the existing product portfolio of ten premium commercialised varieties.

The success of Dazzle™ in Vietnam and China was a significant highlight with price premiums holding in both geographies.

PremA093 was officially launched as Sassy™ and the first commercial exports arrived in targeted Asian markets in early 2022.

The rise of Rockit™ planting and production in New Zealand coincided with the opening of the new packhouse in Hastings and the strong marketing campaigns behind this variety have it well-positioned to continue its global expansion.

The first PiqaBoo™ to be exported from Europe arrived in China to much acclaim with its high-quality

appearance driving consumer appeal and outstanding market prices.

There remains an air of cautiousness across the global grower base as the volatility of the external environment brings deeper risk consideration in to focus.

We anticipate headwinds for new plantings of premium varieties over the next two years as growers consolidate their positions and the markets decide which varieties will stay the course.

As a result, the focus heading in to FY23 is primarily on leveraging existing relationships and optimising our existing portfolio as this will be essential in maintaining the growth we have seen in recent years.





Attracting and Retaining Talent

The priority over the past year has been very much around accessing as many hands as possible for harvest. Programmes developed with local communities became an important part of trying to get people into the sector, in a wide range of roles and experience levels.

NZAPI has worked to promote initiatives to support our members' workforce needs, and building relationships with community, health providers, iwi and Pasifika groups has been an important aspect of our work.

The past twelve months have seen several industry workforce initiatives launched, including He Huarahi Hou, micro-credential courses, Growing Futures, Pick Nelson Tasman, Tono, Emerging Leaders and regional engagement programmes.

He Huarahi Hou

He Huarahi Hou was established as a community led initiative set up by the Flaxmere Māori Wardens Trust (FMWT) to assist Māori sole parents to enter the seasonal workforce during the hours their tamariki were at either school or day-care. The initiative saw employers provide flexible working hours and wraparound pastoral care services, in addition to the support provided by FMWT.

Key stakeholder partners in this programme included NZAPI, T&G Global, Ministry of Social Development (MSD), Te Puni Kōkiri (TPK), and FMWT. What started as a six-week pilot programme in early 2021 was extended to sixteen weeks.

Industry micro-credential courses were facilitated by NZAPI and provided learners with an opportunity to gain Level 2 credits in horticulture. All parents successfully completed the course.

Growing Futures

The Growing Futures programme provides employment opportunities in the horticulture industry for people referred from the Department of Corrections and MSD. A key component of Growing Futures is the ongoing in-work and out of work wraparound pastoral support provided by Thornhill Contracting.

The Pick Nelson Tasman

The Pick Nelson Tasman harvest campaign focused on creative and savvy digital marketing techniques to generate attention and interest. The campaign was fortunate to have access to large audiences thanks to the support of the Nelson Regional Development Agency who operates the NelsonTasman.nz brand. The initiative had very strong interest and helped to ensure many growers got access to a workforce.



Tono Working Group

Plant and Food Research’s (PFR) Tono Strategy outlines their long-term view on how to incorporate Te Ao Māori in the organisation. This strategy has three goals: establishing a strong foundation for their organisation; establishing PFR as a preferred collaborator for Māori; and contributing to the long-term cultural, social, and environmental wellbeing of Aotearoa New Zealand.

As part of this strategy, a Hawke’s Bay regional working group was established and tasked with achieving these three goals but in the best ‘fit-for-purpose’ way for the region. As a result, NZAPI was able to get a seat on the regional working group.

Working together we partnered with Ngāti Pāhauwera Trust Incorporated and Pūhoro Stem Academy and developed the Whakakotahi Cadetship Programme – Being Kaitiaki in Horticulture. This Cadetship gave three local Māori students the opportunity to discover different aspects of horticulture. Over three weeks in January 2022, the students were based at PFR, where they also engaged in workshops with NZAPI that covered the complexities of fresh fruit trade, biosecurity, and export.

Emerging Leaders

Emerging Leaders is NZAPI’s fit-for-purpose leadership programme designed to support team leaders and supervisors. Delivered by Emerge & Transform Coaching, the 12-week programme features online and two face-to-face workshops, feedback and goal setting, personal coaching sessions and daily 15-minute learning modules using the EdApp.

Our aim is to grow the talent in our industry, particularly in areas relating to self-awareness, self-management, communication, conflict management and how to develop strong relations with diverse groups.

For the 2022 year we have obtained funding through AGMARDT and the NZ Fruitgrowers Charitable Trust to deliver seven regional cohorts from Central Otago, Canterbury, Nelson, Hawke’s Bay, Gisborne, Bay of Plenty and Pukekohe starting late May and ending in February 2023.

Regional engagement

A second nationwide lockdown in August 2021 and the introduction of the ‘traffic light system’ were major barriers to engagements with community groups and schools. The annual Pick the Bay Expo in Hawke’s Bay and the Harvest Hiring Days in Nelson-Tasman were both cancelled. These events in the past were a great way to showcase what job opportunities are available in each region and for job seekers to sign up for roles directly.

However, by May there was a renewed keenness for these groups to engage again, with NZAPI partnering with the Nelson Region Development Agency and growers in Hawke’s Bay focusing on careers events for students and school-leavers.

Reform of Vocational Education (RoVE)

In 2019-2020, NZAPI started discussions around the possible amalgamation of the EIT/Primary ITO trainee programmes and diploma options into a national delivery framework that would enable consistent content and context from industry resources to be compliant with the NZQA framework. We agreed to work collaboratively to design a best practice industry training programme for Pipfruit.

With the recently announced changes to the NZQA framework, the establishment of both Food and Fibre CoVE (Centre of Vocational Excellence) and the Muka Tangata Workforce Development Council, the time is right to initiate a project that encompasses a training and career framework with flexible pathways into the pipfruit industry. This project, funded by the CoVE, has an advisory group consisting of leaders across the food and fibre industry, horticulture sectors and education.





Research & Development

Research and development projects underpin NZAPI's strategic priorities with a focus on market access, crop protection, biosecurity, technology, and food safety. A total of \$2.2 million was invested in projects during the year including \$1 million as co-funding from the Sustainable Food and Fibre Futures Fund (SFFF) and the Ministry of Business, Innovation and Employment (MBIE).

This year saw the completion of a number of projects including Apple Futures II, which began in 2013 with funding from MBIE; Fireblight for Intensive Orchards; and Smart Tools for Orchard Drainage both three-year projects with funding from MPI's Sustainable Farming Fund (SFF).

Apple Futures II

The focus of the Apple Futures II programme was to increase access into Asia, developing control options in orchards and packhouses to manage the risk of key phytosanitary pests including codling moth, apple leaf curling midge and bull's eye rot. This programme has underpinned the success of the industry's growth in value from ~\$300m in 2013 when Apple Futures II began to ~\$950m in 2021 at its completion with much of this value attributed to increased exports into high value Asian markets. The Apple Futures II programme has given industry the tools and knowledge to confidently manage the risk of these pests being found in market, preventing market closures.

The outcomes and best practice developed in this project have been disseminated and communicated to industry through NZAPI grower workshops, tools on the website, case study trials with orchards and packhouses, industry webinars and best practice guidelines published on the NZAPI website.



Fireblight for Intensive Orchards

The objective of this project was to develop alternatives to streptomycin for the control of fireblight in modern intensive pipfruit orchards. This project demonstrated the effectiveness of using an integrated approach to fireblight by layering different tools to manage its impact. This is extremely important as there were no products available with equal effectiveness to streptomycin for controlling fireblight. An integrated approach includes managing bloom timing, the use of copper, biologicals and plant growth regulators, decision support tools, streptomycin timing and post-infection management.

Engagement surveys at the start of the project identified that industry education was extremely important for managing fireblight. We were able to identify what information, knowledge or skills were needed to provide to growers and who the target audience needed to be. Resources were developed targeting areas of uncertainty or lack of knowledge such as interpretation of the decision support model, timing of spray applications and how to prune. These resources are available on our website.

Smart Tools for Orchard Drainage

This project sought to understand how land shaping technology could be implemented in established orchards to manage ruts formed from wet weather and poor drainage. Trials were set up in Hawke's Bay, Nelson and Gisborne to compare the effectiveness of land shaping to other commonly used practices. Land shaping worked well for minimising the reformation of ruts along orchard rows and held up the best compared to other treatments for the duration of the project.

A key message that growers took out of the project was the value of good land preparation prior to planting, to avoid the problem. Trials in each of the regions allowed growers to assess the effectiveness of different treatments. Contractors in Gisborne and Hawke's Bay are now investigating setting up equipment to offer inter-row land shaping as a service to orchardists.

Documents are available to industry to assess their orchard suitability for land shaping and implementation.





Crop Protection

The NZ apple and pear industry has an exemplary crop protection programme achieved by industry collaboration through Apples Futures I and II, but we must keep ahead of upcoming pressures and challenges, and maintain a robust crop protection programme.

The Apple Futures I and II projects allowed the industry to meet ultra-low residue requirements of the most stringent customers, while maintaining the phytosanitary requirements of key markets. Pressure from international markets deregistering chemistry and reducing overall pesticide use continues to put pressure on all horticulture industries to continue to meet these requirements. Our 'Smart and Sustainable' project will work towards helping the New Zealand pipfruit sector meet these challenges.

Disease management has been the focus of two key projects NZAPI has undertaken with Plant and Food Research (PFR). A national survey to assess the resistance status of Black Spot (*Venturia inaequalis*) to key pipfruit fungicides is being undertaken, led by PFR with support from the agrichemical companies. The final year of the project will see the remaining testing completed, and updated resistance management guidelines for Black Spot published.

A second project reviewing use and timing of dithiocarbamate fungicides in the pipfruit programme has been undertaken this season following ongoing reviews in the EU. This project aims to build our understanding and review alternate use patterns of this fungicide group that may be required to meet changes to market or customer residue requirements in the future.

The Integrated Fruit Production Programme (IFP) is built on Integrated Pest Management (IPM) principles, where monitoring key pests and diseases is critical. NZAPI is always looking for ways to improve these systems for our growers. Ongoing improvements to the weather, pest and disease portal include updates to the Fireblight, Codling Moth and Apple Leafcurling Midge tools.

NZAPI's random residue programme continues to monitor our industries residue profile and ensure our crop protection programme meets the strict residue limits of our export markets.

The programme is accredited as a Global G.A.P. Residue Monitoring System and tests all RPINs/ orchards in a three-year cycle against a broad range of pesticides. The residue programme was streamlined and moved online, allowing packhouse staff to enter samples via an app, with faster access to their residue test results. In the 2020-21 season, 95% of fruit tested was within all export market MRL requirements, with 4% ineligible for one market, and <1% ineligible for more than one market of the 18 specific markets compared against. During the current season, 63% of samples had no insecticide residue and 100% were below all market MRLs.

NZAPI monitors reviews relating to the registration and use of agrichemicals in New Zealand. NZAPI provided responses to the Environmental Protection Authority's Call for Information for Glyphosate and a submission on the reassessment of hydrogen cyanamide. NZAPI also provided a submission on WorkSafe's proposal of restricted entry intervals.

While there are challenges ahead, the New Zealand apple and pear industry is well positioned to adapt and maintain our position as exemplars in crop protection.



The Apple Futures I and II projects allowed the industry to meet ultra-low residue requirements of the most stringent customers, while maintaining the phytosanitary requirements of key markets.



Knowledge management, and communication

Ensuring members can access and receive quality information when and how they want it is a critical role for NZAPI.

This year continued to challenge our extension efforts, with COVID-19 restrictions resulting in a season of adaption and flexibility. Despite the challenges, NZAPI delivered a significant number of extension and training events.

Wellbeing Support

Supporting growers and their staff with their mental health and wellbeing was a key focus this season. Part of this journey was a group of wellbeing workshops, operated in partnership with Groov (formerly Mentemia) and Sir John Kirwan, providing tools and advice to support mental health. Wellbeing workshops were held in Hawke's Bay, and two virtual wellbeing workshops for leaders held online. Unfortunately, two face-to-face workshops planned for Nelson and Central Otago were postponed, due to COVID-19 restrictions.

Technical Workshops

Several technical workshops were held throughout the season, covering topics such as Biosecurity, Food Safety and Orchard Floor Management. These workshops, held across the country, focused on delivering the latest updates, research, tools and discussion points in each topic area.

Orchard Floor Management workshops saw the first livestream workshop centrally facilitated from Hawke's Bay with satellite groups in Gisborne, Nelson and Central Otago. This new format was well received and resulted in a subsequent "Orchard Floor Discussion Group" series being established for interested growers. The first discussion group was held in Hawke's Bay; however the Gisborne and Nelson group events were postponed until after harvest due to COVID-19 restrictions.

Annual Conference

The annual NZAPI Conference was a highlight of the extension calendar, and the 2021 conference was well attended and received excellent feedback, with 300 people in attendance and a fantastic array of speakers and panellist discussions.



Orchard and Postharvest Research Reviews

The annual 'Orchard Review Seminar' and 'Postharvest Research Review' were held again this season. Both were held live from Hawke's Bay and livestreamed to members, industry advisors, consultants and researchers. These events both focus on delivering the latest research updates relating to orchard management, pest and disease control and on postharvest practices and processes.

Grower Education Workshops

Grower group workshop series continued this year at the start of the season in 2021. These face-to-face gatherings provide critical opportunities for NZAPI staff to update grower groups on results from the previous season and discuss the upcoming season. Workshops were held across the country and included a separate opportunity for organic growers through an online workshop forum.

Education Days are coordinated by NZAPI and focus on upskilling staff and operators working within the industry. The events are delivered in a series of short 25-minute stations, each focusing on a different topic

relevant to operational-level staff. These events are well supported by industry and look to grow in the future. Preseason events were held in Hawke's Bay and Nelson and attracted 150 people. Additionally, six online webinars were held to provide updates, and answer grower enquiries relating to labour situation updates.

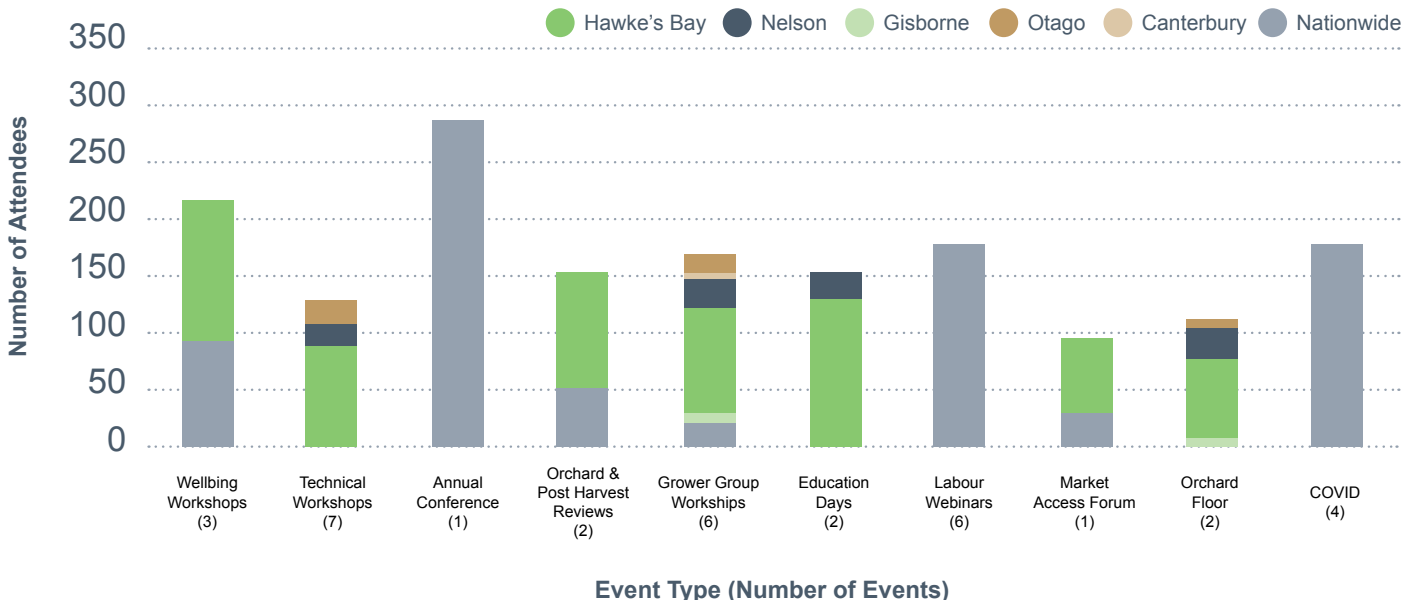
As COVID-19 and Omicron hit New Zealand shores, NZAPI took a lead role in advocating for our industry with government and interpreting COVID-19 requirements imposed by the New Zealand Government and international markets. Support for growers was a focus and ensuring the right information was delivered in a timely way was critical. One-on-one phone calls, targeted email communications, along with a series of online updates and discussion opportunities were all provided during the initial and peak stages of Omicron to help members navigate this challenge.

Telling the NZ Apple Story

A project has been initiated to redevelop the member and public face of the NZAPI website. This project has a high priority going forward and will ensure members have a better experience when accessing information and tools. It will also provide a platform for our industry to tell its story to the public, showcasing the fantastic opportunities we offer.

Grower Resources and Tools

NZAPI continues to evaluate and identify tools and resources that will further support members in their everyday operations. With a strong focus on crop protection, market access and pest and disease management, NZAPI continues to upgrade and update its suite of in-house resources and tools available for growers.



NZAPI governance

The NZAPI Board comprises eight directors: seven grower directors and an independent director.

Board members during the year were:	Meetings attended		
Richard Punter, <i>Independent, Hawke's Bay (Chairman)</i>	6/6	John Allen, <i>Grower, Hawke's Bay (appointed Sept 2021)</i>	3/3
Cameron Taylor, <i>Grower, Hawke's Bay</i>	5/6	Jackie van der Voort, <i>Grower, Central Otago</i>	6/6
Catherine Wedd, <i>Grower, Hawke's Bay (elected Aug 2021)</i>	3/3	Lesley Wilson, <i>Grower, Hawke's Bay</i>	6/6
Evan Heywood, <i>Grower, Nelson</i>	6/6	Karen Morrish, <i>Grower, Hawke's Bay (resigned Aug 2021)</i>	2/3
Peter Landon-Lane, <i>Grower, Auckland</i>	6/6	Tim Egan, <i>Grower, Gisborne (term ended Aug 2021)</i>	3/3

Director terms are three years, with a maximum of four consecutive terms. Grower directors must either be a grower, or an employee of a grower, or an employee of an Associated entity of a grower.

The maximum number of independent directors is two. Up to two Associate Directors can also be appointed by the NZAPI Board and they serve a term of one calendar year.

Board and industry appointed committees that currently provide these forums are:

In addition to the NZAPI team's responsibilities within each of their respective portfolios, NZAPI has also established a number of advisory groups to support governance, offer a forum for information sharing and testing ideas, and provide a platform for industry consultation.

- Market Access Advisory Group – a forum for government, industry members and NZAPI to come together to address market access challenges.
- Research Consultative Group – responsible for recommending and overseeing the research programme each year for Board approval and reviewing progress.
- Board Governance Committee – responsible for audit and risk; remuneration and administration; and director nominations, competencies, and succession. The Committee is comprised of the NZAPI Chairman and three directors.
- Biosecurity Advisory and Response Group – provides advice on biosecurity matters and governance in the event of an industry biosecurity or other crisis response.
- Agrichemical Advisory Group - provides advice on the priorities, processes, research, and reviews related to agrichemicals in the pipfruit industry.

The NZAPI team



Terry Meikle
Chief Executive Officer



Jess Cranswick
Chief Financial Officer



Anna Lambourne
Member Engagement Manager



Danielle Adsett
Market Access Manager



Emma Sherwood
RSE/ Seasonal Labour Manager



Hannah Riley
Global Sustainability Advisor



Jan Broadley
Executive Assistant



Jill Nisbett
Administration



Jake Tully
Science & Technical Support



Nicola Robertson
Biosecurity Manager



Pip McVeagh
Crop Protection Manager



Rachel Kilmister
R&D Programme Manager



Samantha Mills
Member Systems Co-ordinator



Summer Wynyard
Student Liaison



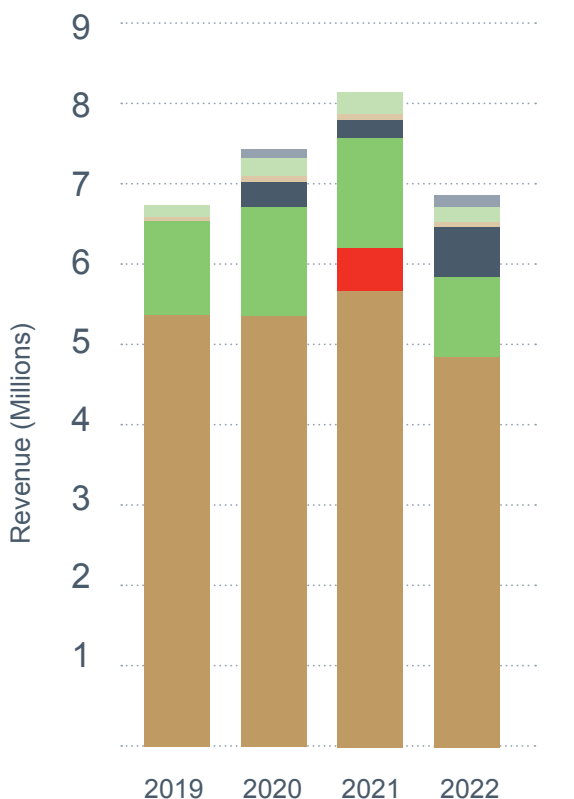


Financial statements

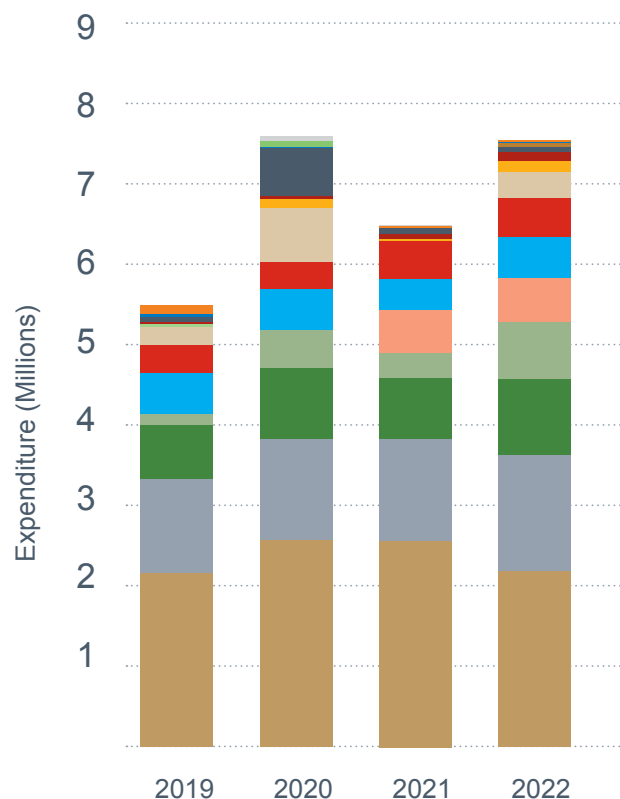
The financial statements for the year ended 31 March 2022 are presented on the following pages.

The financial statements have been audited and an unqualified opinion has been expressed by BDO Hawke's Bay. NZAPI's main revenue is from commodity levies, the following graphs shows revenue and expenditure for the last four years. The Biosecurity levy was new in 2021 and was reduced to nil for 2022.

Revenue



Expenditure



Investment in Prevar

Prevar is NZAPI's largest asset. The latest indicative valuation of Prevar's Plant Variety Rights is \$14.5m, this is a decrease of \$1.7m from 2021. This is due to changes to the cashflow forecast for the next ten years. NZAPI owns 55% of Prevar. Prevar's surplus for the year is \$0.8m, with NZAPI's share being \$0.5m. The surplus includes an operating loss of \$0.7m and income from Research and Development tax incentives (RDTI) and cashed out tax losses of \$1.5m. In future years the amount is anticipated to be \$0.5m. The current year included three years as Prevar's eligibility for the RDTI scheme was confirmed.



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INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF NEW ZEALAND APPLES & PEARS INCORPORATED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of New Zealand Apples & Pears Incorporated ("the Society"), which comprise the statement of financial position as at 31 March 2022 and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and cash flow statement 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 2022, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR") 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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.

The Board's responsibilities for the Financial Statements

The Board is responsible on behalf of the Society for the preparation and fair presentation of the financial statements in accordance with PBE Standards RDR, and for such internal control as the Board determines 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 is responsible on behalf of the Society 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 either intends to liquidate the Society or to cease operations, or has 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.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/>.

This description forms part of our auditor's report.

Who we Report to

This report is made solely to the Society's Board, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's Board, as a body, for our audit work, for this report or for the opinions we have formed.



BDO Hawke's Bay
Napier
New Zealand
27 June 2022

New Zealand Apples and Pears Incorporated

Statement of Comprehensive Revenue and Expense

For the year ended 31 March 2022

<i>in NZD</i>	<i>Note</i>	<i>2022</i>	<i>2021</i>
Revenue	7	6,808,046	8,074,831
Operating Expenses	8	6,527,626	5,885,967
Finance costs	13	36,427	-
Operating surplus for the year		243,993	2,188,864
Share of Prevar's surplus/(deficit) for the year	13	469,428	(433,486)
Total surplus before income tax		713,421	1,755,378
Income tax expense/(benefit)	9	-	(6,215)
Total surplus after income tax		713,421	1,761,593
Other comprehensive revenue and expense		-	-
Total comprehensive revenue and expense for the year		713,421	1,761,593

Statement of Changes in Equity

For the year ended 31 March 2022

<i>in NZD</i>	Retained Earnings	Total Equity
2021		
Balance at 1 April 2020	3,572,614	3,572,614
Total comprehensive income for the year	1,761,593	1,761,593
Balance at 31 March 2021	5,334,207	5,334,207
2022		
Balance at 1 April 2021	5,334,207	5,334,207
Total comprehensive income for the year	713,421	713,421
Balance at 31 March 2022	6,047,628	6,047,628

The accompanying notes are an integral part of these financial statements.



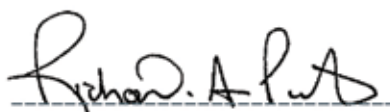
New Zealand Apples and Pears Incorporated

Statement of Financial Position

As at 31 March 2022

<i>in NZD</i>	<i>Note</i>	<i>2022</i>	<i>2021</i>
Current Assets			
Cash and cash equivalents	10	2,983,167	2,414,175
Recoverables from non-exchange transactions	11	651,401	800,080
Receivables from exchange transactions	11	94,499	289,978
Prepayments and other assets		81,230	704,144
Income tax refund due	9	10,144	13,009
Other investments	12	1,700,000	1,100,000
Total Current Assets		5,520,441	5,321,386
Non-Current Assets			
Investment in Prevar	13	3,335,867	2,866,439
Plant and equipment		86,638	55,124
Intangible assets	14	149,557	72,958
Total Non-Current Assets		3,572,062	2,994,521
Total Assets		9,092,503	8,315,907
Current Liabilities			
Payables from exchange transactions	15	1,249,884	956,736
Deferred income	16	291,633	294,085
Employee entitlements		184,258	199,758
Funds held in Trust	10	198,289	134,895
Total Current Liabilities		1,924,064	1,585,474
Non-Current Liabilities			
Capital payable	13	1,120,811	1,396,226
Total Liabilities		3,044,875	2,981,700
Equity			
Accumulated comprehensive revenue and expense		6,047,628	5,334,207
Total Equity	20	6,047,628	5,334,207
Total Equity and Liabilities		9,092,503	8,315,907

These financial statements have been authorised for issue by the Directors on 27 June 2022.


Richard Punter, Chairman


John Allen, Director

The accompanying notes are an integral part of these financial statements.



New Zealand Apples and Pears Incorporated

Cash Flow Statement

For the year ended 31 March 2022

<i>in NZD</i>	<i>Note</i>	<i>2022</i>	<i>2021</i>
Cash flow from operating activities			
Receipts			
Receipts from commodity and biosecurity levies		5,024,821	5,838,495
Receipts from other non exchange transactions		1,553,015	1,801,226
Receipts from exchange transactions		536,415	233,865
Interest received		16,805	19,157
Income Tax		2,865	5,155
Goods and Services Tax (Net)		600,441	-
		<u>7,734,362</u>	<u>7,897,898</u>
Payments			
Payments to employees & directors		1,553,192	1,365,867
Payments to suppliers		4,567,417	4,301,211
Goods and Services Tax (Net)		-	631,140
		<u>6,120,609</u>	<u>6,298,218</u>
Net cash inflow from operating activities		1,613,753	1,599,680
Cash flow from investing activities			
Receipts			
Proceeds from sale of plant and equipment		18,696	-
		<u>18,696</u>	<u>-</u>
Payments			
Capital payment to Prevar		311,842	-
Purchase of other investments		600,000	500,000
Purchase of plant and equipment		63,782	23,231
Purchase of intangibles		87,833	10,659
		<u>1,063,457</u>	<u>533,890</u>
Net cash outflow from investing activities		(1,044,761)	(533,890)
Net increase in cash and cash equivalents		568,992	1,065,790
Add opening cash and cash equivalents		2,414,175	1,348,385
Closing cash and cash equivalents	4	<u>2,983,167</u>	<u>2,414,175</u>

The accompanying notes are an integral part of these financial statements.



New Zealand Apples and Pears Incorporated

Notes to the Financial Statements

1. Reporting Entity

New Zealand Apples and Pears Incorporated (the 'Society') is an incorporated society and is domiciled in New Zealand. The Society is registered under the Incorporated Societies Act 1908. The Society is a public benefit entity for the purposes of reporting in accordance with the Financial Reporting Act (2013).

The Society is the national body that promotes and represents the New Zealand pipfruit (apple, pear and nashi) industry – growers, packers, and marketers of apples and pears in domestic and export markets.

2. Basis of Preparation

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the Public Benefit Entity Accounting Standards Reduced Disclosure Regime as appropriate for Tier 2 not-for profit public benefit entities. The Society is a Tier 2 reporting entity on the basis it does not have public accountability and is not large.

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

3. Functional and Presentation Currency

These financial statements are presented in NZD, which is the Society's functional currency. All amounts have been rounded to the nearest dollar.

4. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following disclosure item, which is measured on an alternative basis on each reporting date.

Item	Measurement bases
Disclosure of indicative fair value of equity accounted investment	Fair value

5. Use of Judgements and Estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Society's accounting policies and the reported amounts of assets, liabilities, revenue, expenses, and the accompanying disclosures. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the current year.

A. Judgements

The Society, like all other organisations, is impacted by the global COVID-19 pandemic and the measures implemented by governments and jurisdictions to address the pandemic. Given the uncertainty created by COVID-19, the Board has considered different scenarios and the impact on the ability for the Society to continue as a going concern. Under these scenarios, the Society has sufficient cash inflows to meet its obligations. The largest area of risk is in the collection of commodity levies due to the downstream impact on the pipfruit industry. As at the date of issue of these financial statements, the Board is not aware of any significant negative impacts on the industry. However, COVID-19 is an evolving issue and the Board continues to monitor the economic impact to the Society.



Information about other judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 6 – Determination of Non-financial Assets as non-cash generating assets;
- Note 7 – Commodity levy revenue: the period to which the revenue relates;
- Note 7 – Determining whether the Society is acting as a principal or as an agent;
- Note 9 – Recognition of deferred taxes; and
- Note 13 – Impairment of Investment in Prevar.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2022 are included in the following notes:

- Note 7 – estimation of research accrual; and
- Note 13 – equity accounted investment, impairment test and fair value disclosure.

i. Measurement of fair values

A number of the Society's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Society uses observable market data as far as possible, or for non-cash-generating assets, depreciated replacement cost.

6. Summary of Significant Accounting Policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

A. Impairment of Non-Financial Assets

The classification of assets as non-cash generating assets is a highly judgmental matter. PBE IPSAS 21.16 clarifies that cash-generating assets are those assets that are held with the primary objective of generating a commercial return. Therefore, non-cash generating assets would be those assets from which the Society does not intend (as its primary objective) to realise a commercial return. The Society's plant and equipment, and intangible assets are deemed to be non-cash generating assets as they are held for administrative purposes.

At each reporting date, the Society reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows (for cash-generating assets) or future remaining service potential (for non-cash-generating assets), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in surplus or deficit. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable



amount or the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

B. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Society at the exchange rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the exchange rate at the reporting date. Foreign currency differences are generally recognised in surplus or deficit.

7. Revenue

<i>in NZD</i>	2022	2021
Revenue from non-exchange transactions		
Commodity levy (A)	4,809,974	5,627,116
Biosecurity levy	-	535,172
Shared research	993,182	1,354,930
Grants	611,914	220,858
Other revenue	14,087	162,138
<i>Total revenue from non-exchange transactions</i>	<u>6,429,157</u>	<u>7,900,214</u>
Revenue from exchange transactions		
Interest	14,892	17,448
Residue testing	63,040	71,555
Membership fees	25,500	25,575
Annual conference	140,955	-
Administration services	21,500	21,500
Other revenue	113,002	38,539
<i>Total revenue from exchange transactions</i>	<u>378,889</u>	<u>174,617</u>
Total revenue	<u><u>6,808,046</u></u>	<u><u>8,074,831</u></u>

(A) Net income from commodity levies of \$4,622,231 (2021: \$5,402,753) 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 Note 8.

(B) Net income from the RSE Resumption Project where the Society acted as an agent on behalf of employers of RSE Workers was nil (2021: nil). Total inflows collected were \$1,324,617 (2021: 9,286,517) and outflows paid were \$1,257,713 (2021: 9,283,918), the net difference, \$67,304 (2021: 2,599) is recorded as a liability on the balance sheet.

Accounting Policies

A. Revenue from non-exchange transactions

Non-exchange transactions are those where the Society receives value from another entity (e.g. cash or other assets) without giving approximately equal value in exchange. Inflows of resources from non-exchange transactions, other than services in-kind, that meet the definition of an asset are recognised as an asset only when:

- It is probable that the Society will receive an inflow of economic benefits or service potential; and
- The fair value can be measured reliably.

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 estimated reliably.

The following are the specific recognition criteria in relation to the Society's non-exchange transactions:

i. Commodity levy

Commodity levy is a levy imposed on all pipfruit grown and sold/exported by growers in New Zealand under the Commodity Levies (Apples and Pears) Order 2018 (previously Commodity Levies (Pipfruit) Order 2012 and Commodity Levies (Nashi Pears) 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 31 May. Levy returns received after this date are reported as revenue in the following year.

ii. Biosecurity levy

Biosecurity levy is a levy imposed on apples and pears grown in New Zealand by growers for commercial purposes under the Biosecurity (Response – Apples and Pears Levy) Order 2020. Biosecurity levy revenue is recognised as income in the year that it is invoiced. Invoices are issued based on annual grower registration details provide to the Society as at 1 August each year. Biosecurity levy monies received by the Society can only be used to pay the Society's share of a Government Industry Agreement for Biosecurity Readiness and Response (GIA) response. The Biosecurity levy monies may be invested until it is spent (refer Note 10 Cash and Cash Equivalents and Note 12 Other Investments).

iii. 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.

iv. Grants

The recognition of non-exchange revenue from grants depends on whether the grant comes with any stipulations imposed on the use of a transferred asset. Stipulations that are 'conditions' specifically require the Society to return the inflow of resources received if they are not used in the way stipulated, resulting in the recognition of a liability that is subsequently recognised as non-exchange revenue as and when the 'conditions' are satisfied. Stipulations that are 'restrictions' do not specifically require the Society to return the inflow of resources received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a non-exchange liability, which results in the immediate recognition of non-exchange revenue.

The Society receives grant funding from government and non-government entities to support the Society's objectives. Depending on the stipulations of each grant the Society may or may not have to return unspent funds. If there are conditions attached, revenue in relation to that particular grant is not recognised until the conditions are fulfilled. For grants with restrictions, the revenue is recognised when it is received by the Society.

B. Revenue from exchange transactions

i. Rendering of services

The Society is involved in providing services, including organising events for members. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. The



Society recognises revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on percentage of work performed.

ii. Membership fees

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

iii. Interest income

Interest income is earned for the use of cash and cash equivalents and term deposits. Interest income is recognised in the statement of comprehensive revenue and expense as it is earned. Interest income is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest revenue each period.

iv. Income received as an agent

If the Society acts in the capacity of an agent rather than as the principal in a transaction, then the revenue recognised is the net amount of fees made by the Society. The Society is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services.

8. Expenses

<i>in NZD</i>	2022	2021
Research expenses (A)	2,187,902	2,556,282
Market access	492,319	469,275
Relationships	19,528	26,462
Biosecurity	68,596	66,300
Apple Story	-	6,593
Knowledge management & communications	508,197	376,108
Capability development	709,352	313,015
RSE scheme	117,819	62,339
New varieties	20,000	-
Sustainability	33,020	-
Employee benefit expense (B)	1,428,785	1,266,904
Commodity Levy collection fees & expenses	187,743	224,363
Impairment loss on trade receivables	-	32,013
Depreciation & amortisation	43,335	28,205
Operating lease payments	88,613	83,046
Other operating costs	622,417	375,062
Total operating expenses	6,527,626	5,885,967

Accounting Policies

A. Research expenses

The Society contracts external firms to undertake research on behalf of the pipfruit industry. These costs are expensed as incurred. 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.

B. Employee benefit expense

Short-term employee benefits are expensed as the related service is provided. A current liability is recognised for the amount expected to be paid wholly before 12 months after balance date, if the Society has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Employee benefit

expenses includes 'core' employee expenses, it does not include all employee related costs as some employee benefit expenses are included in other expense categories.

9. Taxes

The Society is a non-profit organisation to which the statutory deduction provisions of section DV 8 of the Income Tax Act 2007 apply. The Society is also a member organisation and is therefore only liable for income tax on any income from transactions to which the mutual association provisions of subpart HE of the Income Tax Act 2007 apply.

<i>in NZD</i>	2022	2021
Amounts recognised in profit or loss		
Current tax expense	-	(6,215)
Tax expense/(benefit)	-	(6,215)
Reconciliation of effective tax rate		
Total surplus before income tax	713,421	1,755,378
Income tax at 28%	199,758	491,506
Tax effect of taxation adjustments:		
Exempted income	(1,637,682)	(2,078,726)
Exempted expenses	1,549,751	1,465,844
Equity accounted investee	(131,440)	121,376
Current year tax losses not recognised	19,613	-
Adjustment to prior year	-	(6,215)
Tax expense/(benefit)	-	(6,215)
Income tax refund due		
Prior year refund outstanding	(13,009)	(11,948)
Current year tax expense/(benefit)	-	(6,215)
Resident withholding tax deductions	(4,283)	(5,592)
Imputation credits held	(96)	(96)
Refunds received	7,266	10,582
Tax losses utilised	-	(675)
Adjustment to prior year	-	1,366
Tax payable/(refundable) on behalf of Administered funds	(22)	(431)
Tax payable/(refundable)	(10,144)	(13,009)

Accounting Policies

A. Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred. 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 tax relating to member's subscriptions and is only subject to tax on non-member related activities and member transactions specifically subject to the mutual association provisions of the Income Tax Act 2007. Current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

B. 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 non-taxable activities and management have determined that no assessable (or deductible) temporary differences exist. As a result, no deferred tax liabilities (or assets) have been recognised.



10. Cash and Cash Equivalents

<i>in NZD</i>	2022	2021
Cash and cash equivalents	2,983,167	2,414,175

Cash and cash equivalents comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Cash and cash equivalents include funds administered by the Society on behalf of industry groups. At balance date these totalled \$198,289 (2021: \$134,895).

Cash and cash equivalents include cash received from Biosecurity Levies that have not been invested in term deposits (refer note 12), of \$2,747 (2021: 86,691). This cash can only be used to pay the Society's share of a GIA response.

The Society has an overdraft facility of \$100,000 (2021: \$100,000). The security for the facility is the Reserve fund, which is invested in term deposits (refer note 12).

Accounting Policy

See Note 17 Financial instruments.

11. Recoverables from non-exchange transactions and Receivables from exchange transactions

<i>in NZD</i>	2022	2021
Recoverables from non-exchange transactions		
Commodity and biosecurity levies	403,585	634,670
less Allowance for impairment loss	(20,576)	(36,814)
Other	268,392	202,224
Total recoverables from non-exchange transactions	651,401	800,080
Receivables from exchange transactions		
Other	94,499	289,978
less Allowance for impairment loss	-	-
Total receivables from exchange transactions	94,499	289,978

Accounting Policy

See Note 7 Revenue and Note 17 Financial instruments.

12. Other Investments

<i>in NZD</i>	2022	2021
Term deposits	1,700,000	1,100,000

The Society's term deposits are set aside under two funds, \$600,000 for the reserve fund (2021: \$600,000) and \$1,100,000 for the Government Industry Agreement (GIA) fund (2021: \$500,000).

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.

The GIA fund was created after the Society signed the GIA Agreement. The agreement details the cost sharing mechanism between industry and the government during a Biosecurity response. During the year \$600,000 (2021: \$500,000) was added to the reserve and the Society's contribution to the 2019 Fruitfly response was \$nil (2021: \$22,000). The remaining funds are included in cash and cash equivalents (refer Note 10).

Accounting Policy

See Note 17 Financial instruments.



13. Investment in Prevar (Equity-Accounted Investee)

<i>in NZD</i>	2022	2021
Net carrying value		
Equity accounted investment at cost	15,406,755	15,406,755
Accumulated share of deficit	(12,070,888)	(12,540,316)
Net carrying value	3,335,867	2,866,439
Movements in carrying amounts		
Carrying value at the beginning of the year	2,866,439	3,299,925
Share of profit /(deficit) for the year	469,428	(433,486)
Carrying value at the end of the year	3,335,867	2,866,439

A. Capital Payable to Prevar

On 28 February 2019 the Society along with the other shareholders of Prevar Limited ('Prevar') signed a deed of variation to the shareholder agreement. The Society agreed to acquire and Prevar agreed to issue 71,250 shares for \$2,800,000. The fair value of the shares issued and therefore the amount payable by the Society was \$2,456,754. The amount payable is recorded as a liability by the Society.

Repayment of Liability to Prevar:

<i>in NZD</i>	2022	2021
Opening balance	1,396,226	1,396,226
Payments during the year	(311,842)	-
Implied interest expense	36,427	-
Closing balance	1,120,811	1,396,226

No repayments are anticipated during the 2023 financial year therefore the full amount repayable has been classified as a non-current liability at balance date (2021: non-current liability).

Classification of Liability to Prevar:

<i>in NZD</i>	2022	2021
Current liability	-	-
Non-current liability	1,120,811	1,396,226
Closing balance	1,120,811	1,396,226

B. Prevar's fair value:

There were no changes to the Society's shareholding in Prevar during the year. The investment is a joint venture. Prevar is not publicly listed. The following table summarises the fair value of Prevar:

<i>in NZD</i>	2022	2021
Current assets	3,879,760	2,745,741
Non-current assets	14,548,447	16,165,765
Current liabilities	(1,488,532)	(653,035)
Non-current liabilities	-	(829,769)
Net assets (100%)	16,939,675	17,428,702
Net assets (Society's share)	9,316,821	9,533,942

The difference between the Prevar's fair value and carrying value is the value of Prevar's Plant variety rights and associated trademarks (PVR's). The indicative fair value of the PVR's has been estimated using discounted cash flows. Key assumptions used in the estimation of the value were as follows:

<i>in percent</i>	2022	2021
Discount rate	20% - 50%	20% - 50%
Post forecast growth rate	2%	2%

The discount rate was a post-tax measure assessed by reference to typical venture capital required returns on early stage investments as provided by independent advisors. The cash flow projections



include specific estimates for 29 years (2021:29 years), based on estimated revenue and expenses for agreements in place as at the date of the assessment as well as projected operating expenses. A significant estimation uncertainty is the determination of cash flows, being based on assumptions in regard to future plantings of existing PVRs, crop yields and resulting revenue generated by the licensees to determine the future cash flows receivable by Prevar under the PVRs.

C. Prevar's summarised financial statements

Prevar has a balance date of 31 March. The following table summarises the financial information of Prevar as included in its own financial statements adjusted for differences in accounting policies:

<i>in NZD</i>	2022	2021
Current assets	3,879,760	2,745,741
Non-current assets	458,079	421,185
Current liabilities	(1,488,532)	(653,035)
Non-current liabilities	-	(829,769)
Net assets (100%)	<u>2,849,307</u>	<u>1,684,122</u>
Revenue	5,991,775	4,121,055
Expenses	5,138,270	4,909,211
Total comprehensive income (100%)	<u>853,505</u>	<u>(788,156)</u>
Total comprehensive income (Society's share)	<u>469,428</u>	<u>(433,486)</u>

There were no contingent liabilities or assets relating to the Society's interest in Prevar (2021: nil).

Accounting Policy

The Society's interests in equity-accounted investees comprise interests in a jointly-controlled entity, referred to as a joint venture within these financial statements. Joint Ventures are those entities over whose activities the Society has joint control, established by contractual agreement and require unanimous consent for strategic financial and operating decisions.

Interests in the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs, from the date that joint control commences. Subsequent to initial recognition, the financial statements include the Society's share of the surplus or deficit and other comprehensive revenue and expense of equity-accounted investees, until the date on which joint control ceases.

14. Intangible Assets

Cost		
Balance at 1 April 2020	143,132	143,132
Balance at 31 March 2021	147,103	147,103
Purchases	87,834	87,834
Disposals	(64,383)	(64,383)
Balance at 31 March 2022	<u>170,554</u>	<u>170,554</u>
Accumulated amortisation and impairment losses		
Balance at 1 April 2020	75,770	75,770
Balance at 31 March 2021	74,145	74,145
Amortisation	11,235	11,235
Disposals	(64,383)	(64,383)
Balance at 31 March 2022	<u>20,997</u>	<u>20,997</u>
Carrying amounts		
At 1 April 2020	67,362	67,362
At 31 March 2021	72,958	72,958
At 31 March 2022	<u>149,557</u>	<u>149,557</u>



Accounting Policy

A. Recognition and measurement

Intangible assets, which comprise website and online tools, are initially measured at cost except for those acquired through non-exchange transactions (which are measured at fair value). Cost includes expenditure that is directly attributable to the acquisition of the asset, and for self-constructed intangible assets includes the cost of materials and direct labour. Subsequent to initial recognition, website and online tools are measured at cost less accumulated amortisation and any accumulated impairment losses.

B. Subsequent expenditure

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

C. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual value using the diminishing value method over their useful lives and is recognised in surplus and deficit, as part of operating expenses.

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

- Website and online tools: 2-10 years

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

15. Payables from exchange transactions

<i>in NZD</i>	2022	2021
Trade creditors	371,145	278,577
Research contracts	824,984	608,052
Accruals	53,755	70,107
Total Payables from exchange transactions	1,249,884	956,736

Accounting Policy

See Note 8 Expenses and Note 17 Financial instruments.

16. Deferred Income

<i>in NZD</i>	2022	2021
Government grants (A)	242,562	245,014
Non-Government grants	49,071	49,071
Total Deferred income	291,633	294,085

A. Government grants

The Government grant has been provided by the Ministry of Social Development and is conditional on the funds being utilised in accordance with the contract. The grant is recognised as a deferred income and released to the Statement of Comprehensive Revenue and Expense as contracted expenses are incurred.

Accounting Policy

See Note 7 Revenue



17. Financial Instruments

Accounting classifications and fair values:

<i>in NZD</i>	2022	2021
Financial assets - Loans and receivables		
Cash and cash equivalents	2,983,167	2,279,280
Recoverables from non-exchange transactions	375,390	405,530
Receivables from exchange transactions	63,282	216,047
Other investments	1,700,000	1,100,000
Total Financial assets	5,121,839	4,000,857
Financial liabilities - Other financial liabilities		
Trade and other payables	954,275	649,130
Capital payable	1,120,811	1,396,227
Funds held in Trust	198,289	134,895
Total Financial liabilities	2,273,375	2,180,252

Accounting Policy

The Society classifies all its non-derivative financial assets as loans and receivables.

The Society classifies all its non-derivative financial liabilities as other financial liabilities.

A. Non-derivative financial assets and financial liabilities - recognition and derecognition

The Society initially recognises financial assets and financial liabilities on the date that they are originated.

The Society derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Society is recognised as a separate asset or liability.

The Society derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Society currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

B. Non-derivative financial assets - measurement

Loans and receivables are initially measured at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortised costs using the effective interest method.

C. Non-derivative financial liabilities - measurement

Other financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortised cost, and changes therein are recognised in surplus or deficit.

D. Impairment

Financial assets not classified at fair value through surplus or deficit, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is any objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Society on terms that the Society would not consider otherwise;



- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

i. Financial assets measured at amortised cost

The Society considers evidence of impairment for these assets at both an individual asset and a collective level. All individual significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Society uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in surplus or deficit and reflected in an allowance account. When the Society considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through surplus or deficit.

ii. Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount, (refer Note 13).

18. Commitments

A. Operating leases

<i>in NZD</i>	2022	2021
Less than one year	100,352	98,870
Between one and five years	177,151	252,878
More than five years	-	-
Total Operating lease commitments	277,503	351,748

Operating lease commitments include office space, two vehicles and a photocopier (2021: office space, a vehicle and a photocopier). The lease for the office space is for six years (commenced 1 June 2019), with one right of renewal for four years. Rent reviews are three yearly to CPI or market (whichever is greater).

Accounting Policy

i. Determining whether an arrangement contains a lease

At inception of an arrangement, the Society determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Society separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Society concludes for a finance lease that it is impracticable to separate the payments reliably th



an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Society's incremental borrowing rate.

ii. Finance leases

Leases of property, plant and equipment that transfer to the Society substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

iii. Lease payments

Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

B. Research and development

<i>in NZD</i>	2022	2021
Less than one year	1,020,135	1,534,449
Between one and five years	366,666	350,854
More than five years	-	-
Total Research and development commitments	1,386,801	1,885,303

The Society's significant research contracts contain clauses whereby if the Society does not collect sufficient commodity levy income due to an adverse event the contracts may be cancelled.

19. Contingent liabilities

There are no contingent liabilities as at 31 March 2022 (2021: nil).

Accounting Policy

The Society does not recognise contingent liabilities but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

20. Equity and Reserves

Capital management

The Society's capital is its Equity, which comprises accumulated comprehensive revenue and expense. Equity is represented by net assets.

The Society manages its Equity prudently as part of the process of effectively managing its revenues, expenditure, assets, liabilities and all related financial affairs. In order to ensure that the Society achieves all its objectives and purpose, the Society has a Board of Directors that actively controls and monitors progress of plans and activities against financial and other performance indicators.

The Society is not currently subject to any externally imposed capital requirements.



21. Related Parties

A. Associate/Joint Venture

<i>Investee name</i>	<i>Principal place of business</i>	<i>Ownership interest 2022</i>	<i>Ownership interest 2021</i>
Prevar Limited	New Zealand	55%	55%

The Society received income from providing administration support and for cost recoveries during the period. Refer to Note 13, for details of share capital provided to Prevar.

<i>in NZD</i>	<i>Sales made</i>		<i>Amount receivable</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Prevar Limited	2,512	85	441	-

B. Transactions with key management personnel

i. Key management personnel compensation

Key management personnel includes the Directors and Senior management. Senior management consist of the Chief Executive Officer, Chief Financial Officer, Manager Trade Policy and Strategy, Manager Biosecurity, Manager R&D Programmes, Manager Capability Development, Manager Market Access, Manager Crop Protection and Member Engagement Manager.

The aggregate level of remuneration paid and number of persons (measured in "full-time-equivalents" (FTEs) for senior management) in each class of key management personnel is presented below:

<i>in NZD</i>	<i>2022</i>		<i>2021</i>	
	<i>Remuneration</i>	<i>Number</i>	<i>Remuneration</i>	<i>Number</i>
Board members	165,000	8	165,000	8
Senior Management	1,106,278	8	968,024	8
Total	1,271,278		1,133,024	

ii. Key management personnel transactions

Catherine Wedd is a Director of the Society (appointed August 2021) and also key management personnel of Bostock New Zealand Ltd. The Society received levies and other minor revenues from the Company during the period. Bostock New Zealand Ltd is owned by Bostock Group Ltd. Companies in which Bostock Group Ltd are a shareholder have entered into commercial agreements with Prevar and Prevar has received commercial income from these Companies during the period.

Cameron Taylor is a Director of the Society and also key management personnel of Taylor Corporation Ltd. The Society received levies, residue testing fees and other minor revenue from the Company during the period. Taylor Corporation Ltd and Golden Del Orchard Ltd are closely related entities. Golden Del Orchard Limited is a shareholder in Next Generation Apples Limited who have entered into commercial agreements with Prevar. Prevar has received commercial income from Next Generation Apples Ltd during the period.

Evan Heywood is a Director of the Society and also a Director of Heywood Orchard Ltd, Golden Bay Fruit Ltd, Golden Bay Fruit 2008 Ltd, Next Generation Apples Ltd and has been appointed by the Society to the Prevar Board of Directors. The Society received levies, residue testing fees, and other minor revenue from Heywood Orchard Ltd and Golden Bay Fruit Ltd during the period. Golden Bay Fruit 2008 Ltd and Next Generation Apples Ltd have entered into commercial agreements with Prevar. Prevar received commercial income from Golden Bay Fruit 2008 Ltd and Next Generation Apples Ltd during the period.



Jackie van der Voort is a Director of the Society and also a Director of CAJ & EM van der Voort Limited. The Society received levies and other minor revenue from the Company during the period.

John Allen is a Director of the Society (appointed September 2021) and also key management personnel of Mr Apple New Zealand Ltd. Karen Morrish was a Director of the Society (resigned August 2021) and was also key management personnel of Scales Corporation Ltd, who owns Mr Apple New Zealand Ltd. The Society received sponsorship, levies, residue testing fees and other minor revenue from these companies during the period. Companies in which Mr Apple New Zealand Ltd are a shareholder have entered into commercial agreements with Prevar and Prevar has received commercial income from these Companies during the period.

Lesley Wilson is a Director of the Society and also a Director of DN & LR Wilson Limited. The Society received levies and other minor revenues from the Company during the period. Lesley is also a Director of the Horticulture Export Authority.

Peter Landon-Lane is a Director of the Society and also key management personnel of T&G Global Limited. The Society received sponsorship and levies from the Company and related entities of the Company during the period.

Tim Egan was a Director of the Society (term ended August 2021) and also a Director of Illawarra Limited. The Society received levies and other minor revenues from the Company during the previous period.

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows:

<i>in NZD</i>	<i>Sales made</i>		<i>Amount receivable</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Bostock New Zealand Limited	310,220	n/a	46,427	n/a
CAJ and EM van der Voort Limited	124,267	156,735	-	1,625
DN & LR Wilson Limited	15,652	12,214	-	-
Golden Bay Fruit Limited	1,126	1,180	-	644
Heywood Orchards Limited	18,011	4,773	-	-
Illawarra Limited	n/a	7,187	n/a	39
Mr Apple New Zealand Limited	794,019	910,679	920	-
T&G Global Limited (& related entities)	278,065	396,537	17,600	166,164
Taylor Corporation Limited (& related entities)	76,583	186,948	736	58,796

Accounting Policy

The Society regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Society, or vice versa. Members of key management are regarded as related parties and comprise the directors and senior management of the Society.

22. Subsequent Events

There are no material subsequent events that affect these financial statements for 31 March 2022, (2021: nil).

23. Comparatives

Comparative figures have been reclassified where necessary to conform to the current year's presentation.



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