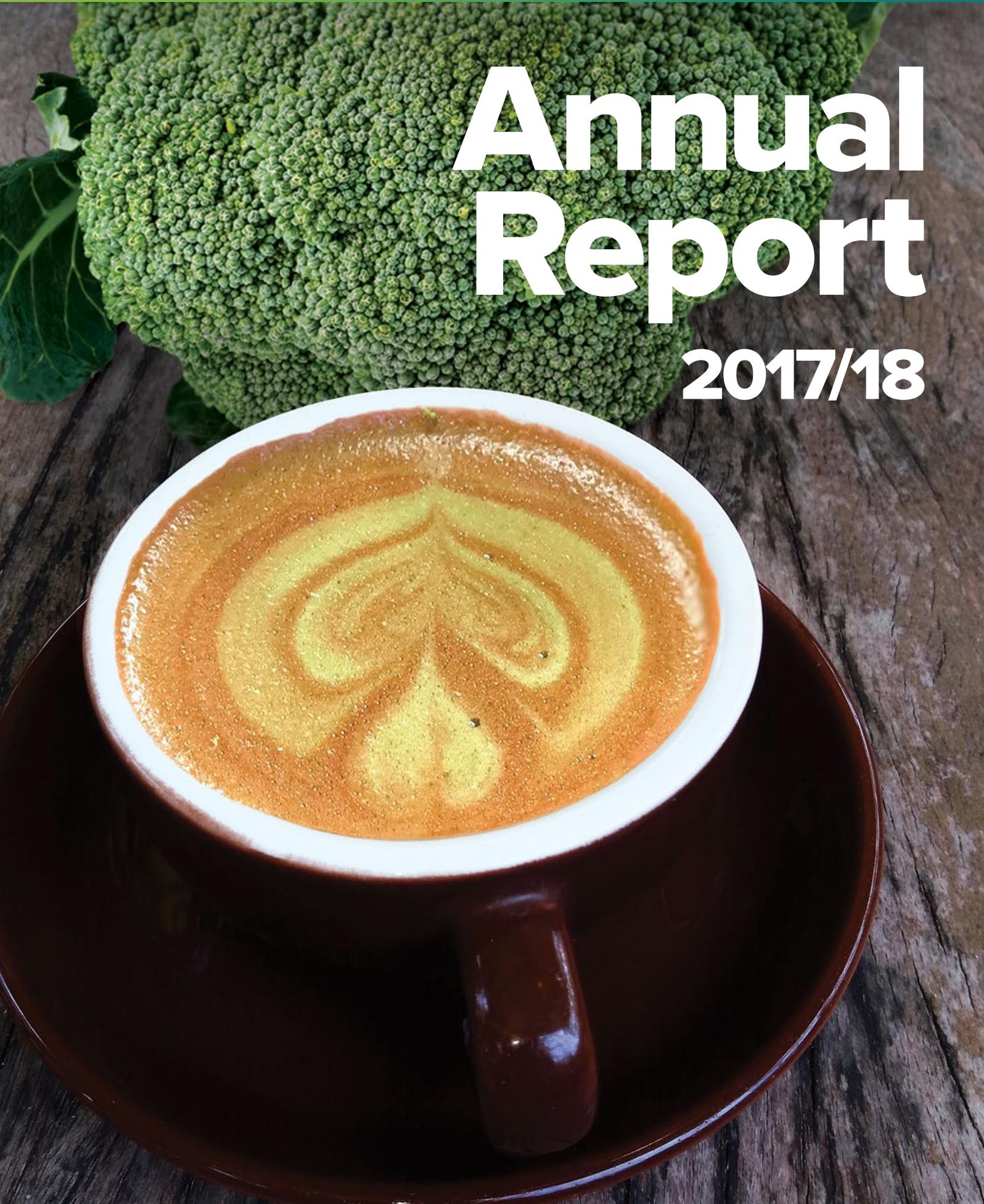


**Hort
Innovation**

Annual Report

2017/18



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**Looking for your industry's Fund Annual Report?
Download the complete report on your levy fund – jump on to
www.horticulture.com.au/fund-annual-report-portal**

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Cover image depicts a 'broccoli latte' stemming from the Hort Innovation Vegetable Fund investment *Creating value from edible vegetable waste* (VG15076). See [p28](#) for more.



**Horticulture
Innovation
Australia Limited
Annual Report
2017/18**

On fertile ground

Hort Innovation's mission is to support the productivity, profitability and competitiveness of Australian horticulture through investments that support the strategic priorities of the sector.



FIND OUT MORE

- ▶ Want to know more about how Hort Innovation works?
Watch this short video on the organisation's funding model
www.vimeo.com/235265971

Chair's report

How we've been growing better, together

Hort Innovation continues to deliver increased investments year on year for Australian horticulture. I am extremely humbled to act as the Chairman of the Board of Hort Innovation, as we continue to see the organisation grow from strength to strength.

This year, Hort Innovation has led the sector with a record-breaking level of investment expenditure – \$110M across research and development (R&D), marketing, Hort Frontiers and other initiatives.



Selwyn Snell
Chair

Levy investments have been made with a keen eye on the priorities of industry, led by the rigour and responsibility of each industry's Strategic Investment Plan and Strategic Investment Advisory Panel. This is the cornerstone of how the company invests on behalf of industries and it is this unique partnership that has delivered such a great outcome for the sector in 2017/18. This sentiment is mirrored for the Hort Frontiers strategic partnership initiative, which has seen significant growth and leverage across the overall program delivery, spanning the key themes of each Hort Frontiers fund.

The Hort Innovation Board has been encouraged by the conversations and connections it has made with individual growers and wider industry stakeholders over the year. In particular, the Board has held productive dialogue with the leadership of industry representative bodies (IRBs) about how we can work better together to enhance our relationships and build stronger ties with industry and investment outcomes.



Collaboration is key to maintaining and advancing a healthy and prosperous Australian horticulture sector. Hort Innovation works with growers; industry stakeholders; IRBs; other Rural Research and Development Corporations; the public and private sectors; researchers and delivery partners; and the Australian Government to build the best bank of knowledge, skills and expertise to deliver on the investment programs. As we look to 2018/19 and beyond, it will be the collective strength of these relationships that will bring home year-on-year investment growth. I look forward to working ever better together in this privileged position to support the future of Australian horticulture.

As you may be aware, in July 2018 Hort Innovation farewelled its long-standing CEO, John Lloyd. It was within John's strong leadership that Hort Innovation was reinvigorated into the robust organisation that we have today, and it was only fitting that his last year was a record-breaking one.

The Hort Innovation Board thanks John for his insight, direction and leadership of the organisation.

In 2017/18, the company announced the incoming CEO as Mr Matt Brand. Beginning in the role in the latter half of the year, Matt joins Hort Innovation from leading the NSW Farmers' Association and with a long history of connection to agriculture. I look forward to working with Matt into 2018/19 and beyond.

Selwyn Snell, Chair

To continue to support Australia's horticulture industry, Hort Innovation is proud to work closely with growers, supply chain participants and industry representative bodies, as well as investment delivery partners, Australia's network of RDCs, the Australian Government and more.

Outgoing CEO's report

A record year of investment expenditure for Hort Innovation

The horticulture sector has performed exceedingly well across the 2017/18 year, with a record collection of levy at more than \$57M. The record-breaking year continued with Hort Innovation investing \$70.8M of levy funds across R&D and marketing, in consultation with and on behalf of industry.



John Lloyd
CEO

I am also proud to report that the Hort Frontiers strategic partnership initiative has been building. We have leveraged investments and co-investment monies to inject more money into each of the initiative's seven Funds, with the dollar value of the portfolio in 2017/18 at \$34.2M. This is in addition to the securing of extra government funding through the Rural R&D for Profit grant program of \$5.7M.

During the year, Hort Innovation had 588 project investments 'on the books' and managed 24 marketing programs. The average dollar value of these investments is at just under \$1M per project. The focus for industry has been on investing in higher-value and more substantial projects.

There have been many investments that we can all be extremely proud of in 2017/18, ranging from our continued approval rate of minor use permits and the securing of additional government chemical grants to help industry combat pest and biosecurity concerns, to the recognition on the international scale of the Plant Life Balance app, broccoli lattes and more. There was also the momentum of the Taste Australia initiative with its one-year anniversary and the first release of sterile fruit flies, as well as Hort Innovation leading a majority of Rural R&D for Profit programs. But perhaps what we should all be most proud of is our collective commitment to Australian horticulture and to working together to realise the benefits that the levy system gives back to growers and industries.

Investments in 2017/18



Strategic levy R&D



Expenditure

Strategic levy marketing



Expenditure



Hort Frontiers



Expenditure[^]

Rural R&D for Profit program



Expenditure

* Other investments also existed during 2017/18 that have not been counted here as 'project investments'
[^] Some levy industries have chosen to become co-investors in Hort Frontiers projects, as reflected in this figure

We must keep our relationships strong and productive and we must always remember we are all here for the same reason – to deliver the best outcomes that support the productivity, profitability and competitiveness of Australian horticulture.

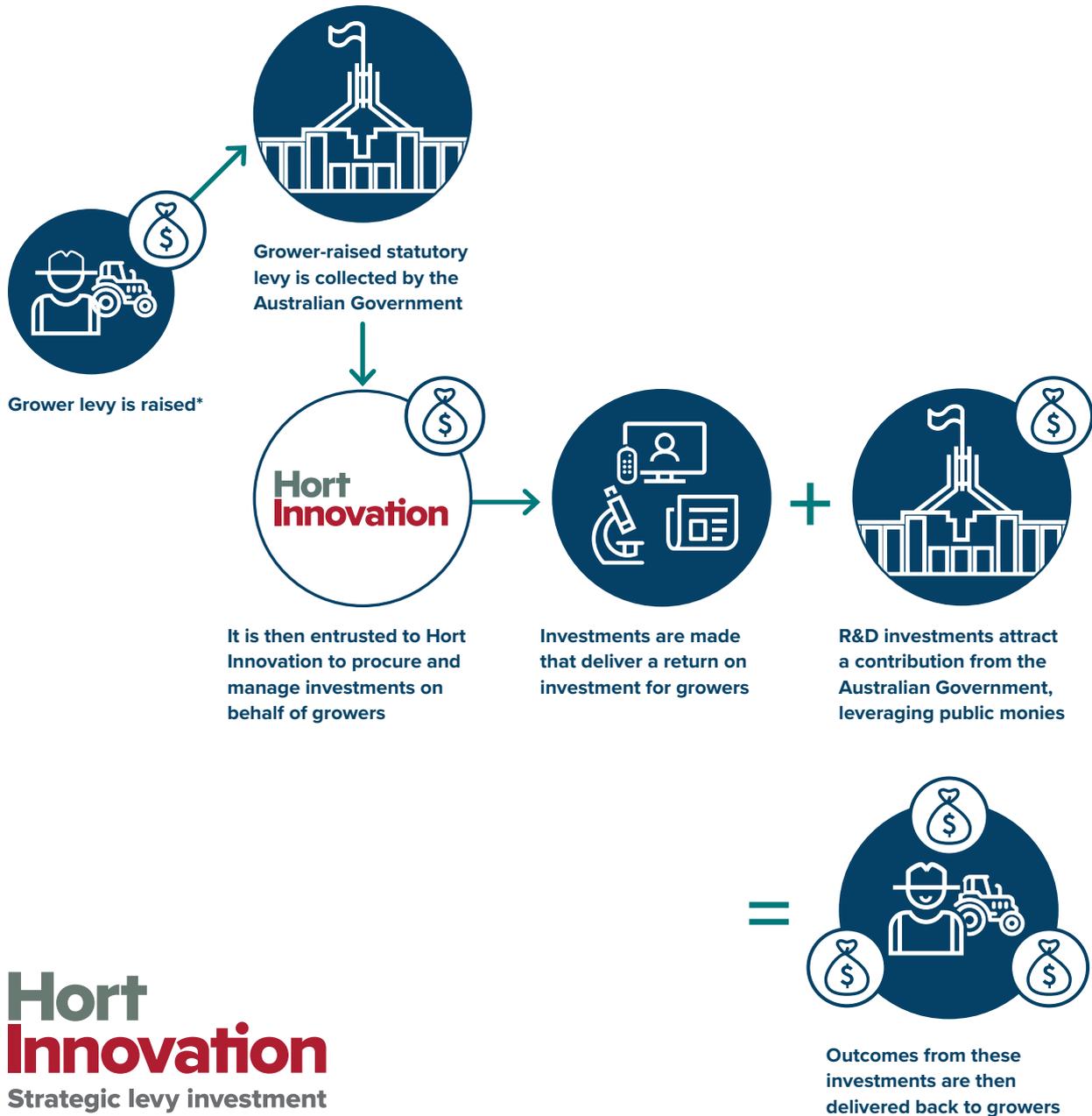
As most of you know, I have stepped down as CEO of Hort Innovation. It has been a privilege to serve as the CEO of the organisation for eight and a half years. Horticulture is an amazing sector to be part of and holds a unique position within Australia agriculture. It is the most diverse of any of the agriculture sectors and has the most unique levy structure. While this poses some complexities in delivering the investment program, it is outweighed by the enormous opportunity there is for the sector to create long lasting increases in productivity, profitability and competitiveness. By coming together under the umbrella of this unique sector we call horticulture, we can work across industries to collaborate on investments in R&D, marketing, and trade, and pool the collective power of each industry to ensure Australian horticulture is front and centre for the people who enjoy the fruit, vegetables, nuts and amenity supplied by the sector.

By continuing to work together to capitalise on the collective interests of the sector, while maintaining a close eye on industry-specific investments, horticulture in Australia will no longer be the 'sleeping giant' of agriculture but will climb to new heights in the hearts and minds of domestic and international markets.

Don't forget, if you want to read about your individual industry go to www.horticulture.com.au/fund-annual-report-portal and download specific Fund Annual Reports.

John Lloyd, CEO

How the levy system works



Hort Innovation

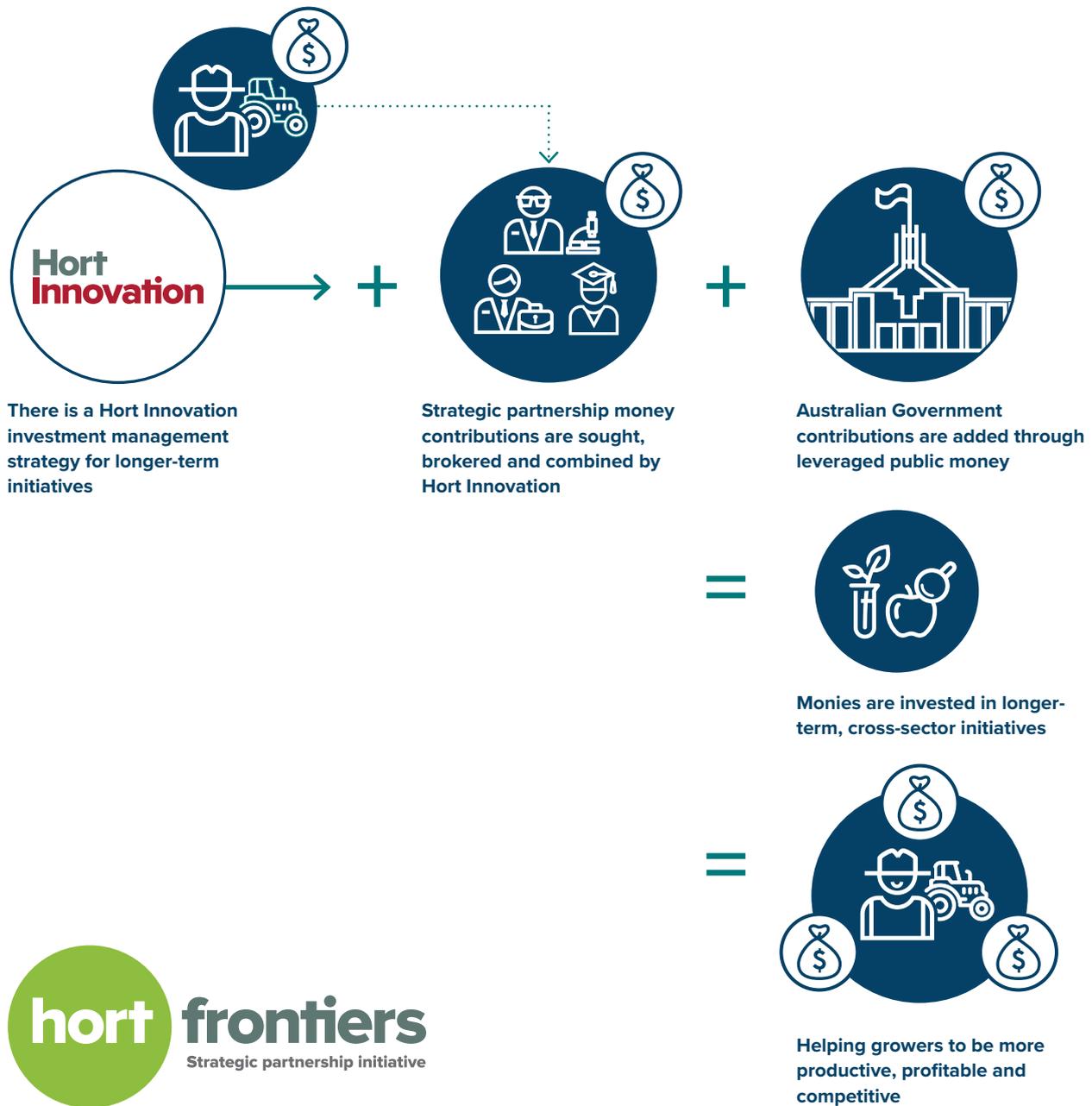
Strategic levy investment

A levy is raised by growers*. If it is a statutory levy, it is collected by the Australian Government. The government has a Statutory Funding Agreement that it has entered into with Hort Innovation, which allows it to pass the collected levy on to Hort Innovation. It is then Hort Innovation's responsibility to work with industry to make strategic investments in R&D and marketing programs. All investments involve advice from the individual industry Strategic Investment Advisory Panel. Once money is invested, the Australian Government then helps share the costs of R&D investments by making a contribution to these investments, using public money. Marketing levy does not attract the same contribution from the Australian Government.

Benefits of all investments go back to the industry from which the levy was collected to support increased productivity, profitability and competitiveness of the sector.

* Collective Industry Fund levies are not collected by the Australian Government but by a third party nominated by the industry. The monies still follow the same investment process, entrusted to Hort Innovation and attracting the Australian Government contribution for R&D investments

How the Hort Frontiers strategic partnership initiative works



Hort Frontiers is part of the Hort Innovation funding model that brings together strategic partners to invest in cross-sector, long-term initiatives. Strategic partners are any entity that wants to invest in the future of horticulture, including commercial businesses, research agencies, government departments and/or education institutions. Growers can also choose to become a strategic partner by deciding to allocate some strategic levy money to specific initiatives they see benefit in. This is done upon advice from the relevant industry Strategic Investment Advisory Panel.

Hort Innovation's role is to broker these partnerships and help manage the investments along the way. The Australian Government is also a partner to the Hort Frontiers initiative and once investors are on board, it makes a contribution to the specific project. For industries that decide to become a strategic partner for a Hort Frontiers initiative, they will have that fund's levy attract the same Australian Government contribution amount as it would if invested in a strategic levy fund project

The benefits of these investments are to also help the long-term productivity, profitability and competitiveness of the sector.

Constitution

Our Constitution

Hort Innovation's Constitution outlines the company's priorities as the Industry Services Body for Australian horticulture. These are to:

- » Provide leadership to, and to promote the development of, the Australian horticulture industry
- » Increase the productivity, farm-gate profitability and global competitiveness of the horticulture industries by:
 - The strategic allocation and investment of Levies, Commonwealth Contributions, Producer contributions and monies received from investors in research, development, extension and marketing funds, programs and services
 - Providing information, services and products related to research, development, extension and marketing activities or outcomes
- » Support capacity building by maintaining a diverse range of research, development, extension and marketing services providers
- » Promote and further the interests of Australian horticulture industries overseas in relation to the export of Australian horticulture products to, the sale and distribution of Australian horticulture products in, and the consumption of Australian horticulture products in countries other than Australia
- » Be accountable to Levy Payers, Producer Contribution Payers, Investors and the Australian Government for the Company's use of, as applicable, Levies, Producer Contributions and Payments from Investors
- » Engage in any other activities for the benefit of Members, Levy Payers, Producer Contribution Payers, the Australian Horticultural Industries, Co-investors and the Australian community generally, which are not inconsistent with the requirements of the Horticulture Marketing and Research and Development Services Act 2000 (Cth) and the Deed of Agreement
- » To do all such things as are incidental, convenient or conducive to the attainment of all or any of the above.



FIND OUT MORE

- ▶ Hort Innovation's Constitution can be viewed at www.horticulture.com.au/about
- ▶ Hort Innovation is not an industry representative body. Under its Funding Agreement with the Australian Government, Hort Innovation is not able to engage in agri-political activity – this is the role of the industry representative bodies. Hort Innovation's Funding Agreement with the Australian Government can be viewed at www.horticulture.com.au/about
- ▶ Hort Innovation is one of 15 Rural Research and Development Corporations – or RDCs as they're commonly known – established by the Australian Government to support the R&D efforts of those agricultural sectors

Making connections from the ground up – Introducing ‘ad breaks’

Telling the story of investments is how Hort Innovation helps to translate R&D and marketing into real-world impacts.

Growers are always at the heart of the story.

Hort Innovation has gone directly to growers, industry stakeholders and project delivery partners, asking them to share their own experiences with and stories of investments. The result has been a powerful series of videos and interviews, helping bring Hort Innovation’s investments to life in industry’s own words.

Throughout this Annual Report you’ll find a number of these videos

presented as ‘ad breaks’. These have been designed as a chance for you to take a breather from report reading and access information about Hort Innovation’s work in a new way – so go ahead and watch.

If you’re reading a digital version of the report, just click the ‘play’ button on each story’s image to start watching.

Meanwhile, if you’re reading a hard copy of this report, there are two ways to watch each video: look for the short web address in the info box on the

bottom right and type it in your browser or, if you have a ‘QR code reader’ app on your smartphone, simply scan the QR ‘barcode’ that appears on the bottom right of each image (the app stores for iPhones and Android devices have plenty of different QR-scanning applications available).

Thank you to all of the growers, industry representatives and delivery partners in these stories who have helped bring investments to life.



Here’s your first ad break – in this short segment we have messages from the first cohort of the new Masterclass in Horticultural Business, who have since graduated. University of Tasmania, in partnership with Lincoln and Wageningen universities have delivered an incredible course that helps anyone in Australian horticulture take their career further – proudly supported by the Hort Frontiers Leadership Fund.



MEET THE FIRST MASTERCLASS COHORT

- ▶ Click on the image
- ▶ Go to the Vimeo address – www.vimeo.com/205315959
- ▶ Or scan the QR code to watch the video

The space we work in

Aligning with Australian Government priorities

The partnership approach in which Hort Innovation operates illustrates the unique relationship that the Rural Research and Development Corporation model holds with the Australian Government.

In the model, Australian Government contributions and leveraged public monies combine with industry levies to address market failure, and to deliver whole-of-industry outcomes, as well as shared priorities that are also in the public interest.

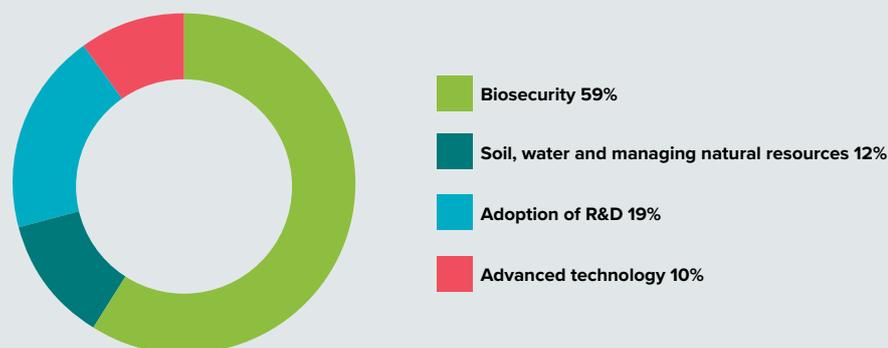
Priority areas are framed and guided by the Australian Government's Rural RD&E Priorities outlined in the *Agricultural Competitiveness White Paper*, and its national Science and Research Priorities.

Following extensive consultation in July 2015, the Australian Government announced four Rural RD&E Priorities:

- » Advanced technology
- » Biosecurity
- » Soil, water and managing natural resources
- » Adoption of R&D.

These priorities are consistent with the Government's overarching Science and Research Priorities, which were announced in May 2015. Those that are relevant to horticulture include Food; Soil and water; and Environmental change. As part of our Funding Agreement with the Australian Government, we will report on our expenditure and achievements in relation to the Rural RD&E priorities, as well as the overarching Science and Research Priorities. We will monitor these through our Annual Operating Plan, as it relates to Hort Innovation's Company Strategic Plan.

Hort Innovation investment alignment to the Australian Government's Rural RD&E Priorities



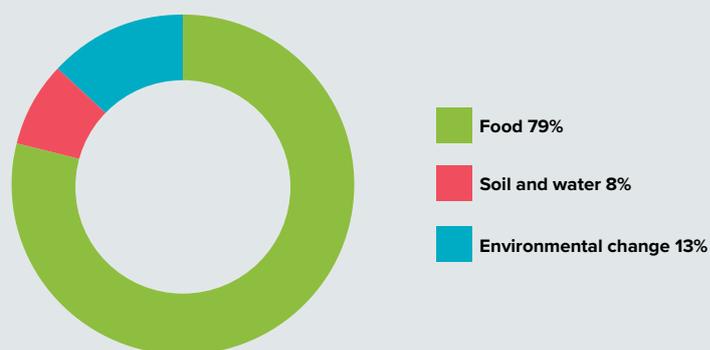
Aligning with the Australian Government’s Rural RD&E Priorities

| Rural RD&E Priorities | Hort Innovation investment priorities | Specific investment areas |
|---|--|--|
| Biosecurity | <ul style="list-style-type: none"> » Support industry efficiency and sustainability » Drive long-term domestic and export growth | <ul style="list-style-type: none"> » Biosecurity, pest and disease management, and market access |
| Soil, water and managing natural resources | <ul style="list-style-type: none"> » Support industry efficiency and sustainability | <ul style="list-style-type: none"> » Plant nutrition, pollination, water use, natural resource management, soil management, pest and disease management, climate, etc |
| Adoption of R&D | <ul style="list-style-type: none"> » Grow the horticulture value chain capacity | <ul style="list-style-type: none"> » Extension, capacity building, industry data, leadership and people development among others |
| Advanced technology | <ul style="list-style-type: none"> » Improve productivity of the supply chain through innovative technologies | <ul style="list-style-type: none"> » Novel technology including plant genetics, breeding, biotechnology, mechanisation, robotics and precision agriculture among others |

Aligning with Science and Research Priorities

| Science and Research Priorities | Hort Innovation investment priorities |
|---------------------------------|--|
| Food | <ul style="list-style-type: none"> » Support industry efficiency and sustainability » Improve productivity of the supply chain through innovative technologies » Grow the horticulture value chain capacity » Drive long-term domestic and export growth |
| Environmental change | <ul style="list-style-type: none"> » Support industry efficiency and sustainability » Improve productivity of the supply chain through innovative techniques |
| Soil and water | <ul style="list-style-type: none"> » Support industry efficiency and sustainability |

Hort Innovation investment alignment to national Science and Research Priorities



Investment priorities

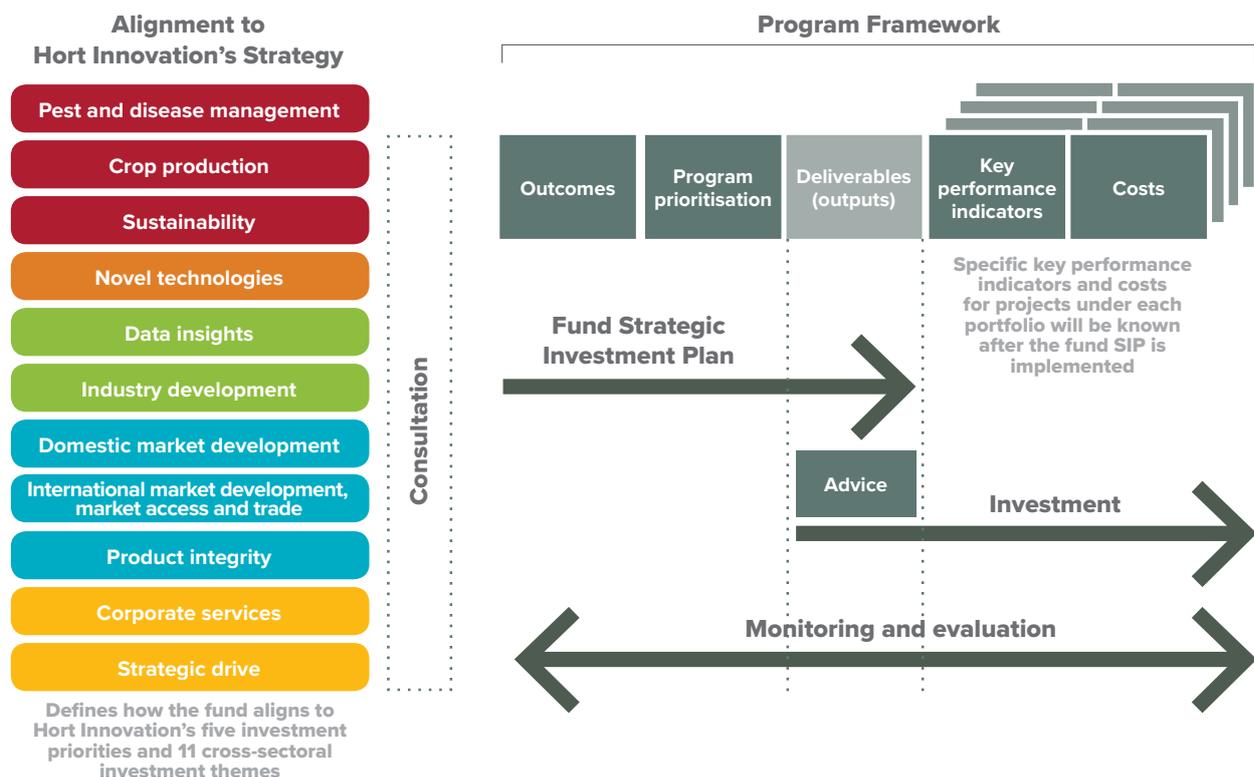
Making sure the right investments are meeting strategic priorities

Hort Innovation’s Program Framework is the mechanism that links our overall Strategy and investment priorities to the investment priorities for each strategic levy and Hort Frontiers fund.

In establishing investment priorities, Hort Innovation analysed both historical and current levy and co-investment portfolios and priorities. From this analysis, 11 cross-sectoral investment themes were identified, as seen on the left of the diagram below. These themes were consolidated further and their alignment

considered with the Australian Government’s Rural RD&E Priorities and National Science and Research Priorities to arrive at the five investment priorities, described on p15. The investment priority diagram on p15 also shows how each cross-sectoral investment theme relates to the five broad investment priorities.

Hort Innovation’s Program Framework





Hort Innovation’s investment priorities



Monitoring and evaluation

Key monitoring and evaluation activities

Monitoring and evaluation at all levels is an important aspect of how Hort Innovation runs its business and maintains a responsible oversight of industry investments.

Hort Innovation is committed to continuous improvement and has developed an Evaluation Framework to help guide the business's monitoring and evaluation (M&E) efforts.

M&E implementation to date has covered all Hort Innovation corporate strategies:

1. Communicate and listen to stakeholders
2. Deliver on investments
3. Develop our culture and leadership.

The key initiatives undertaken by Hort Innovation to implement the Evaluation Framework have been:

- » Indicative logic and M&E included in industry Strategic Investment Plans (SIPs)
- » Ex-ante impact assessment undertaken for all industry SIPs
- » M&E plans for all investments
- » Development of M&E information and tools for delivery partners
- » Training in M&E for all internal R&D and Marketing Managers
- » Updated Milestone and Final Report guides and templates (making the link to M&E plans)
- » Ex-post impact assessment of vegetable R&D levy investments 2012 to 2017
- » First Hort Innovation grower stakeholder sentiment survey undertaken (see [p22](#))
- » Hort Innovation Employee Net Promoter Score measured
- » Hort Innovation Diversity and Inclusion indexes measured.



FIND OUT MORE

- ▶ **The initial Evaluation Framework was developed prior to the release of the Hort Innovation Strategic Plan in April 2016. The Evaluation Framework was subsequently updated and published in December 2016. It is available on the Hort Innovation website at www.bit.ly/2xoGVPy**
- ▶ **Read more about how Hort Innovation is implementing its strategic corporate strategies from [p39](#)**

Time for another 'ad break'!



Watch John Said from Fresh Select talking about the vegetable industry and his involvement in the *Vegetable industry export program* – a Hort Innovation Vegetable Fund investment to support the industry in growing exports to the tune of 40 per cent by 2020.



MEET JOHN SAID

- ▶ Click on the image
- ▶ Go to the Vimeo address – www.vimeo.com/272141347
- ▶ Or scan the QR code to watch the video

Collaborating on investment ideas

How Hort Innovation consults with growers and industry stakeholders

Hort Innovation strives to open as many opportunities as possible for growers to actively participate in – and benefit from – investments made in R&D, marketing and trade.

Formal advice mechanisms

To help ensure the right investments are happening at the right time and in the right area, Hort Innovation works with industry stakeholders, primarily growers, across a number of formal advice gathering mechanisms.

Strategic Investment Advisory Panels

Strategic Investment Advisory Panels (SIAPs) are skills-based panels of industry representatives that provide advice to Hort Innovation in relation to the investment of industry R&D and marketing levies, and Australian Government contributions.

There is a SIAP for each strategic levy industry. The SIAP is tasked with contributing to strategic, transparent and robust advice around investments that have a positive impact on that particular industry. The SIAP's advice is guided by each industry's Strategic Investment Plan, which was developed by Hort Innovation in collaboration with industry to set out the longer-term investment priorities for R&D and, where relevant, marketing. Levy investments therefore align to the industry priorities, helping to ensure there is a balanced portfolio of investments within each industry levy fund.

Expert Advisory Panels

For Hort Innovation's other investment arm, the Hort Frontiers strategic partnership initiative, there is also a formal mechanism for acquiring advice. Expert Advisory Panels (EAPs) are tasked with advising Hort Innovation on collaborative cross-industry investments focused on longer-term, complex and traditionally underinvested themes identified as critical for Australian horticulture into the future.

Currently, there are seven strategic investment funds and themes within Hort Frontiers:

- » Advanced Production Systems Fund (Stimulating productivity)
- » Asian Markets Fund (Driving growth)
- » Fruit Fly Fund (Managing risk)
- » Green Cities Fund (Ensuring sustainability)
- » Health, Nutrition & Food Safety Fund (Driving growth)
- » Leadership Fund (Building capacity)
- » Pollination Fund (Ensuring sustainability).



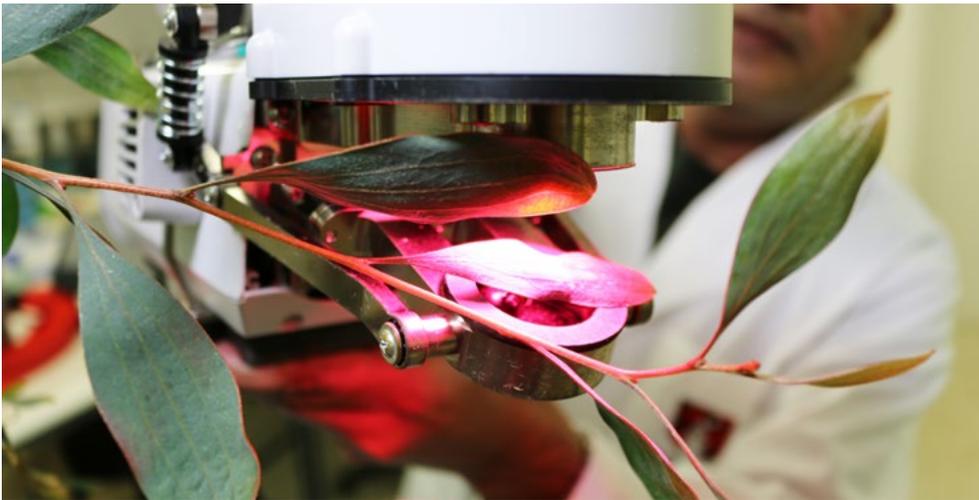
FIND OUT MORE

- Are you interested in joining your industry's SIAP? You can put in an expression of interest to become a panellist at www.bit.ly/2MPCL8o



FIND OUT MORE

- Want to know more about the Hort Frontiers strategic partnership initiative? Go to p32 of this report or visit www.hortfrontiers.com.au



2017/18 ADVISORY MECHANISM IN ACTION

SIAPs



Panels



Meetings



Panellists/Chairs

EAPs



Panels



Meetings



Panellists

TAPs/iTAPs



Panels



Meetings



Panellists

Trade Advisory Panels

To best guide the discussions around trade and market access investments, Hort Innovation also convenes meetings with three specialist trade panels:

- » Trade Assessments Panel (TAP)
- » Industry Trade Advisory Panel (iTAP)
- » Nut industry Trade Advisory Panel (niTAP).

These panels are tasked with providing advice to Hort Innovation on a range of trade-related matters, export requirements and new market opportunities. Issues specific to market access are relayed to the Department of Agriculture and Water Resources for consideration.

A whole-of-industry partnership approach

Through an engagement program, Hort Innovation is committed to building close relationships with:

- » Representative bodies, such as individual industry representative bodies (IRBs) and Voice of Horticulture
- » State and regional grower groups, such as PMA Australia-New Zealand Limited (PMA A-NZ), Australian Horticultural Exporters' Association (AHEA), Bundaberg Fruit and Vegetable Growers (BFVG)
- » The supply chain, such as retail supermarkets and Central Markets of Australia Association (CMAA)
- » Delivery partners and the research community, such as state research agencies, CSIRO, National Horticultural Research Network (NHRN), and the Australian Government

- » Other industry agencies, such as Plant Health Australia (PHA) and the Cooperative Research Centre (CRC) network.

Working with IRBs

Hort Innovation and IRBs hold a unique partnership in creating and supporting the important two-way flow of information to industry. The IRBs play a crucial role due to their close legacy relationship with the industries they serve. They have strong networks that help to ensure industry investments are communicated and extended directly to growers, whilst also playing a distinctly different role to Hort Innovation in their advocacy endeavours.

IRBs are represented on SIAPs to support this information flow with industry. Furthermore, Hort Innovation works closely with IRBs to put the right information in the hands of growers in a manner and form that speaks to growers' individual needs and alignment to their industry interests – a goal that everyone shares. This goal is demonstrated through a partnership approach to industry communications, with many IRBs acting as delivery partners to levy-funded communications programs. These programs translate the science and disseminate information to growers through hard copy, electronic or face-to-face communications.



DID YOU KNOW?

Of the 24 industry communications programs funded by R&D levies, 15 are directly contracted to IRBs. In addition, there are five investments which relate to IRBs providing guidance and advice to support industry communications programs.

Collaborating with other Rural RDCs

A partnership approach: collaboration across RDCs and with the Australian Government

Hort Innovation works closely with other Rural Research and Development Corporations (RDCs) and organisations on cross-sectoral strategies and will continue to do this.

We also consult widely with horticultural industries to consider how the sector as a whole can contribute to overarching, national strategies around research, development and extension and helps to create conversations around cross-sectoral investment that aligns with industry priorities.

Hort Innovation also works collaboratively in coordinating a range of national R&D programs. The table below provides a summary of the Rural R&D for Profit projects that Hort Innovation is either the lead agency on, or those that the company collaborates on with other RDCs. The total life of project value of these initiatives is almost \$110M.

The partnership approach speaks to the unique relationship that the RDC model holds with government. Co-contributions and leveraged public monies work together with industry dollars and third party monies to address market failure and deliver against whole-of-industry, shared priorities that are also in the interests of public good.

| Lead RDC | Project name |
|---|---|
| Hort Innovation | Improving plant pest management through cross industry deployment of smart sensors, diagnostics and forecasting |
| Hort Innovation | Multi-scale monitoring tools for managing Australian tree crops: Industry meets innovation |
| Hort Innovation | Adaptive area-wide management of Qfly using SIT: Guidelines for efficient and effective pest suppression and stakeholder adoption |
| Hort Innovation | National centre for post-harvest disinfestation research on Mediterranean fruit fly (Australian Medfly R&D Centre) |
| Hort Innovation | Advanced production systems for the temperate nut crop industries |
| Cotton Research and Development Corporation | Accelerating precision agriculture to decision agriculture |
| Wine Australia | Digital technologies for dynamic management of disease, stress and yield |
| Cotton Research and Development Corporation | More profit from nitrogen: enhancing the nutrient use efficiency of intensive cropping and pasture systems |
| Agri-Futures (formally RIRDC) | Securing pollination for more productive agriculture: Guidelines for effective pollinator management and stakeholder adoption |
| Agri-Futures (formally RIRDC) | Improved use of seasonal forecasting to increase farmer profitability |
| Dairy Australia | Stimulating private sector extension in Australian agriculture to increase returns from R&D |
| Meat and Livestock Australia | Market and consumer insights to drive food value chain innovation and growth |



Learn more about
Hort Innovation at
www.horticulture.com.au.

Your feedback

Collecting and acting on feedback

As well as through formal advisory mechanisms, Hort Innovation continuously looks for ways to connect with, and build networks within, industries.

Part of this connection includes the giving and receiving of feedback. Hort Innovation has a responsibility to communicate and listen to its stakeholders, and in turn have a healthy dialogue about how we could be working better together. This gathering of feedback happens regularly with the Hort Innovation team, whether it's in the field or on the phone. Hort Innovation also enacts more formal ways for stakeholders to tell us what they think, and during 2017/18 two key activities were undertaken: the Stakeholder Sentiment Survey and the Independent Review of Performance.

The four-year independent review of company performance

In December 2017, following a competitive tender process, GHD was contracted to carry out the four-yearly independent Review of Performance on Hort Innovation.

The review was a requirement under the company's Funding Agreement with the Australian Government, and also an opportunity to gain important feedback on progress and delivery over the four years since the incorporation of Hort Innovation.

The purpose of the review was to provide an independent assessment of Hort Innovation's performance, particularly with regards to:

- » Transitioning from the previous governance arrangements of Horticulture Australia Limited (HAL)
- » Delivering against Strategic and Operational Plans
- » Delivering benefits to Australian horticulture industries.

As part of the review, feedback was sought from all relevant stakeholders via an online survey and written submissions. In addition, GHD undertook targeted telephone and in-person consultation with growers, IRBs, service providers and government stakeholders.

The consultation phase was approximately four weeks, from 7 March to 6 April, 2018. Invitations to participate in the consultation phase of the review were sent by email and an invitation featured on the home page of Hort Innovation's website.

Hort Innovation has responded to, and accepted, all 14 recommendations of the review. A copy of Hort Innovation's response to the review can be found at www.horticulture.com.au/response-and-implementation-plan.

Stakeholder survey

A part of Hort Innovation's strategic objective to communicate and listen to stakeholders it had a key performance indicator to implement a longitudinal study to measure the sentiment around Hort Innovation's company performance and levels of satisfaction among growers.

The first of these surveys was finalised in 2018, creating a baseline of data representing grower stakeholder perception of Hort Innovation's performance as an investor in research, development and marketing (RD&M), as well as around communication with growers, and our information products and services.

The survey revealed a high level of confidence in the future of the sector and also gave Hort Innovation some lead indicators of where energy is needed to be applied to help increase satisfaction of growers.

The Hort Innovation Board supports all 14 of the review's recommendations. All of the recommendations focus on positive criticisms and workable enhancements to Hort Innovation's business operations and stakeholder engagement activities.

Hort Innovation will continue to embed a culture of continuous improvement within the organisation, and has already made progress on some aspects of feedback. This includes deploying effort across improving the consistency and quality of the SIAP engagement process and working more closely with industry communication programs and IRBs directly to ensure updates on levy investments are reaching grower audiences.

While there is still more to do, Hort Innovation looks forward to continuing to work with industry to meet its expectations and improve on the baseline of sentiment that was gathered across the year.

The full survey findings and methodology are published on the Hort Innovation website at www.horticulture.com.au/stakeholder-sentiment-survey, while some top-level information can be seen in the graphic below.

Topline results from the Stakeholder Sentiment Survey



* CATI = Computer-assisted telephone interviewing

Connecting through membership

Membership matters

As the grower-owned RDC for Australian horticulture, we are constantly engaged with our current members while continually encouraging new membership.

HOW WE'VE CONNECTED WITH MEMBERS IN 2017/18

17

Growing Innovation e-newsletters

4

Hortlink e-publication editions

35

Extension projects

24

Industry communications programs funded through Hort Innovation with R&D levies

This is a core component of our role – Hort Innovation wants a relationship with every Australian horticulture grower, as it is the levies of these growers that we are helping to invest.

We want to work as closely as possible with growers so that industry can be more profitable now and into the future. **Membership is free and it offers growers the ability to have a close relationship with the company that they own.**

As Hort Innovation exists to create benefit for growers and the horticulture supply chain, we make these commitments: to provide value to members; to ensure communications are relevant; and to make multiple opportunities available for growers to engage with the company.

If you would like to join our expanding group of members – and we encourage you to – simply visit www.horticulture.com.au/membership and fill out an application form.

At the end of June 2018, we had increased membership to 2299 members – some 200 additional memberships since our last company annual report.

We communicate through regular electronic media to a database of approximately 4000 growers, exporters, supply chain professionals, and other people in the wider horticulture community. We offer our members a range of benefits, including updates and practical insights on their levy investments, as well as relevant events and opportunities for direct engagement.

Most importantly, membership offers levy-paying growers the opportunity to receive voting entitlements for company Annual General Meetings (AGMs), giving them a direct say in how Hort Innovation should be run.

We consult widely with our members and interested growers. For each individual horticulture industry, we have to consider its size, geographical spread, diversity of growers, and the nature of supply chains, including export potential and intensity. The way we consult with our members varies, depending on industry needs.

In 2017/18, we facilitated the following opportunities:

- » Project investment workshops
- » Sponsorship, attendance and presentations at industry conferences
- » Online feedback through the Hort Innovation website
- » Workshops with relevant researchers and delivery partners
- » SIAP consultation and events.

The digital publication *Hortlink* gives growers timely, relevant and accurate information on their levy at work. Sent by email to members, *Hortlink* delivers the latest on each new, ongoing or recently completed levy investment for each industry. With this regular consistent information, growers can be confident that levy investments are on track. This is complemented by the monthly *Growing Innovation* e-newsletter that provides an update on broad themes from across the horticulture sector, including breaking news from investments.

Members can also connect with levy investments through our industry communication programs. The partnership of IRBs, communication agencies, researchers and Hort Innovation allows for a free flow of relevant information from investments to growers. This information is available online and in print.

Levy paying growers can also choose to become voting members of Hort Innovation. This gives them a direct say on the leadership of, and rules governing, the company through the power to vote at our AGM, in particular the important job of voting in the majority of the Hort Innovation Board. We actively encourage levy-paying growers to vote.

Time for another 'ad break'!



Here's Wayne Trengove of Hansen Orchards – a fourth generation family-owned business growing, packing and marketing over 200 hectares of apples and cherries. Wayne is a Masterclass in Horticultural Business participant who's looking towards new orchard management approaches for increasing yield and quality.

Why not take a break and get to know Wayne.



MEET WAYNE OF HANSEN ORCHARDS IN TASMANIA

- ▶ Click on the image
- ▶ Go to the Vimeo address – www.vimeo.com/277970522
- ▶ Or scan the QR code to watch the video

See 2017/18 levy investments for your industry in detail with Hort Innovation's Fund Annual Reports. Visit www.horticulture.com.au/fund-annual-report-portal.





A closer look at investments

Hort Innovation has a range of exciting investments across the areas of R&D, marketing and trade.

Levy-funded projects

Strategic levy investments at work

Hort Innovation works with each levy-paying industry to invest in opportunities relevant to the ‘now’.

Strategic levy investments remain Hort Innovation’s core business – our three areas of investment are R&D, marketing and trade.

You have this Vegetable Fund investment to thank for broccoli lattes

The *Creating value from edible vegetable waste* (VG15076) investment, established at the end of 2016 and delivered in partnership with CSIRO, is addressing the issue of vegetable wastage on-farm and post-farm-gate.

The project has a focus on brassica vegetables and carrots. Avenues of exploration include the extraction of ‘nutraceuticals’ from vegetable waste; the processing of edible waste into new fibre-rich, healthy raw ingredients and food products; the use of fermentation to develop next-generation fermented vegetables; and of course, the potential of broccoli lattes, every day.



Remember that full details of all levy investments can be found in your industry-specific Fund Annual Reports available from www.horticulture.com.au/fund-annual-report-portal.

Creating value from edible vegetable waste (VG15076)

Every year, millions of dollars are wasted on fresh horticulture products that can't be sold in stores. What to do? CSIRO's Mary Ann Augustin may have an innovative answer...

MEET MARY ANN

- ▶ Click on the image
- ▶ Go to the Vimeo address – www.vimeo.com/271415168
- ▶ Or scan the QR code to watch the video



PHOTO: Sha Liao



Saving avos one squeeze at a time

Acoustic tools, laser technology, ultrasounds: scientists are trying it all to stop consumers from bruising avocados when testing them for ripeness.

In a survey of Australian avocado consumers, 97 per cent admitted to squeezing the fruit before purchasing it. And research shows consumers 'test', on average, three times more fruit than they actually buy.

The project *Supply chain quality improvement – technologies and practices to reduce bruising* (AV15009) was established to limit damage to avocados by giving consumers more options to identify ripeness. The work has been funded by Hort Innovation and conducted by the Queensland Department of Agriculture and Fisheries in collaboration with The University of Queensland and Avocados Australia.

The project has been:

- » Developing and testing tools and technologies to reduce handling by retailers and consumers, including tools for identifying ripeness
- » Documenting best practice to prevent fruit bruising at the retail level, producing information materials for use in retail education
- » Investigating any relationship between disease and flesh bruising
- » Reviewing and documenting contributing factors to fruit susceptibility to bruising.

With bruising affecting consumer decisions to repurchase, the ultimate goal is to improve consumer and retailer satisfaction, strengthening consumption of and demand for avocados.

This project is part of a broader supply chain quality-improvement program that has also involved the now-completed *Supply chain quality improvement – retailer point of purchase improvements* (AV15011) and *Supply chain quality improvement – cool chain best practice guidelines* (AV15010), all in the Hort Innovation Avocado Fund.

Tropical fruit export strategies have landed

This multi-industry investment *Tropical fruit export strategy* (MT17002) was tasked with developing individual export strategies for a range of tropical commodities including banana, papaya, passionfruit, persimmon and lychee, feeding into an overarching export strategy for Australian tropical fruit, developed using research from market-mapping company McKINNA et al.

Some of the key takeaways from the project across the industries include:

- » The best opportunity for Australian banana exports is with differentiated products, with potential opportunities around flavour and nutritional claims; organics; eco-friendly messaging; ethical, fair trade messaging; environmentally friendly messaging; value-added pre-packs (such as tropical gift packs, children's snack packs); branding such as dipping and tattoos; and new varieties.
- » Research shows lychee exports have the potential to reach 630 tonnes by 2023, which would represent 23 per cent of current production.

- » Based on the project's market analysis, Australia could potentially export 450 tonnes, or around 17 per cent of current total persimmon production, by 2023 – an increase of 307 tonnes.
- » Identifying the best-prospect export markets for Australian passionfruit as New Zealand, Singapore, Hong Kong, the United Arab Emirates (UAE) and the US – with Singapore and Hong Kong export opportunities having a focus on the food service industry, and the UAE opportunity related to fresh juice outlets.
- » While papaya is usually grown in areas around the world that are subject to cyclones and intense weather events, Australian production has the advantage of more stable weather zones, particularly in the Atherton Tablelands. Australia also has access to an extensive choice of varieties.

Following the strategy findings, the next steps will involve Hort Innovation working with industry to determine the appetite for levy investment in the export space and to subsequently roll out any trade-related R&D activities.



DID YOU KNOW?

Multi-industry projects are established through the collective power of different industries investing in cross-sectoral priorities for the betterment of horticulture. They form a strategic, important piece of the puzzle to enhance the productivity, profitability and competitiveness of Australian horticulture.



Get the Plant Life Balance app now: www.plantlifebalance.com.au/the-app

Plant Life Balance – combining the power of science and social software

In October 2017, the newly refreshed and revised ‘Plant Life Balance’ campaign was launched across Australia as part of marketing activities in the Hort Innovation Nursery Fund.

The objective of the campaign was to get more Australians to buy green life for their homes, both indoors and out.

It resulted in the marketing of the world’s first augmented reality greening app. The app allows users to take a photo of their space and then rates the health of it, while allowing them to virtually style the space with plant life.

In 2018, the app won the world-renowned Webby Award for the “Best new app”.

The science behind the scenes discovered that simply adding one medium-sized plant (of up to 50cm) to a medium-sized room (of about 4x5m) can increase interior air quality by up to 25 per cent.

Commissioned by Hort Innovation and delivered by scientists at RMIT University and the University of Melbourne, the study that evolved the app involved a meta-analysis of more than 100 research papers from around the world.

The Plant Life Balance app has now been downloaded more than 43,000 times. More information can be found at www.plantlifebalance.com.au.

Helping keep crops safe from pests and disease

The generation of pesticide residue, efficacy and crop safety data is required to support label registration and minor use permit applications made to the Australian Pesticides and Veterinary

Medicines Authority (APVMA) which, when approved, provide access to safe and effective chemicals for the management of pests, weeds and diseases.

In May 2018, Hort Innovation announced the securing of more than \$1M in assistance grants in Round 3 of the Australian Government’s Access to Industry Priority Uses of Agricultural and Veterinary (AgVet) Chemicals program. This funding is being used, along with levy contributions, to generate the data required to gain, maintain or broaden access to priority uses of chemicals across a variety of horticulture crops through *Generation of data for pesticide applications in horticulture crops 2018* (ST17000).

From the \$8M initiative for AgVet assistance grants over the three-year program \$5.62M was awarded to Rural RDCs, with Hort Innovation the recipient of 80 grants to the value of \$3.32M from the three rounds:

| | |
|------------------------|------------------------------|
| 2015/16 Round 1 | \$1.01M from \$1.7M to RDCs |
| 2016/17 Round 2 | \$1.27M from \$2.44M to RDCs |
| 2017/18 Round 3 | \$1.04M from \$1.78M to RDCs |

The grants, with additional levy funds, have assisted horticultural industries to fast track their minor use programs, with an increase from 24 ‘Item 21’ applications in 2016/17 to 44 Item 21 applications in 2017/18. Item 21 applications include new permit requests and applications to renew existing permits or make changes to current permits, supported by data.



MORE ON MINOR USE

- ▶ During 2017/18, Hort Innovation achieved 100 per cent approval for minor use applications assessed by the APVMA. The only exception was the withdrawal of one permit application for a new use by Hort Innovation, due to a label registration pending with the APVMA.
- ▶ For more information on your industry’s minor use program, check out your industry’s dedicated Fund Annual Report at www.horticulture.com.au/fund-annual-report-portal

Investments in partnership with other RDCs

Horticulture biosecurity takes centre stage

Last year, Hort Innovation launched one of its biggest plant pest surveillance projects in history, a \$21M tech injection to see the creation of state-of-the-art mobile pest monitoring hubs designed to help growers quickly identify and manage pests and diseases.

The five-year project will see the construction and establishment of eight state-of-the-art mobile pest monitoring hubs, including a suite of smart surveillance traps that capture airborne fungal spores and insects and reference them against GPS, temperature, humidity, wind speed and direction data.

That data will then be fed real-time into a cloud-based system and distributed to producers, governments and industry groups as immediate alerts, pest forecasts and general reports to support fast, informed and collaborative decision making.

These pilot monitoring hubs will be positioned on the edges of incursion areas to prevent the spread of threats, and also in new pest and disease zones to determine the breadth of any problems. They will also be employed for spot checks in pest-free regions, with the data gathered used to support market access.

The project aims to first establish two trial surveillance sites with pilot grower groups to trial the surveillance infrastructure, data connectivity and diagnostics that will be deployed.

The project is being delivered with the six other plant RDCs, universities, research agencies and industry representatives, with funding from the Australian Government through its Rural R&D for Profit initiative.

The project followed the establishment of the Plant Biosecurity Research Initiative, a national, plant-RDC-led collaboration with Plant Health Australia, the Department of Agriculture and Water Resources, industry, state and federal biosecurity stakeholders.



'Sexy' sterile fruit flies released in fruit fly fight

Millions of 'attractive' sterile fruit flies were dropped from the sky over Adelaide in April 2018 after multiple incursions were detected around the city.

The flies were the first to be released from a purpose-built sterile Queensland fruit fly (Qfly) rearing facility in Port Augusta in South Australia, delivered as part of the national Sterile Insect Technique Plus (SITplus) initiative.

The move followed more than four years of work by some of the nation's top fruit fly scientists, and showed the use of Australian Government Rural R&D for Profit and levy funding – and other funding sources – in action.

The sterile fruit flies were 50 per cent male and 50 per cent female and raised to be more attractive to the wild population. The SIT flies are the best 'singers', have great endurance, fitness, agility and looks that are irresistible to wild flies looking to breed.



FIND OUT MORE

- ▶ Hort Innovation works across RDCs to lead on a number of projects that help secure agriculture for the future, as well as give back directly to horticulture
- ▶ SITplus also contributes to the overall program delivery of the Hort Frontiers Fruit Fly Fund

Hort Frontiers projects

Forging new frontiers across horticulture

The Hort Frontiers strategic partnership initiative developed by Hort Innovation facilitates collaborative, cross-industry investments focused on longer-term, often complex R&D themes identified as critical for Australian horticulture into the future. Read on for a snapshot of just some of the Hort Frontiers investments.



Asian Markets Fund

Taste Australia gaining momentum overseas

Launched at the end of 2017 and designed to raise the profile, import and consumption of Australian produce in international markets, the Taste Australia initiative has so far been rolled out in 10 countries across Asia and the Middle East, attracting significant interest from importers, retailers and Australian growers.

Taste Australia activities include having an impressive and engaging presence at key trade shows overseas and, importantly, putting international buyers in contact with leading Australian growers, industry bodies and reliable exporters, while keeping buyers up to date with seasonal industry information and news.

In May 2018, a new three-year Master Services Agreement with Pico Australia began. This will see the delivery of the Hort-Innovation-managed Taste Australia pavilion at trade exhibitions including Asia Fruit Logistica, China Fruit and Vegetable Fair, World of Perishables, Gulfood and Foodex.

In addition to trade shows, Taste Australia further engages retailers, importers and key trade stakeholders in-market, with seminar events and training sessions as part of the Taste Australia Retail Program. These activities are focused on training partners in the areas of presentation, storage and handling of Australian produce, to support Australia's reputation for quality and safety throughout the supply chain.

Study of airfreight capacity for Australian horticulture exports to Asia and the Middle East

This short project, undertaken in partnership with CSIRO, commenced in June 2018 with strong support from state governments. It aims to give a picture of the national airfreight capacity in Australia for horticulture exports to Asia and the Middle East. The information it produces will enable better planning and utilisation by horticulture growers and exporters, with the findings also to be made available to support government negotiations, state government planning, and to assist airfreight providers in identifying possible airfreight users.





Fruit Fly Fund

Tackling Queensland fruit fly with area wide management and the Sterile Insect Technique

Area wide management (AWM) is a proven management approach for mobile pests around the world, employing a united strategy to target all pest habitats within a well-defined area or region to reduce the total pest population. It is often required prior to the implementation of the Sterile Insect Technique (SIT), to help an area reach appropriate pest numbers for SIT to be effective.

As part of the Hort Frontiers Fruit Fly Fund, Hort Innovation teamed up with CSIRO and the Department of Agriculture and Water Resources to produce an online tool to help anyone undertake an AWM program. The guidelines help people understand AWM, how to get started implementing it for Qfly, and the opportunities to implement SIT once AWM has been successfully implemented.

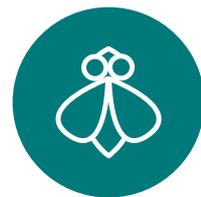
To work properly, AWM requires input from the whole community. Because of this, the website offers three different sets of steps in implementing AWM, depending on whether the user is a coordinator, a commercial grower or a backyard gardener. Each section has video content outlining the steps. There is a range of useful materials and information, including all the science and research that formed the foundation of the guidelines, plus downloadable posters and fact sheets.

The guidelines are available at www.area-wide-management.com.au.

Real-time monitoring for the presence and location of fruit fly

Undertaken in partnership with the CSIRO, this Fruit Fly Fund project has been established to demonstrate the full service offering of 'RapidAIM' in five fruit growing regions across Australia. The project will involve optimisation of RapidAIM technology as a smart-trap solution that is capable of detecting and locating Queensland fruit fly and Mediterranean fruit fly in real time. The RapidAIM technology is comprised of a grid of instrumented, low-powered smart traps with patented sensors that detect behavioural fingerprints of fruit flies. Alerts of presence and location are sent instantly to end users via the cloud and the RapidAIM app.

The outcomes of this project will be to validate the RapidAIM technology as an accurate smart trap surveillance solution that supports on-farm monitoring, early detection of the pest and area freedom. The beneficiaries of this project will be growers and agronomy service providers in fruit fly endemic areas, biosecurity agents in pest free areas, the horticulture industry, state and Australian Government bodies, with improved market access arrangements that flow from more efficient management of fruit fly.



THERE ARE SEVEN FUNDS IN THE HORT FRONTIERS INVESTMENT ARM:

1. **Advanced Production Systems Fund**
2. **Asian Markets Fund**
3. **Fruit Fly Fund**
4. **Green Cities Fund**
5. **Health, Nutrition & Food Safety Fund**
6. **Leadership Fund**
7. **Pollination Fund**



FIND OUT MORE

- ▶ For a full list of Hort Frontiers investments, check out www.hortfrontiers.com.au

Hort Frontiers projects



Green Cities Fund

Champions of climate change create greener cities

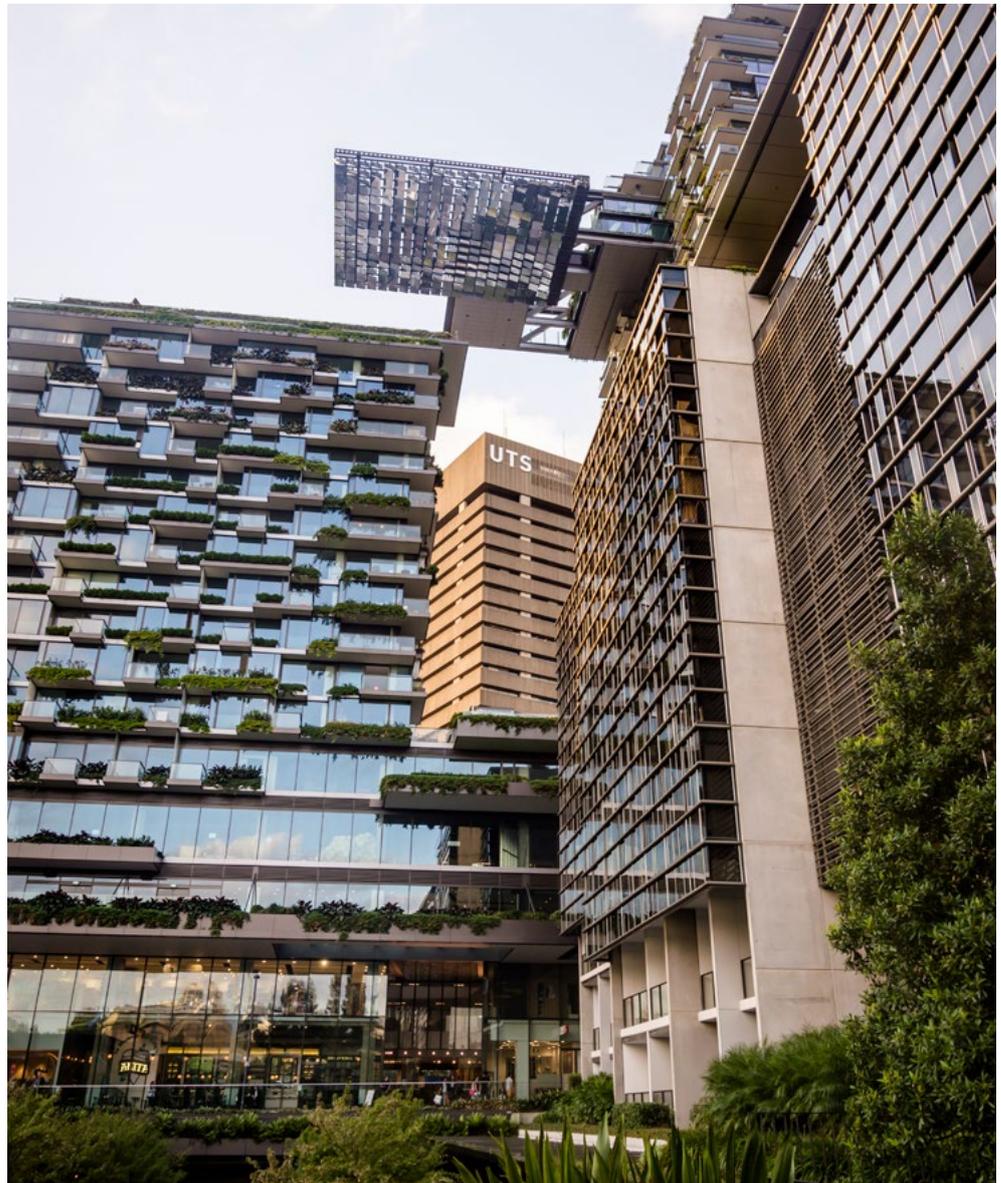
Funded under the Hort Frontiers Green Cities Fund, and in partnership with Macquarie University, Western Sydney University and the NSW Office of Heritage and the Environment, the *Which Plant Where* project aims to improve future planning outcomes to achieve greater environmental sustainability in urban green spaces.

The project initially saw more than 13,000 individual plants and over 500 popularly planted tree and plant species put through

rigorous testing and bioclimatic models to see how each would perform in the years 2030, 2050 and 2070.

Climate suitability maps have already been developed for the five most densely populated Australian cities, with researchers hoping to culminate their findings in an interactive online database, with advice on how well a specific species can withstand the environmental changes forecasted for the next 50 years.

This project is being delivered in line with the 2020 Vision – a collaborative initiative working to make urban areas 20 per cent greener by the year 2020 for the benefit of all Australians.



Leadership Fund

Making connections and getting qualified – Masterclass in Horticulture Business

Supported by the Hort Innovation Leadership Fund, the Masterclass in Horticultural Business is the first course of its kind in Australia. It combines the expertise of what is currently ranked the number one university in agriculture and forestry in the world, the Wageningen Research Academy in the Netherlands, with New Zealand’s specialist land-based university, Lincoln, as well as the leading Australian horticulture university, the University of Tasmania.

The program is open to up to 30 entrants each year and is delivered online and face-to-face over nine months. Learning modules include global trends in agriculture and horticulture, international business, innovation, value chains, and governance and risk. Some industries (vegetable, apple and pear, cherry, nursery and summerfruit) have committed levy funding to provide scholarships to growers from their sector. Industry stakeholders wishing to participate can apply for HECS/HELP to assist with the cost of tuition (\$10,000). The inaugural class completed the program in November 2017 and attended their graduation ceremony at the University of Tasmania, Hobart, in August 2018.



Hort Frontiers projects



Pollination Fund

Queen-bee-scented helium balloons help identify local species

A net filled with pheromone-soaked ‘dummy queens’ attached to a helium-filled weather balloon is the latest tool being used by pollination researchers in their efforts to better understand the number of honey bee colonies in an area.

Recently employed on the NSW north coast, and being conducted around Australia, the research aims to give growers an insight into where their bees are coming from – feral colonies or through managed hives – and how effective those sources are.

The work is being conducted as part of the four-year Hort Frontiers Pollination Fund project

Assessing honey bee colony densities at landscape scales, supported by AgriFutures Australia, though funding from the Australian Government Department of Agriculture and Water Resources as part of its Rural R&D for Profit program, as well as Hort Innovation. The project is being led by the University of Sydney with further support from Almond Board of Australia, Lucerne Australia, Costa Berries, and Raspberries and Blackberries Australia.

The bee balloon research is part of a broader pollination project that involves the investigation of the pollinator contributions to nine crops including almond, apple, pear, berries, mango, melon, lucerne seed and canola. Researchers are also looking to re-establish native vegetation to support pollinator food and nesting resources to optimise crop yield and strengthen pollination security.



To help our horticulture industry protect itself against the event of Varroa mite, colony collapse disorder and the increases in crop pollination requirements, Australia’s most ambitious pollination research program, the Hort Frontiers Pollination Fund, is uncovering innovative local solutions to a global problem.



LEARN MORE ABOUT BEE BALLOONS

- ▶ Click on the image
- ▶ Go to the Vimeo address – www.vimeo.com/240978329
- ▶ Or scan the QR code to watch the video

Our trade work

Enhancing and maintaining access to international markets

Part of Hort Innovation's Constitutional role as the industry services body for Australian horticulture is to promote and further the interests of horticultural industries overseas, including in relation to the export, sale, distribution and consumption of horticultural products. A reasonable interpretation and expectation of the role of Hort Innovation is to work with growers to:

- » Identify export opportunities
- » Provide data and insights to industry
- » Build industry capability and capacity to export, including export readiness
- » Undertake R&D to support market access
- » Support government negotiations with foreign markets
- » Generate demand and support market entry with marketing and promotion.

In the export market, Australia lacks the production capacity in most industries to supply quantity (except for some temperate fruit and nut industries). Australian horticulture's main

opportunity is to export premium-quality fresh food. We want to build recognition of Australian horticulture products so they stand apart for taste, quality and proximity, and as clean, green, premium produce. To do this, we must strive to unify presentation of our products in all our marketing, export initiatives, and trade conversations and negotiations.

The Hort Innovation Trade Unit has the job of making this happen. Investments in trade have come from individual levy funds that can unlock opportunities for trade, as well as investments through the Hort Frontiers Asian Markets Fund.

Driving growth

Australian exports of horticultural produce to Asia have increased 11 per cent between 2016/17 and 2017/18 to be worth \$1.66B, accounting for 70 per cent of the total share of export value.

Total horticultural exports (fresh and processed) increased by \$149M (6.7 per cent) from 2016/17 to 2017/18, to reach a total value \$2.36B – the highest value on record up from the previous record of \$2.28B achieved in 2015/16.

Since 2014/15 the total value of horticulture exports has increased by \$633.5M (37 per cent).

PRODUCTS THAT SAW A STRONG ANNUAL GROWTH INCLUDE:



ORANGES
(\$56 million)



MANDARINS
(\$56 million)



ONIONS
(\$4 million)

Source: IHS Global Trade Atlas – accessed 06/08/2018

| Sector | Export value 2017/18 (\$M) | Change in value since 2014/15 | CAGR* (2014/15 to 2017/18) |
|------------------------------|----------------------------|-------------------------------|----------------------------|
| Fruit (fresh, dried, frozen) | \$1,140 | 76% | 21% |
| Nuts | \$750 | 6% | 2% |
| Vegetable | \$273 | 50% | 14% |
| Nursery | \$16 | 44% | 13% |
| Processed | \$186 | 15% | 5% |
| TOTAL | \$2,365 | AVERAGE 38% | 11% |

* Compound annual growth rate

Time for another 'ad break'!



Meet Ed Fagan of Mulyan Farm Cowra. In this ad break, Ed talks about the importance of investment in pollination and advanced technologies to help future-proof the horticulture sector.



MEET ED FAGAN

- ▶ Click on the image
- ▶ Go to the Vimeo address – www.vimeo.com/230704179
- ▶ Or scan the QR code to watch the video



Delivering on our corporate strategies

To be a successful company, Hort Innovation is committed to three pillars of strategic intent:

1. Communicate and listen to stakeholders
2. Deliver on investments
3. Develop our culture and leadership.

Three pillars

Three pillars of strategic intent keep the company focused on what's important

To deliver on tomorrow, we are committed to today.

To successfully fulfil the role of the company, Hort Innovation is committed to three pillars of strategic intent: Communicate and listen to stakeholders; Deliver on investments; and Develop our culture and leadership.

These corporate strategies are geared towards creating a culture – both inside and outside of the company – of building capability and capacity. Hort Innovation recognises that the strength of the company and of the industry comes from people. We are committed to working internally and with members and growers to help build the human capital required for success.

1. Communicate and listen to stakeholders

Communication is a key function of our operations. Our audiences include our direct stakeholders – growers, the Australian Government, co-investors, the horticulture supply chain, the wider horticulture industry and delivery partners – as well as the wider agricultural sector, and the Australian public.

To reach our members – with different messages of different complexity – we use a wide range of communication channels. We are believers in the power of traditional face-to-face communication – so the cornerstone of our connection with growers will always be meeting growers in key growing districts, on their turf. We are also modern communicators, working in an industry that straddles tradition and innovation, we will continue to use newly available tools and mediums to better understand the needs of our audiences and to reach them where they are, at the most suitable times and in ways that best fit the purpose.

We are collaborative and consultative with our stakeholders, particularly in relation to setting the priorities for investments and the operations of the company. We consult regularly with advisory panels for our levy and strategic partnership initiatives and rely heavily on the rich guidance they provide.

The innovation and procurement processes that are essential in making investment decisions are underpinned by the input that we seek from growers and other experts within our stakeholder environment.

We are committed to building stakeholder confidence and trust through transparency. We will continually improve our reporting framework so that information on our investments (what they are and their outcomes) is available with the regularity and accessibility that suits stakeholders – especially growers.

2. Deliver on investments

Hort Innovation strives to deliver value in all of the investments we make by delivering R&D and marketing that meets growers' needs and increases adoption. By understanding industries' needs and by having appropriate operational structures and resources that allow us to invest with good governance and efficiency, Hort Innovation has the ability to invest in R&D that meets the day-to-day realities of growers, thereby increasing the degree to which R&D is adopted.

Commercial interests will often limit access to R&D through prohibitive pricing structures or withholding to gain competitive advantage. We make our R&D available to the entire growing community across horticulture, spreading the benefits of R&D to all growers and industries. We are helping innovations happen sooner because we have the capacity to work directly with our delivery partners and growers to solve critical issues and challenges that would otherwise be delayed because of commercial interests and considerations.

Hort Innovation works in collaboration with industries to strategically invest in marketing campaigns and other activities that aim to encourage people to buy, eat, grow and enjoy more horticultural products, and helping growers maximise their returns.

Hort Innovation also helps industries to develop export opportunities by investing in key R&D to gain or maintain market access to build overseas demand.

3. Develop our culture and leadership

We aim to support the development of leadership in horticulture through our investments, through our actions, and through our relationships. We prioritise setting the highest standards in horticulture in the delivery and adoption of R&D and marketing, and supporting leadership in the industry through our investments in capacity building, succession planning and education. We see leadership as an outcome in which all of our stakeholders are invested.

The company is embedding a 'can do' culture that is accountable, collaborative and high performing. Our people work

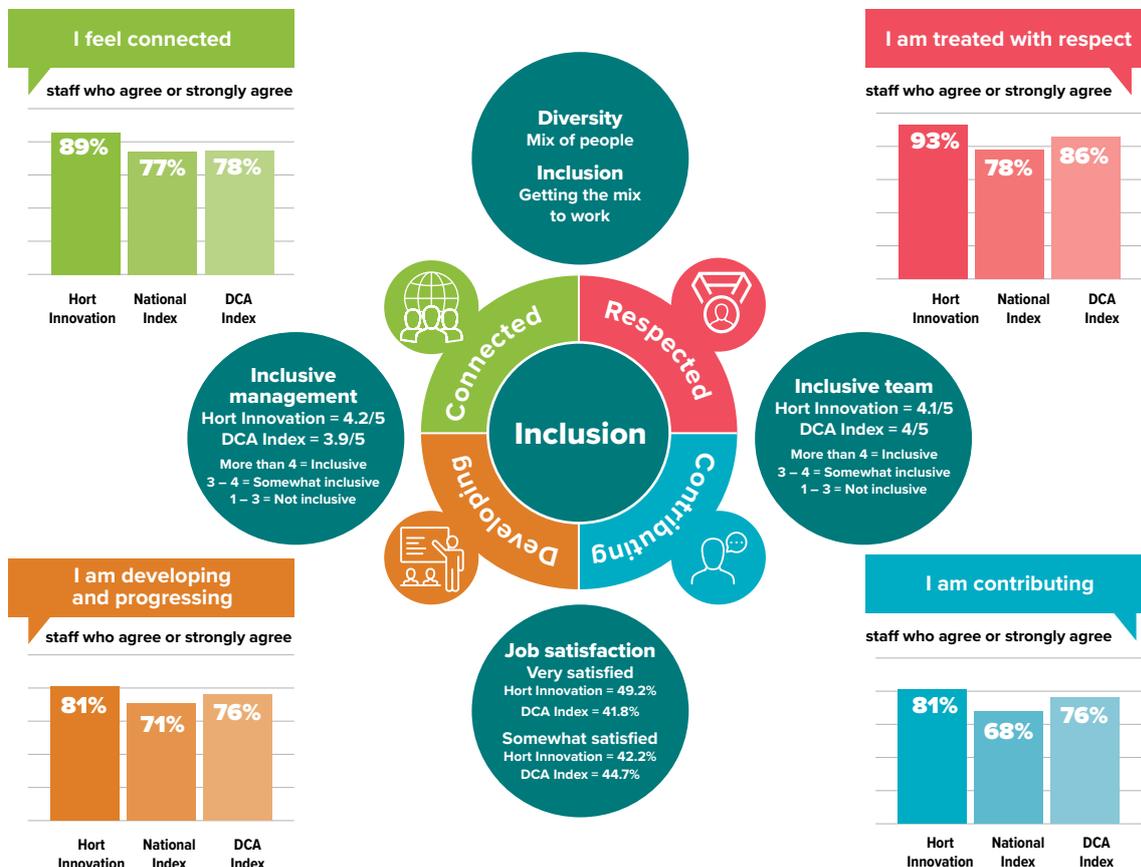
with our stakeholders and each other through cooperative relationships so that they all develop to their full potential and deliver the required results.

We have also moved to affirm our commitment to diversity and inclusion, and we will work with staff and stakeholders alike to embed an inclusive and respectful culture.

DID YOU KNOW?

Hort Innovation is a member of the Diversity Council of Australia (DCA) and participated in their inaugural inclusion survey, benchmarking very favourably as an 'inclusive' organisation compared to 21 other member organisations and 9000 respondents in 2017.

Hort Innovation inclusion survey



Hort Innovation: 59 respondents; National index: 3000 Australian workers; DCA member index: 9000 workers from 21 DCA member organisations

Three pillars

1. Communicate and listen to stakeholders

Key Performance Indicators

Stakeholder survey – Quantitative, measuring level of industry penetration and sentiment, measuring top grower sentiment and performance evaluation, setting the baseline data for improvement.

Feedback/complaints – Quantity and resolution times.

Engagement measures – Digital monitoring and website statistics.

ACTIVITIES

Communications strategy – Implement a holistic communications strategy to link all face-to-face and other channel communications together in one plan.

Brand content – Develop consistent content, messages and guidelines for use externally on the value we deliver and ‘what it means to be part of horticulture and Hort Innovation’.

Advisory mechanism – Implement and manage a successful fit-for-purpose advisory mechanism, panels and process to seek advice and inform investments in RDE&M.

Consultation process – Manage and deliver a process to communicate and seek input from the wider population of growers (outside the advisory mechanism) in both face-to-face and digital formats. Publish outputs to feedback events.

Membership – Manage membership application processes including allocating voting rights and managing processes at the AGM.

Feedback mechanism – Develop and manage a feedback, complaints and continuous improvement process to listen, investigate root causes, and learn from our feedback.

New systems – Implement and optimise the new customer relationship management (CRM) and reporting systems to use information to improve the quality of relationships and communication.

PROGRESS TO DATE

- » The communication plan continues to link activities to the objectives of raising awareness around investments, creating opportunities to participate in levy investments, and identifying champions to extend the success of investments.
- » More effective branding framework that supports awareness raising around where and when levy funds have been used to seed investments, and working more closely with industry communication programs to embed branding.
- » Continuous improvement involving feedback from SIAP chairs and panellists to meet expectations around planning, content, delivery and communications on SIAP meetings and actions.
- » Partnering with local grower groups and IRBs to leverage opportunities to connect with growers outside of the advisory mechanism, for example, working with Bundaberg Fruit and Vegetable Growers Association on an R&D forum day and AUSVEG and PMA on Hort Connections, as well as organised Roadshows, for example the Banana Industry Roadshow.
- » Appointment of LINK Market Services, following a competitive tender process, to undertake member registry services, including voting entitlement collection and management for the AGM.
- » Full operationalisation of the feedback workflow; collection of formal feedback via the Stakeholder Survey and the Independent Review of Performance; annual feedback from SIAP chairs.
- » Implementation of a document management system public portal that supports in-confidence information sharing of documents with external stakeholders.



2. Deliver on investments

Key Performance Indicators

Investment capacity – Maximise investments spend and pipeline of forecast investment/innovation.

Process times – Efficiency of investment process and turnaround times.

Procurement effectiveness – Value-for-money achievement through competitive processes.

Baselines – Year-one establishment of baselines for future assessment.

| ACTIVITIES | PROGRESS TO DATE |
|--|--|
| <p>Strategic Levy Investments/ Hort Frontiers model – Implement and manage a fund-based investment process to enable strategic funds, increased investment discipline and focus on industry research and marketing.</p> | <ul style="list-style-type: none"> » The ‘fund-centric model’ has been embedded, with multidisciplinary teams having oversight and expertise in managing industry ‘clusters’ (for example ‘tropicals’), with Fund Managers being central to the operation. » Deployment of Hort Frontiers’ seventh Fund – Advanced Production Systems – which aims to increase farm productivity and profitability of the Australian horticulture industry by helping deliver ‘future-smart farming’ systems. » Hort Frontier SIPs will be evolved from the Strategic Intent document that was produced for each Fund. Additional consultation on the Hort Frontiers objectives and themes is complete with the release of the White Paper to gather additional feedback from industry. » A SIP gap analysis was undertaken to identify opportunities for near-term levy investments. » Monitoring and evaluation (M&E) integration in all investments and investment clusters such that it is ‘Standard Operating Procedure’, including demonstration of stimulating change and delivering benefits back to industry. » Implementation of ‘Phase 5 – Procurement Continuous Improvement’; a workflow of key approvals and data capture exists from concept to contract. » The finalisation of the next Statutory Funding Agreement between Hort Innovation and the Australian Government has been extended to May 2019. » Brand building of Taste Australia through key international events and forums, such as Taste Australia and Shanghai Food Week. » Trade Unit continues to integrate into all parts of Hort Innovation to ensure industry intelligence flow between trade and market access and industry issues is maintained. » Individual export strategies for a range of tropical commodities including banana, papaya, passionfruit, persimmon and lychee, feeding into an overarching export strategy for Australian tropical fruit. Information on these investments can be found on p29 of this report. » Intellectual Property (IP) Policy and Management Plan was reviewed again in 2017/18. Hort Innovation maintained its active IP Register of all IP arising from investments and worked with external firm, TechMAC, which provided consulting IP services to Hort Innovation. Investigation of a more sophisticated IP database solution was commenced. » An IP management system has been procured and will be implemented during FY19, which will improve tracking and reporting on managed IP. |
| <p>Hort Frontiers Funds – Establish co-investment funds up to their capacity of investments and seed new funds in line with consultation based on market demand and investment capacity.</p> | |
| <p>Strategic Investment Plans (SIPs) – Implement and manage a process to establish and review SIPs for all funds.</p> | |
| <p>Procurement process – Implement and manage a new procurement process for greater transparency and contestability to deliver improved value for money.</p> | |
| <p>Evaluation framework – Implement a monitoring and evaluation framework at all levels of investment (project, fund and corporation).</p> | |
| <p>Innovation process – Build an end-to-end innovation funnel process that encourages concepts and develops them into investments through a robust process of advice, analysis and decision-making.</p> | |
| <p>Portfolio compliance – Ensure current and future portfolios remain compliant against the new Funding Agreement.</p> | |
| <p>Market access and trade – Build and manage a new function that engages with industry and overseas stakeholders and delivers tangible growth-to-export value.</p> | |
| <p>Systems to support delivery of investments – Implement upgraded systems across finance, procurement and innovation workflow.</p> | |

Three pillars

3. Develop our culture and leadership

Key Performance Indicators

Hort Innovation culture and engagement survey – Pulse survey to evaluate overall culture health and sentiment.

Hort Innovation leadership performance – Develop measures and metrics to indicate leadership is on track and performing well.

Horticulture industry leadership – Capacity building through the investment of the Hort Frontiers Leadership Fund.

External survey – Assess sentiment towards Hort Innovation’s leadership and culture.

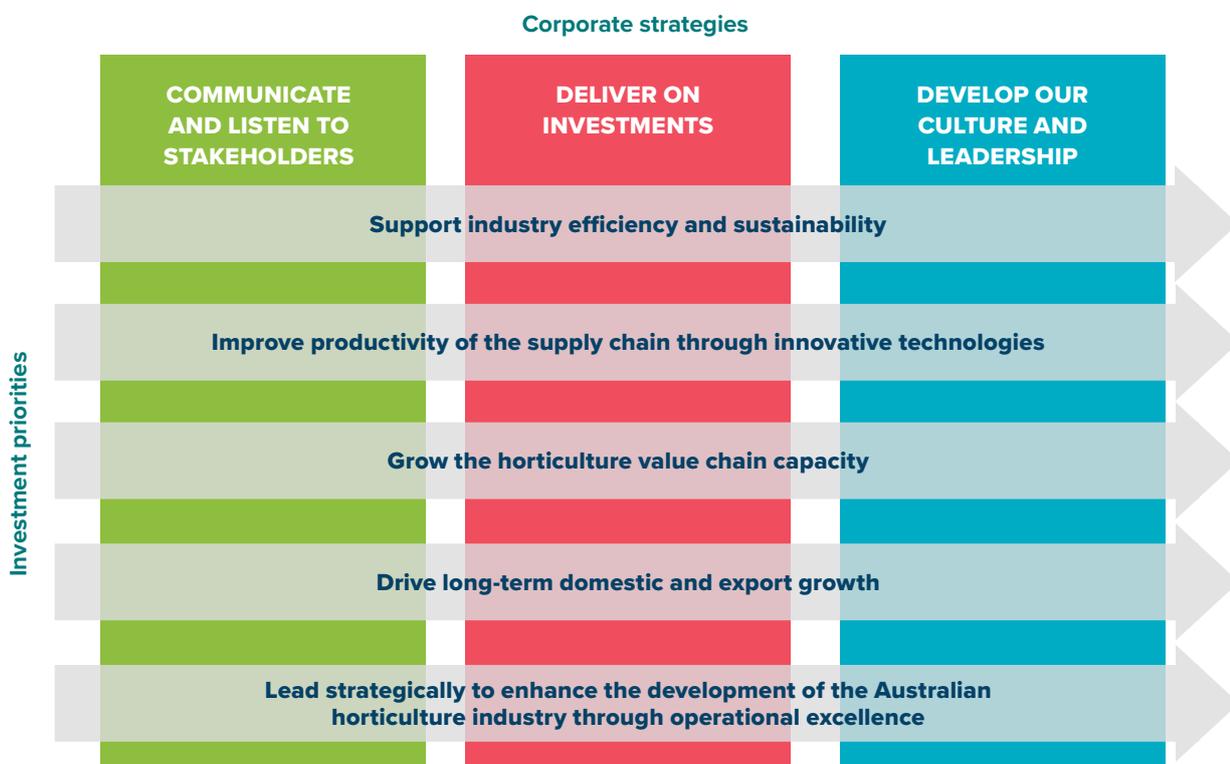
| ACTIVITIES | PROGRESS TO DATE |
|---|--|
| <p>High-performance culture – Implement the HR Strategy to achieve delivery on our commitment to key stakeholders, and achieve our vision of growing the future of Australia’s horticulture industries through our people.</p> | <ul style="list-style-type: none"> » Participation in the Diversity Council of Australia inaugural inclusion survey, benchmarking very favourably as an ‘inclusive’ organisation compared to 21 other member organisations and 9000 respondents. |
| <p>Innovation and brand – Develop guidelines and key messages for use internally on ‘What it means to be part of horticulture and Hort Innovation’.</p> | <ul style="list-style-type: none"> » A framework is to be adopted to promote diversity of thought and a culture of inclusion that embraces difference and leverages diversity to drive business outcomes. |
| <p>External leadership – Seek opportunities to invest in the capacity of industry leadership through our levy and co-investment funds, including industry awards and programs.</p> | <ul style="list-style-type: none"> » Additional elements of the staff recognition system activated to reinforce the company’s ‘GROW’ values and to reward the behavioural capabilities required for success. » Implementation of new levy fund branding across all industry content to easily identify what industry levy fund has contributed to the research. |
| <p>Diversity and inclusion – Develop and implement a diversity policy for Hort Innovation and our investments to lead the industry by example, and implement initiatives that demonstrate our participation in the RDC and wider research community.</p> | <ul style="list-style-type: none"> » 12 cross-RDC Rural R&D for Profit projects that Hort Innovation is either the lead agency on, or those that the company collaborates on with other RDCs; total life of project value of these initiatives is almost \$110M. Investments not only benefit horticulture but have applicability across other plant industries. Information on these investments can be found on p20 and p31 of this report. » The Director Nomination Committee undertook a recruitment process with external firm Rimfire Resources to locate suitable candidates to fill the single Director position available in 2017 and, following a robust interview process, Dr Mary Corbett was appointed to the Board on November 24, 2017. Further, a special resolution to change the composition of the Director Nomination Committee to add a levy payer was passed at Hort Innovation’s 2017 AGM by circa 98 per cent of votes cast, and with the full support of the Hort Innovation Board. » For facilitation of the Independent Review of Performance, GHD was appointed as the independent reviewer by an evaluation panel including two levy payers, a senior representative of the Department of Agriculture and Water Resources, two Hort Innovation directors and the Hort Innovation Company Secretary. The review was carried out between January and June 2018. More information on the Independent Review of Performance, the resulting report, and Hort Innovation’s Response and Implementation Plan can be found on p22 of this report. |

Keeping KPIs front and centre

Implementation of KPIs outlined in our Strategic Plan

In addition to the corporate strategic Key Performance Indicators (KPIs), Hort Innovation is also measured against how we are delivering on our five investment priorities, which spring from 11 cross-sectoral themes. What follows is a snapshot of activities and outcomes that demonstrate Hort Innovation’s progress towards delivering on these investment priorities.

The interface between our corporate strategies and investment priorities



Keeping KPIs front and centre

INVESTMENT PRIORITY: Grow the horticulture value chain capacity

How we are contributing to the investment priority

HORT INNOVATION ACTION:
Grow the capacity of the industry
by driving grower and supply chain
capabilities and delivering industry
and market intelligence.

Cross-sectoral investment themes

- » Data insights (RDM&E)
- » Industry development (RD&E)

Key performance indicators

- » 7.5 per cent increase in horticulture
GVP by 2018

The table below shows gross value of production information from 2017/18 ABARES estimates (data by estimated value of agricultural operations of \$40,000 or greater).

| Sector | Estimated gross value of production 2017/18 (\$M) | Change in value since 2014/15 | CAGR* (2014/15 – 2017/18) |
|---|--|-------------------------------------|---------------------------------|
| Vegetables | \$3,836 | 15% | 5% |
| Fruit and nuts (excluding grapes) | \$4,463 | 27% | 8% |
| Table and dried grapes | \$485 | 41% | 12% |
| Nursery, cut flowers and cultivated turf | \$1,603 | 8% | 3% |
| TOTAL | \$10,387 | AVERAGE 20% | 6% |

* Compound annual growth rate

- » Fruit and nuts (excluding grapes) contributed close to an estimated \$4.5B to the total value of Australian agriculture in 2017/18, an increase of 27 per cent on nominal 2014/15 production values.
- » Table and dried grapes contributed an estimated \$485M to the total value of Australian agriculture in 2017/18, an increase of 41 per cent on nominal 2014/15 production values.
- » Vegetables contributed an estimated \$3.8B to the total value of Australian agriculture in 2017/18, up 15 per cent on nominal 2014/15 production values.
- » Nursery, cut flowers and cultivated turf contributed an estimated \$1.6B to the total value of Australian agriculture in 2017/18, up 8 per cent on nominal 2014/15 production values.

* Source: ABARES Agricultural Commodities June Quarter 2018

| INVESTMENT PRIORITY: Drive long-term domestic and export growth | How we are contributing to the investment priority | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|-------------------------------------|----------------------------------|-------------------------------------|---------------------------------|------------------------------|---------|-----|-----|------|-------|----|----|-----------|-------|-----|-----|---------|------|-----|-----|-----------|-------|-----|----|--------------|----------------|--------------------|------------|
| <p>HORT INNOVATION ACTION: Ensure produce is of the highest quality, and drive market growth through strategically targeting new and expanding export opportunities, and stimulating domestic market growth.</p> <p>Cross-sectoral investment themes</p> <ul style="list-style-type: none"> » Domestic market development (M) » Product integrity (RDM&E) » International market development, market access and trade (RDM&E) <p>Key performance indicators</p> <ul style="list-style-type: none"> » 10 per cent increase in the value of horticulture exports by 2018 » 7.5 per cent growth in the retail value of fresh fruit and vegetables by 2018 » 5 per cent growth in the retail volume of fresh fruit and vegetables by 2018 | <p>Australian exports of horticultural produce to Asia have increased 11 per cent between 2016/17 and 2017/18 to be worth \$1.66B, accounting for 70 per cent of the total share of export value.</p> <p>Total horticultural exports (fresh and processed) increased by \$149M (6.7 per cent) from 2016/17 to 2017/18, to reach a total value \$2.36B – the highest value on record, up from the previous record of \$2.28B achieved in 2015/16.</p> <p>Since 2014/15 the total value of horticulture exports has increased by \$633.5M (37 per cent).</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #e6f2f8;">Sector</th> <th style="background-color: #e6f2f8;">Export value 2017/18 (\$M)</th> <th style="background-color: #e6f2f8;">Change in value since 2014/15</th> <th style="background-color: #e6f2f8;">CAGR* (2014/15 – 2017/18)</th> </tr> </thead> <tbody> <tr> <td>Fruit (fresh, dried, frozen)</td> <td>\$1,140</td> <td>76%</td> <td>21%</td> </tr> <tr> <td>Nuts</td> <td>\$750</td> <td>6%</td> <td>2%</td> </tr> <tr> <td>Vegetable</td> <td>\$273</td> <td>50%</td> <td>14%</td> </tr> <tr> <td>Nursery</td> <td>\$16</td> <td>44%</td> <td>13%</td> </tr> <tr> <td>Processed</td> <td>\$186</td> <td>15%</td> <td>5%</td> </tr> <tr> <td>TOTAL</td> <td>\$2,365</td> <td>AVERAGE 38%</td> <td>11%</td> </tr> </tbody> </table> <p><i>* Compound annual growth rate</i></p> <p>Products that saw a strong annual growth include:</p> <ul style="list-style-type: none"> » Oranges = 25 per cent (\$56M) » Mandarins = 40 per cent (\$40M) » Onions = 21 per cent (\$4M) » Pistachios = 800 per cent (\$5.5M) – Note: off a small base <p><i>* Source: IHS Global Trade Atlas – accessed 06/08/2018</i></p> | Sector | Export value 2017/18 (\$M) | Change in value since 2014/15 | CAGR* (2014/15 – 2017/18) | Fruit (fresh, dried, frozen) | \$1,140 | 76% | 21% | Nuts | \$750 | 6% | 2% | Vegetable | \$273 | 50% | 14% | Nursery | \$16 | 44% | 13% | Processed | \$186 | 15% | 5% | TOTAL | \$2,365 | AVERAGE 38% | 11% |
| Sector | Export value 2017/18 (\$M) | Change in value since 2014/15 | CAGR* (2014/15 – 2017/18) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fruit (fresh, dried, frozen) | \$1,140 | 76% | 21% | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Nuts | \$750 | 6% | 2% | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Vegetable | \$273 | 50% | 14% | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Nursery | \$16 | 44% | 13% | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Processed | \$186 | 15% | 5% | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TOTAL | \$2,365 | AVERAGE 38% | 11% | | | | | | | | | | | | | | | | | | | | | | | | | | |

Keeping KPIs front and centre

| INVESTMENT PRIORITY: Drive long-term domestic and export growth (<i>continued</i>) | How we are contributing to the investment priority | | | | | | | | | | | | | | | | | | | | |
|---|---|---|------|----------------------|------|-------|------|------------|------|----------------------|------|---|------|----------------------|------|-------|------|------------|------|----------------------|------|
| | <p>The compound annual growth rate in household expenditure on fresh produce from July 2011 to June 2018 was:</p> <table border="1"> <tr><td>Total fresh fruit/vegetables/dried fruit and nuts</td><td>4.7%</td></tr> <tr><td>Fruit and vegetables</td><td>4.8%</td></tr> <tr><td>Fruit</td><td>5.0%</td></tr> <tr><td>Vegetables</td><td>4.5%</td></tr> <tr><td>Dried fruit and nuts</td><td>4.0%</td></tr> </table> <p>The compound annual growth rate in household purchase volumes of fresh produce from July 2011 to June 2018 was:</p> <table border="1"> <tr><td>Total fresh fruit/vegetables/dried fruit and nuts</td><td>1.8%</td></tr> <tr><td>Fruit and vegetables</td><td>1.8%</td></tr> <tr><td>Fruit</td><td>2.2%</td></tr> <tr><td>Vegetables</td><td>1.4%</td></tr> <tr><td>Dried fruit and nuts</td><td>2.4%</td></tr> </table> <p><i>Source: Nielsen Homescan for the Total Fresh Fruit/Vegetable/Dried Fruit and Nuts category (client defined) for 52 weeks period ending in June 2018 for the Australian market. Note that these figures do not include fresh produce bought and consumed outside of the home or through foodservice channels.</i></p> <p>Hort Innovation's key investments that contribute to increasing household purchase and expenditure on fresh produce are the strategic levy investment marketing programs, and in addition projects that focus on improved product quality, value-adding, education or increasing industry knowledge on consumer attitudes and perceptions.</p> | Total fresh fruit/vegetables/dried fruit and nuts | 4.7% | Fruit and vegetables | 4.8% | Fruit | 5.0% | Vegetables | 4.5% | Dried fruit and nuts | 4.0% | Total fresh fruit/vegetables/dried fruit and nuts | 1.8% | Fruit and vegetables | 1.8% | Fruit | 2.2% | Vegetables | 1.4% | Dried fruit and nuts | 2.4% |
| Total fresh fruit/vegetables/dried fruit and nuts | 4.7% | | | | | | | | | | | | | | | | | | | | |
| Fruit and vegetables | 4.8% | | | | | | | | | | | | | | | | | | | | |
| Fruit | 5.0% | | | | | | | | | | | | | | | | | | | | |
| Vegetables | 4.5% | | | | | | | | | | | | | | | | | | | | |
| Dried fruit and nuts | 4.0% | | | | | | | | | | | | | | | | | | | | |
| Total fresh fruit/vegetables/dried fruit and nuts | 1.8% | | | | | | | | | | | | | | | | | | | | |
| Fruit and vegetables | 1.8% | | | | | | | | | | | | | | | | | | | | |
| Fruit | 2.2% | | | | | | | | | | | | | | | | | | | | |
| Vegetables | 1.4% | | | | | | | | | | | | | | | | | | | | |
| Dried fruit and nuts | 2.4% | | | | | | | | | | | | | | | | | | | | |

| INVESTMENT PRIORITY: Lead strategically to enhance the development of the Australian horticulture industry through operational excellence | How we are contributing to the investment priority |
|--|--|
| <p>HORT INNOVATION ACTION: Deliver operational excellence that provides investor satisfaction and tangible returns by creating and managing high priority investments as a result of collaboration with growers and other investment partners.</p> <p>Cross-sectoral investment themes</p> <ul style="list-style-type: none"> » Corporate services (RDM&E) » Strategic drive (RDM&E) <p>Key performance indicators</p> <ul style="list-style-type: none"> » 40 per cent increase in engagement with industry through Hort Innovation communications by 2018 » All funds SIPs including (for those that apply) their respective R&D and marketing strategies completed by FY16/17 » All funds SIPs implemented by FY18/19 | <p>Hort Innovation continues to accelerate its engagement with industry:</p> <ul style="list-style-type: none"> » 1400 members in 2015/16 > 2100 members in 2016/17 > 2300 members in 2017/18 » 166 email campaigns sent to 4000 contacts » 24 R&D levy funded industry communications programs, supported by Hort Innovation » 94 advisory panel meetings » >300 face-to-face interactions <p>The SIPs identified priority investment areas aligned with the five Hort Innovation investment priorities. Hort Innovation is on-track to deliver all Fund SIPs in 2018/19, as well as a SIP gap analysis to see where opportunities exist to maximum program investment.</p> |

| INVESTMENT PRIORITY: Support industry efficiency and sustainability | How we are contributing to the investment priority |
|--|--|
| <p>HORT INNOVATION ACTION: Invest in RDE&M activities that deliver crop production, pest and disease management, sustainability improvements and address the everyday needs of industry.</p> <p>Cross-sectoral investment themes</p> <ul style="list-style-type: none"> » Crop production (RD&E) » Pest and disease management (RD&E) » Sustainability (RDM&E) <p>Key performance indicators</p> <ul style="list-style-type: none"> » Greater than 95 per cent approval rate for minor use permit applications » 4 per cent increase in green space in Australian urban environments by 2018 | <p>During 2017/18 we achieved 100 per cent approval for minor use applications assessed by the Australian Pesticides and Veterinary Medicines Authority (APVMA). One permit application for a new use was withdrawn by Hort Innovation due to a label registration pending with the APVMA.</p> <p>Through the Hort Innovation minor use program, there are currently 392 active minor use permits. This includes 190 for the vegetable industry and 202 for the remaining horticulture industries. More information about the minor use program (specifically how grant funding has bolstered it) can be found on p30 of this report, while industry-specific minor use information can be found in Hort Innovation's Fund Annual Reports. Visit www.horticulture.com.au/fund-annual-report-portal to access.</p> <p>Two case studies are provided below, talking to the importance of investments in urban green spacing.</p> <ul style="list-style-type: none"> » The <i>Which Plant Where</i> project that aims to improve future planning outcomes to achieve greater environmental sustainability in urban green spaces. The project initially saw more than 13,000 individual plants and over 500 popularly planted tree and plant species put through rigorous testing and bioclimatic models to see how each would perform in the years 2030, 2050 and 2070. Climate suitability maps have already been developed for the five most densely populated Australian cities, with researchers hoping to culminate their findings in an interactive online database, with advice on how well a specific species can withstand the environmental changes forecasted for the next 50 years. Watch this short video to hear more about the investment: www.vimeo.com/273178996. <p>This investment is a Hort Frontiers strategic partnership project under the Green Cities Fund.</p> <ul style="list-style-type: none"> » The Hort Innovation Nursery Fund marketing program focuses on the 2020 Vision, which is about getting 20 per cent more green space in urban areas by 2020. During 2017/18, the marketing program also saw the campaign launch for the Plant Life balance app. The objective of the campaign was to get more Australians to buy green life for their homes, both indoors and out. It resulted in the marketing of the world's first augmented reality greening app that allows users to take a photo of their space and then rates the health of it. |

| INVESTMENT PRIORITY: Improve productivity of the supply chain through innovative technologies | How we are contributing to the investment priority |
|--|---|
| <p>HORT INNOVATION ACTION: Discover, develop and deploy innovative technologies to increase international and domestic competitive advantage and profitability for growers.</p> <p>Cross-sectoral investment themes</p> <ul style="list-style-type: none"> » Novel technologies (RD&E) <p>Key performance indicators</p> <ul style="list-style-type: none"> » N/A | <p>Whilst there isn't a specific KPI against this investment priority, Hort Innovation continues to make investments in innovative technologies that support industry's productivity, profitability and competitiveness.</p> <p>For example, the release of the Australian Tree Crop Rapid Response Map, which shows the location and extent of commercial avocado, mango and macadamia crops. This data has been formulated using satellite imagery analysed by scientists, plus land-use information from industry and government, as well as 'citizen science' data, and is being used to increase biosecurity and disaster response times.</p> <p>The map is one tool from a broader \$6.8M project that is supported by Hort Innovation, through funding from the Australian Government Department of Agriculture and Water Resources as part of its Rural R&D for Profit program and is led by the University of New England.</p> |

Intellectual property

Management of intellectual property

An Intellectual Property Policy and Management Framework was updated and continued to facilitate identification, use and management of intellectual property that Hort Innovation acquires, creates, licenses, disseminates and commercialises.

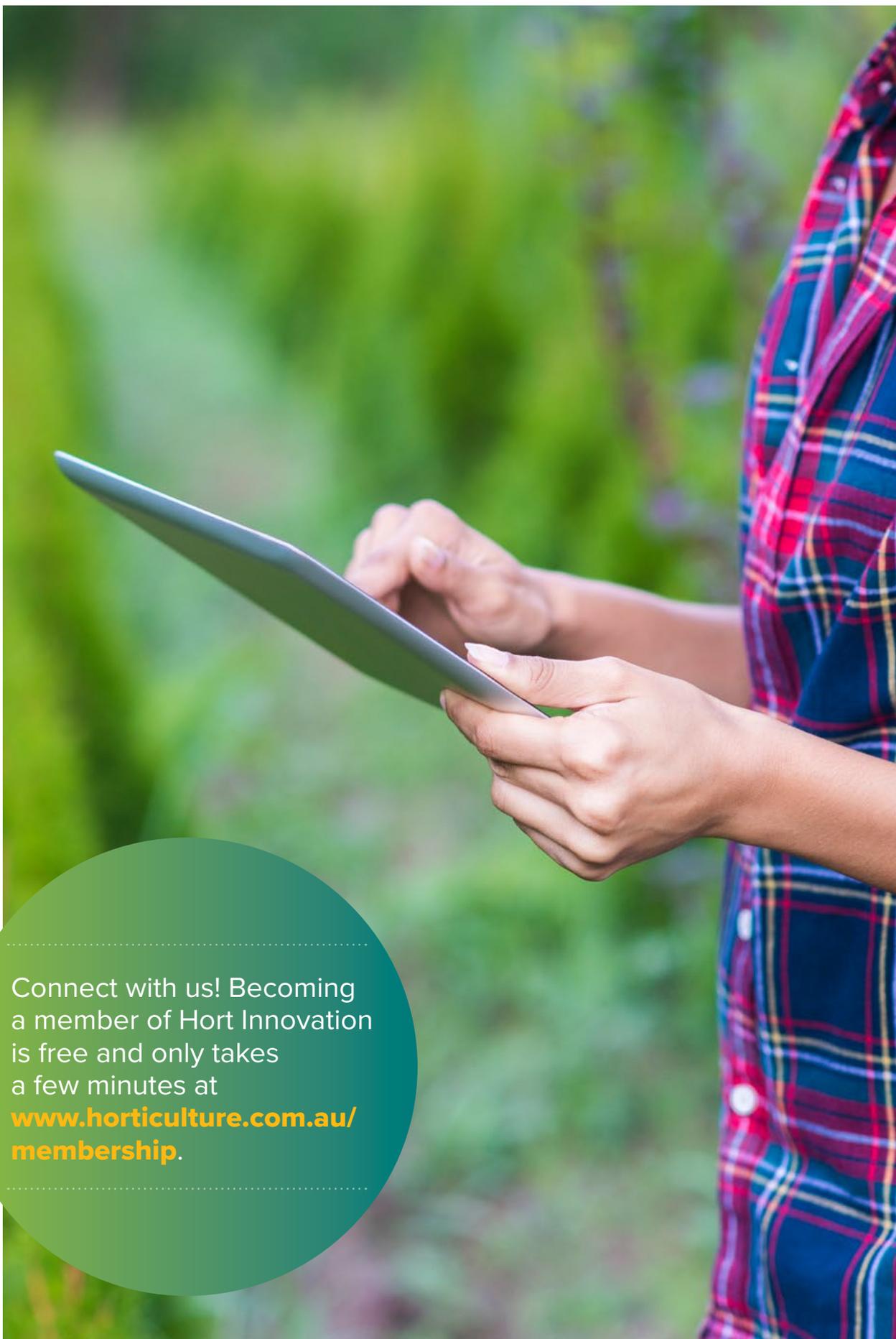
When intellectual property (IP) is identified as concepts progress through Hort Innovation’s innovation process, formal registrations and contractual arrangements are put in place to ensure we can secure the right to operate and protect the commercial value of this IP for the benefit of members and the Australian horticulture sector. Hort Innovation acts to maximise the dissemination of its R&D outputs and other materials in which IP subsists, and to facilitate the adoption of these developments and materials by the industry.

In 2017/18, Hort Innovation maintained an active IP Register of all IP arising from investments and worked with TechMAC, who provided consulting IP services to Hort Innovation.

Where IP attracted a royalty, that income was given directly back to the levy fund from which it was originally derived.

| Royalties by industry 2017/18 | |
|-------------------------------|-------------------|
| INDUSTRY | AMOUNT (\$) |
| Almond | 53,844.25 |
| Apple and pear | 8,862.61 |
| Dried grape | 737.89 |
| Pineapple | 6,047.87 |
| Strawberry | 235,784.05 |
| Table grape | 1,264.29 |
| GRAND TOTAL | 306,540.96 |





Connect with us! Becoming a member of Hort Innovation is free and only takes a few minutes at www.horticulture.com.au/membership.

Time for another 'ad break'!



During 2017/18, Hort Innovation worked with local grower group Bundaberg Fruit and Vegetable Growers to take the latest R&D on the road and showcase it to growers in the region.

Watch this short ad break to hear about the success of the workshop directly from growers.



MEET GROWERS FROM THE WORKSHOP

- ▶ Click on the image
- ▶ Go to the Vimeo address – www.vimeo.com/243769010
- ▶ Or scan the QR code to watch the video

Statutory levy receipts by industry

Levy receipts by industry 2017/18

| Industry | R&D (\$) | Marketing (\$) | Total (\$) |
|----------------------------------|-------------------|-------------------|-------------------|
| Almond | 1,558,210 | – | 1,558,210 |
| Apple and pear | 2,083,293 | 3,223,321 | 5,306,614 |
| Avocado | 2,147,714 | 3,264,652 | 5,412,365 |
| Banana | 2,096,266 | 4,464,249 | 6,560,515 |
| Cherry | 529,388 | 400,038 | 929,426 |
| Chestnut | 59,876 | 61,901 | 121,777 |
| Citrus | 2,479,085 | 386,532 | 2,865,617 |
| Custard apple | 57,726 | 27,770 | 85,496 |
| Dried grape | 132,217 | 116,540 | 248,757 |
| Dried tree fruit | 1,565 | – | 1,565 |
| Lychee | 109,536 | 49,790 | 159,326 |
| Macadamia | 1,447,325 | 2,703,813 | 4,151,138 |
| Mango | 647,642 | 835,246 | 1,482,888 |
| Melon | 921,203 | – | 921,203 |
| Mushroom | 1,283,624 | 3,850,872 | 5,134,496 |
| Nursery | 1,356,655 | 984,437 | 2,341,093 |
| Olive | 424,494 | – | 424,494 |
| Onion | 726,370 | 244,388 | 970,759 |
| Papaya | 162,881 | 160,800 | 323,681 |
| Passionfruit | 115,890 | 115,890 | 231,780 |
| Persimmon | 76,266 | 50,844 | 127,110 |
| Pineapple | 212,671 | 95,151 | 307,822 |
| Potato – Fresh | 637,822 | – | 637,822 |
| Potato – Processed | 423,241 | – | 423,241 |
| Prune | 45,448 | – | 45,448 |
| Raspberry and blackberry | 574,503 | 114,901 | 689,403 |
| Strawberry | 997,818 | – | 997,818 |
| Summerfruit | 569,662 | 465,190 | 1,034,852 |
| Sweetpotato | 494,822 | 1,017,645 | 1,512,468 |
| Table grape | 993,552 | 993,551 | 1,987,103 |
| Turf | 479,586 | 119,897 | 599,483 |
| Vegetable | 9,101,528 | – | 9,101,528 |
| TOTAL STATUTORY LEVIES | 32,947,881 | 23,747,417 | 56,695,298 |
| COLLECTIVE INDUSTRY FUNDS | | | |
| Almond | 243,991 | – | 243,991 |
| Pistachio | 39,628 | – | 39,628 |
| Processing tomato | 131,239 | – | 131,239 |
| Pyrethrum | 79,904 | – | 79,904 |
| TOTAL VOLUNTARY LEVIES | 494,762 | – | 494,762 |
| TOTAL RECEIPTS | 33,442,643 | 23,747,417 | 57,190,060 |

Total R&D and marketing program expenditure

Expenditure by industry 2017/18

| Industry | R&D (\$) | Marketing (\$) | Total (\$) |
|--------------------------|-----------|----------------|------------|
| Almond | 2,761,142 | – | 2,761,142 |
| Apple and pear | 4,180,768 | 1,734,573 | 5,915,341 |
| Avocado | 2,620,259 | 2,621,107 | 5,241,365 |
| Banana | 3,664,078 | 4,119,212 | 7,783,289 |
| Cherry | 1,079,832 | 470,540 | 1,550,373 |
| Chestnut | 52,872 | 33,557 | 86,429 |
| Citrus | 3,075,420 | 238,111 | 3,313,531 |
| Custard apple | 156,352 | 18,560 | 174,912 |
| Dried grape | 244,462 | 29,971 | 274,433 |
| Dried tree fruit | 1,812 | – | 1,812 |
| Lychee | 126,648 | 36,050 | 162,699 |
| Macadamia | 2,410,253 | 2,135,773 | 4,546,026 |
| Mango | 670,308 | 546,021 | 1,216,329 |
| Melon | 303,775 | – | 303,775 |
| Mushroom | 1,102,787 | 3,145,941 | 4,248,728 |
| Nashi | 301 | – | 301 |
| Nursery | 2,674,943 | 962,170 | 3,637,113 |
| Olive | 604,575 | – | 604,575 |
| Onion | 472,409 | 191,381 | 663,791 |
| Papaya | 199,322 | 170,695 | 370,017 |
| Passionfruit | 328,642 | 111,689 | 440,331 |
| Persimmon | 178,781 | 44,326 | 223,106 |
| Pineapple | 158,870 | 57,965 | 216,835 |
| Pistachio | 70,197 | – | 70,197 |
| Potato – Fresh | 1,172,299 | – | 1,172,299 |
| Potato – Processed | 415,496 | – | 415,496 |
| Processing tomato | 105,184 | – | 105,184 |
| Prune | 24,238 | – | 24,238 |
| Pyrethrum | 286,876 | – | 286,876 |
| Raspberry and blackberry | 237,805 | 2,992 | 240,797 |
| Strawberry | 1,185,344 | – | 1,185,344 |
| Summerfruit | 939,317 | 375,395 | 1,314,712 |
| Sweetpotato | 430,984 | 765,665 | 1,196,649 |
| Table grape | 1,399,527 | 249,661 | 1,649,189 |

Continued next page

Expenditure by industry 2017/18 (continued)

| Industry | R&D (\$) | Marketing (\$) | Total (\$) |
|---|-------------------|-------------------|--------------------|
| Turf | 894,912 | 66,441 | 961,353 |
| Vegetable | 22,304,102 | – | 22,304,102 |
| Legacy VC | 11,494,266 | 14,280 | 11,508,546 |
| Across Industry and Transformational Fund | 1,713,279 | – | 1,713,279 |
| <i>Asian Markets Fund</i> | 6,933,874 | – | 6,933,874 |
| <i>Advanced Production Systems Fund</i> | 30,937 | – | 30,937 |
| <i>Fruit Fly Fund</i> | 1,050,581 | – | 1,050,581 |
| <i>Green Cities Fund</i> | 2,959,049 | – | 2,959,049 |
| <i>Health, Nutrition & Food Safety Fund</i> | 3,548,012 | – | 3,548,012 |
| <i>Leadership Fund</i> | 817,510 | – | 817,510 |
| <i>Pollination Fund</i> | 5,205,019 | – | 5,205,019 |
| <i>Rural R&D for Profit (not included in other funds)</i> | 1,068,538 | – | 1,068,538 |
| Levy collection cost | 882,592 | 352,724 | 1,235,316 |
| TOTAL | 92,238,553 | 18,494,799 | 110,733,352 |

New R&D investments for 2017/18

| Project code | Project name | Key service provider | 2017/18 spend (\$) |
|--------------|---|--|--------------------|
| AL16005 | An integrated disease management program for the Australian almond industry | The Victorian Department of Economic Development, Jobs, Transport and Resources (DEDJTR) | 181,413 |
| AL16006 | Evaluation of potential prunus rootstocks for almond production – stage 2 | Almond Board of Australia | 137,184 |
| AL16007 | Educating health professionals | Almond Board of Australia; The Australian Nutrition Foundation, Victorian Division (Nutrition Australia) | 126,603 |
| AL16009 | An integrated pest management program for the Australian almond industry | The Victorian Department of Economic Development, Jobs, Transport and Resources (DEDJTR) | 210,264 |
| AM15002 | Serviced supply chains: Monitoring and modelling to improve the quality of Australian fresh produce into Asian markets* | The Queensland Department of Agriculture and Fisheries | 4,017,579 |
| AM15004 | Market development program – Fruit Growers Tasmania | Fruit Growers Tasmania | 531,204 |
| AM16008 | Collective position for the trade programs: Australia Fresh and Now in Season* | Strategy Creative | 42,000 |
| AM16012 | Study of airfreight capacity for Australian horticulture exports to Asia and the Middle East | CSIRO | 700 |
| AM17001 | Developing a national systems approach for meeting biosecurity requirements to access key Asian markets | CSIRO | 980,754 |
| AM17010 | Taste Australia trade shows^ | Pico Australia | 910 |
| AM17011 | Australian nut industry market development program | Australian Nut Industry Council | 119,880 |
| AP16005 | Developing agri-tech solutions for the Australian apple industry | SwarmFarm | 1,200,102 |
| AP16007 | An integrated pest, disease and weed management program for the Australian apple and pear industry | The Victorian Department of Economic Development, Jobs, Transport and Resources (DEDJTR) | 103,086 |
| AP17000 | Mid-term evaluation of a key apple and pear industry investment, AP15007 (industry communications)† | Coutts J & R Pty Ltd | 29,300 |
| AV16007 | Improving avocado orchard productivity through disease management | The University of Queensland; Murdoch University | 391,480 |
| AV16010 | Avocado industry biosecurity capacity building | The University of Queensland | 97,840 |
| AV16013 | Implementation of recommendations from the Avocado Nursery Voluntary Accreditation Scheme review | Nursery & Garden Industry Australia | 48,640 |
| AV17000 | Avocado export readiness and market access | Avocados Australia | 145,860 |

Continued next page

New R&D investments for 2017/18 (continued)

| Project code | Project name | Key service provider | 2017/18 spend (\$) |
|--------------|---|--|--------------------|
| AV17002 | Australian avocado consumer research | Quantum Market Research | 143,659 |
| AV17003 | Independent mid term review of the avocado communication program [†] | Forest Hill Consulting | 24,562 |
| AV17006 | Avocado industry capacity building – Western Australia | The Department of Primary Industries and Regional Development, Western Australia | 90,000 |
| BA16007 | National banana development and extension project (with both a tropical and sub-tropical component) | The Queensland Department of Agriculture and Fisheries; NSW Department of Primary Industries | 317,167 |
| BA16008 | Banana strategic industry development manager | The Australian Banana Growers' Council | 163,491 |
| BA16009 | Banana enterprise performance comparison 2016/17 | Pinnacle Agribusiness | 197,293 |
| BA16010 | Alternative quarantine treatment for bananas infested with coffee bean weevil | The Queensland Department of Agriculture and Fisheries | 44,665 |
| BA16012 | Revision of the owner reimbursement costs framework for the Australia banana industry | Ag Dynamics | 34,000 |
| BA17001 | Banana bunchy top virus control data | The University of Queensland | 74,533 |
| BA17003 | Banana Industry Congress 2019 | Australian Banana Growers' Council | 35,000 |
| BS15005 | Improved management of charcoal rot of strawberry | The Queensland Department of Agriculture and Fisheries | 85,355 |
| CT17000 | Improving citrus quality with regulated deficit irrigation | NSW Department of Primary Industries | 71,443 |
| CT17001 | Improving biosecurity preparedness of the Australian citrus industry | Plant Health Australia | 163,600 |
| CT17003 | Maximising the biosecurity of the Australian Citrus Industry Budwood Facility | Auscitrus | 490,052 |
| CT17004 | Independent mid-term evaluation of CT15012 (Australian citrus industry innovation and market development program) and CT15013 (Citrus quality standards stage 3) [†] | RM Consulting Group | 25,064 |
| CT17005 | Consumer research in key export markets for the citrus industry | Colmar Brunton | 6,000 |
| CT17006 | Evaluation of new citrus varieties 2017-2022 | NSW Department of Primary Industries | 212,938 |
| CU16002 | New custard apple varieties and enhanced industry productivity | The Queensland Department of Agriculture and Fisheries | 65,000 |
| CY16004 | Export readiness and market access* | Cherry Growers Australia | 431,949 |
| CY16009 | Methyl bromide disinfection of Queensland fruit fly | NSW Department of Primary Industries | 206,811 |
| CY17000 | Review of international best practice for post-harvest management of sweet cherries in Australia | NSW Department of Primary Industries | 23,814 |
| DG17000 | Dried grape 2017 industry R&D exchange program | Dried Fruits Australia | 36,985 |

Continued next page

New R&D investments for 2017/18 (continued)

| Project code | Project name | Key service provider | 2017/18 spend (\$) |
|--------------|--|--|--------------------|
| DG17001 | Dried grape production innovation and adoption program 2018-2021 | Dried Fruits Australia | 35,000 |
| GC15000 | Developing the business case for green cities* | CSIRO | 161,356 |
| GC16002 | Researching the benefits of demonstration green roofs across Australia | Melbourne University | 290,278 |
| HN17002 | Nuts for Life – educating health professionals | Australian Nut Industry Council | 280,000 |
| LY16003 | Grower guide for lychee grading | Australian Lychee Growers Association | 17,715 |
| LY16005 | Australian lychee industry communications program | Fruit Tree Media | 25,008 |
| LY17001 | Lychee knowledge transfer at the 2018 China litchi conference | Australian Lychee Growers Association | 11,200 |
| MC16005 | IPM program for the Australian macadamia industry – DAF* | The Queensland Department of Agriculture and Fisheries | 63,908 |
| MC16012 | Evaluation of a biocontrol for husk spot of macadamia | Peracto | 38,990 |
| MC16018 | Macadamia integrated disease management | The University of Queensland | 250,000 |
| MC17000 | MC15004 mid-term review† | Impact Consulting Group | 40,000 |
| MC17001 | Developing a macadamia industry tree stock standard | Nursery & Garden Industry Australia | 42,279 |
| MC17004 | Independent mid-term evaluation of the Australian macadamia industry innovation and adoption program† | Impact Consulting Group | 13,450 |
| MG17000 | Building best management practice capacity for the Australian mango industry | Australian Mango Industry Association | 30,607 |
| MG17002 | On-farm quality testing utilising near infrared (NIR) technology | Australian Mango Industry Association | 55,639 |
| MG17004 | National mango industry communication program | Australian Mango Industry Association | 10,000 |
| MT17001 | Berry export strategy | Auspex Strategic Advisory | 123,557 |
| MT17002 | Tropical fruit export strategy | McKINNA et al | 153,199 |
| MT17003 | Review of national biosecurity plans | Plant Health Australia | 20,000 |
| MT17005 | Improving the biosecurity preparedness of Australian horticulture for the exotic spotted wing drosophila (<i>Drosophila suzukii</i>) | Plant Health Australia | 700 |
| MT17012 | Generation of residue data for permit applications | Peracto; Eurofins | 147,395 |
| MT17015 | Provision and analysis of retail data for a range of produce industries | The Nielsen Company | 211,755 |
| MT17016 | Coir waste management for hydroponic berries | RM Consulting Group | 4,500 |
| MT17017 | Vegetable cluster consumer insights program | The Nielsen Company | 425,757 |
| MT17019 | Regulatory support and coordination | AKC Consultancy | 181,026 |
| MU16003 | Pest and disease management and research services | University of Tasmania | 184,810 |

Continued next page

New R&D investments for 2017/18 (continued)

| Project code | Project name | Key service provider | 2017/18 spend (\$) |
|--------------|--|---|--------------------|
| MU16004 | Marsh Lawson Mushroom Research Centre (MLMRC)* | University of Sydney; Applied Horticultural Research | 160,620 |
| MU16005 | Food safety for the Australian mushroom industry | Fresh Produce Safety Centre | 72,944 |
| MU16006 | Mushroom industry data collection project | RM Consulting Group | 15,227 |
| MU17000 | AMGA project advice | Australian Mushroom Growers Association | 10,750 |
| MU17003 | Independent review of the mushroom marketing program† | Review Partners | 24,800 |
| NY16003 | A review of diagnostic technologies to benefit the Australian nursery industry | The Victorian Department of Economic Development Jobs, Transport & Resources (DEDJTR) | 20,900 |
| NY16009 | 2020 Vision training/capacity building program | Republic of Everyone | 88,332 |
| NY17000 | Where should all the trees go – delivering the insights to stakeholders | Republic of Everyone | 124,600 |
| NY17001 | Nursery industry conference partnership | Nursery & Garden Industry Australia | 73,481 |
| NY17004 | Nursery industry 2020 Vision independent review‡ | Forest Hill Consulting | 59,257 |
| NY17005 | Metropolitan urban forestry | Republic of Everyone | 129,665 |
| OL16006 | Olive communications program | Cox Inall Communications; Australian Olive Association | 111,469 |
| OL16007 | Investigating olive oil quality improvement through filtration* | NSW Department of Primary Industries | 15,000 |
| OL16008 | Processing water treatment options to improve olive oil quality* | NSW Department of Primary Industries | 12,500 |
| OL16010 | National olive industry conference and trade exhibition | Australian Olive Association | 52,842 |
| OL16011 | Risk and crisis management planning for the olive industry* | Biologic | 30,180 |
| OL17001 | An integrated pest and disease management extension program for the olive industry | Western Sydney University | 57,843 |
| OL17002 | Educating health professionals about Australian olive products | Boundary Bend Olives | 38,000 |
| OL17005 | Olive industry fruit, oil and water quality testing – phase 2 | Boundary Bend Olives | 4,000 |
| PF16003 | Australian passionfruit industry communications program | Passionfruit Australia | 97,522 |
| PH16000 | Stingless bees as effective managed pollinators for Australian horticulture | Western Sydney University | 1,692,700 |
| PH16004 | Securing pollination for productive agriculture* | AgriFutures Australia | 755,674 |
| PP16001 | Australian papaya industry communication program | Cox Inall Communications | 23,920 |
| PP17001 | Papaya consumer research | Fifty Five 5 | 19,500 |
| PR17000 | National persimmon varietal evaluation program 2018-2023 | NSW Department of Primary Industries | 41,203 |

Continued next page

New R&D investments for 2017/18 (continued)

| Project code | Project name | Key service provider | 2017/18 spend (\$) |
|--------------|---|---|--------------------|
| PS16000 | Understanding and managing insects on pistachio orchards | Ag Dynamics | 24,900 |
| PS16002 | Pathogens and other factors contributing to dark staining on pistachio shells | AgXtra | 27,285 |
| PS17002 | Technology transfer for pistachio growers | Pistachio Growers' Association | 9,500 |
| PT16000 | Extension activities for the Australian potato industry – pest and disease app | Victorian Certified Seed Potato Authority | 95,500 |
| PT17000 | Diagnostic capability to detect <i>Candidatus Liberibacter solanacearum</i> ; Developing and implementing a high throughput diagnostic test for <i>Candidatus Liberibacter solanacearum</i> | The Victorian Department of Economic Development Jobs, Transport & Resources (DEDJTR) and South Australian Research and Development Institute (SARDI) | 190,863 |
| PW17000 | Review of the biosecurity plan for the sweetpotato industry | Plant Health Australia | 17,722 |
| PY16000 | Integrated disease management in pyrethrum | University of Tasmania | 286,808 |
| RB17000 | Integrated pest management of redberry mite, <i>Acalitus essigi</i> , on blackberries | University of Tasmania | 61,604 |
| SF17000 | Summerfruit China export facilitation; In market insights and emergency scenario planning | Summerfruit Australia Limited; KPMG | 347,215 |
| SF17001 | Summerfruit export strategy | APCO Worldwide Advisory Service | 76,217 |
| SF17003 | Summerfruit communications strategy development | Cox Inall Communications | 20,246 |
| SF17005 | National biosecurity plan for the summerfruit industry | Plant Health Australia | 15,583 |
| SF17006 | Experimental summerfruit orchard – phase II | The Victorian Department of Economic Development, Jobs, Transport and Resources (DEDJTR) | 45,000 |
| ST15030 | National centre for post-harvest disinfestation research on Mediterranean fruit fly (Australian Medfly R&D Centre) | Murdoch University | 327,932 |
| ST15031 | Advanced production systems for the temperate nut crop industries | Hort Innovation (with others leading various sub-projects) | 2,891 |
| ST16009 | Implementation of RapidAIM: Real-time monitoring for the presence and location of fruit fly | CSIRO | 427,460 |
| ST16010 | Improving plant pest management through cross industry deployment of smart sensor, diagnostics and forecasting | Hort Innovation (with others leading various sub-projects) | 1,621,661 |
| ST17000 | Generation of data for pesticide applications in horticulture crops 2018 | Peracto; Eurofins | 581,116 |
| ST17001 | Final review of 'Rural R&D for Profit' round one projects led by Hort Innovation' | Clear Horizon Consulting | 44,325 |
| TG17000 | Table grape export readiness and market access; In market insights and emergency scenario planning | Australian Table Grape Association; KMPG | 264,970 |
| TG17002 | Table grape supply chain quality | Australian Table Grape Association; Delytics | 300,414 |

Continued next page

New R&D investments for 2017/18 (continued)

| Project code | Project name | Key service provider | 2017/18 spend (\$) |
|--------------|--|---|--------------------|
| TU16002 | National market development program for the Australian turf industry | Turf Australia | 261,053 |
| TU16003 | Crisis management awareness program | Biologic | 15,684 |
| TU16004 | Australian turf industry communications program | Turf Australia | 126,494 |
| TU17002 | Improved capacity for integrated disease management of couch smut (<i>Ustilago cynodontis</i>) in turf | The University of Queensland | 55,248 |
| TU17003 | Integrated pest management of Phytophagous mites in turfgrass | IPM Technologies | 55,875 |
| TU17007 | Australian turf industry study tour 2018 | Turf Australia | 24,000 |
| VG15068 | Improving safety of vegetable produce through on-farm sanitation, using electrolysed oxidising (EO) water | University of South Australia | 158,600 |
| VG16037 | Novel topical vegetable and cotton virus protection | The University of Queensland | 208,949 |
| VG16042 | Pathogen persistence from paddock to plate | Fresh Produce Safety Centre Australia and New Zealand | 290,930 |
| VG16062 | Field and landscape management to support beneficial arthropods for IPM on vegetable farms | Charles Sturt University | 265,982 |
| VG16064 | Tools and interventions for increasing children's vegetable knowledge | CSIRO | 316,000 |
| VG16068 | Optimising cover cropping for the Australian vegetable industry | Applied Horticultural Research | 304,218 |
| VG16069 | Consumer insights and retail data program <i>NB: This investment has since been rolled into the Vegetable cluster consumer insights program (MT17017)</i> | The Nielsen Company | 566,295 |
| VG16071 | Boosting vegetable consumption through diet | SP Health | 611,048 |
| VG16075 | Monitoring and evaluation of vegetable consumer data projects [†] | Clear Horizon Consulting | 20,797 |
| VG16078 | Soil wealth and integrated crop protection – phase 2 | Applied Horticultural Research | 306,104 |
| VG16080 | Vegetable digital asset redevelopment – Veggycation | Hardhat | 384,449 |
| VG16081 | Vegetable market price reporting pilot program – market data | Ausmarket Consultants | 162,606 |
| VG16083 | Gap analysis for the next generation of protected cropping in vegetables* | Colo Consulting | 16,500 |
| VG16084 | Vegetable market price reporting pilot program – reporting | Freshlogic | 36,828 |
| VG16085 | Export facilitators | Vegetables WA (lead) | 596,542 |
| VG17000 | Vegetable business benchmarking | Vegetables WA; RM Consulting Group | 295,784 |
| VG17003 | National Vegetable Protected Cropping Centre | Western Sydney University | 400,000 |

Continued next page

New R&D investments for 2017/18 (continued)

| Project code | Project name | Key service provider | 2017/18 spend (\$) |
|--------------|--|--|--------------------|
| VG17004 | Vegetable knowledge transfer at the 2018 International Spinach Conference | East Gippsland Vegetable Innovation Days (EGVID) | 33,000 |
| VG17006 | Strategic review of the Australian vegetable industry's extension and training programs [†] | Key-Link Solutions | 45,154 |
| VG17013 | Building the business case to grow domestic demand for vegetables in Australia | McKINNA et al | 36,662 |
| VG17014 | Review of issues and options for preventing and removing redback spiders in broccoli | Applied Horticultural Research | 22,400 |
| VM17000 | 2018 Australian melon industry conference and field days | Australian Melon Association | 24,884 |
| VM17001 | Melon industry development and communication | Dianne Fullelove and Associates | 149,926 |
| VM17002 | Food safety, training, extension and capacity for the melon industry | NSW Department of Primary Industries | 55,000 |
| VN17001 | International onion researcher delegation | Onions Australia | 43,715 |

* While contracted by Hort Innovation during 2016/17, these investments are included on this list of new investments as they had their first spend during 2017/18

^ This investment is a parent program, under which further event-specific Taste Australia investments sit

† These flagged investments have supported, or continue to support, the review and evaluation of other investment activities (M&E)

Further projects contracted in 2017/18, but with no spend during this period

| Project code | Project name | Key service provider |
|--------------|--|--|
| AL16010 | Market development program – Europe | Almond Board of Australia |
| AV17004 | Potential impact of Chilean and Peruvian avocado imports for the Australian avocado industry | Coriolis Australia |
| BS17000 | National strawberry varietal improvement program | The Queensland Department of Agriculture and Fisheries |
| CT17002 | Evaluation of new rootstocks for the Australian citrus industry 2017-2022 | NSW Department of Primary Industries |
| LP16001 | Engaging leaders in the Australian horticulture industry | Hargraves Institute |
| MT17022 | 10th Australasian Soilborne Disease Symposium sponsorship | Plevin and Associates |
| PS17003 | Pistachio productivity improvement program | Pistachio Growers' Association |
| VG16086 | Area wide management of vegetable diseases: viruses and bacteria | The Queensland Department of Agriculture and Fisheries |

Marketing suppliers

Top 25 marketing suppliers for 2017/18

| No. | Account | Supplier | 2017/18 expenditure (\$) |
|--------------|---------|--|--------------------------|
| 1 | IKONC00 | Ikon Communication | 8,160,292 |
| 2 | DICON00 | Direct 2 Consumer | 1,182,708 |
| 3 | BICOM00 | Bite Communications | 1,163,760 |
| 4 | EUROR00 | Havas Worldwide Japan KK | 932,864 |
| 5 | DEPAR00 | The Victorian Department of Economic Development, Jobs, Transport and Resources (DEDJTR) | 826,331 |
| 6 | REOEV00 | Republic of Everyone | 737,763 |
| 7 | ALTIO00 | Altios Australia | 327,500 |
| 8 | MAGNU00 | Magnum & Co | 241,999 |
| 9 | ELECO00 | Elevencom | 236,574 |
| 10 | MFOOD00 | MyFoodBook | 220,784 |
| 11 | GALKL00 | Galileo Kaleidoscope | 215,600 |
| 12 | NTTLO00 | Notimetolose Print Management | 190,990 |
| 13 | WORKS00 | Workshop Australia | 189,725 |
| 14 | MACHE00 | MaCher | 184,278 |
| 15 | GOFUT00 | Go Future Media | 171,870 |
| 16 | BDANZ00 | BD ANZ | 170,300 |
| 17 | AUSMS00 | Australian Macadamia Society | 165,883 |
| 18 | BCCIN00 | BCC INT | 137,165 |
| 19 | ACNIE00 | The Nielsen Company | 106,253 |
| 20 | AUSTR00 | Australian Trade and Investment Commission | 104,166 |
| 21 | MONTA00 | Montague Fresh | 100,993 |
| 22 | CYCLO00 | Cyclone Management | 100,000 |
| 23 | TERRA01 | Terrapin Estates | 98,560 |
| 24 | INKSPO0 | Ink Spiller | 97,423 |
| 25 | REDAG00 | The Red Agency | 96,761 |
| TOTAL | | | 16,160,541 |

Time for another 'ad break'!



Get the buzz on just one component of the work to raise and release sterile Queensland fruit flies, in efforts to control wild populations of the pest. In this short ad break, Dr Fleur Ponton describes her research to optimise the diets of lab-reared sterile flies – an interesting and important piece of the puzzle in the SITplus partnership program, supported by the Hort Frontiers Fruit Fly Fund.



MEET DR FLEUR PONTON

- ▶ Click on the image
- ▶ Go to the Vimeo address – www.vimeo.com/229989660
- ▶ Or scan the QR code to watch the video

Horticulture Innovation Australia Limited
(A company limited by guarantee)
ACN 602 100 149

Financial Report

**For the year ended
30 June 2018**

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Directors' Report

Directors' Report

The Directors of Horticulture Innovation Australia Limited (the Company) present their report for the year ended 30 June 2018.

The Directors of the Company who held office during the year 1 July 2017 to 30 June 2018 and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

| Directors | Board | Sub-Committees |
|--------------------------------------|---|---|
| Selwyn Snell (Chair) | Re-appointed 25 November 2016 | RAC (Chair): Full Year ARC: Full Year |
| Mark Napper (Deputy Chair) | Re-appointed 27 November 2015 | ARC (Chair): Full Year RAC: Full Year |
| Prof Robert Clark | Re-appointed 25 November 2016 | IC (Chair): Full Year RAC: Full Year |
| Dr Mary Corbett | Appointed (casual vacancy) 14 June 2017 – 24 November 2017 Appointed 24 November 2017 | IC: Full Year RAC: Commenced February 2018 |
| Susan Finger | Elected 27 November 2015 | ARC: Full Year |
| Paul Harker | Elected 25 November 2016 | ARC: Full Year |
| Stephen Lynch | Elected 27 November 2015 | IC: Full Year |
| Jenny Margetts | Elected 25 November 2016 | IC: Full Year |
| Peter Wauchope | Re-appointed 25 November 2016 | |

RAC – Remuneration and Appointments Committee; **ARC** – Audit and Risk Committee; **IC** – Investment Committee

SALLY HOLMES COMPANY SECRETARY

Ms Holmes is both Company Secretary and General Counsel for the Company and has worked with Hort Innovation leading the Governance and Risk team since March 2015.

Ms Holmes holds an Honours degree in Law (LLB), Bachelor of Science (Chemistry) (BSc), and a Graduate Diploma of Legal Practice. Ms Holmes is a graduate member of the Australian Institute of Company Directors and a member of the Law Society of NSW.

Ms Holmes has previously spent three years as Company Secretary and General Counsel of Australian Wool Innovation Limited, and has spent nearly 20 years in both in-house and private commercial and corporate legal practice.

Directors' Meeting Attendance: 1 July 2017 – 30 June 2018

| Directors | The Board of Directors | | Audit and Risk Committee | | Remuneration and Appointments Committee | | Investment Committee | |
|----------------------------|------------------------|----|--------------------------|---|---|---|----------------------|----|
| | A | B | A | B | A | B | A | B |
| Selwyn Snell (Chair) | 13 | 13 | 4 | 4 | 3 | 3 | | |
| Mark Napper (Deputy Chair) | 12 | 13 | 4 | 4 | 3 | 3 | | |
| Prof Robert Clark | 13 | 13 | | | 3 | 3 | 12 | 12 |
| Dr Mary Corbett | 11 | 12 | | | 2 | 2 | 10 | 11 |
| Susan Finger | 12 | 13 | 4 | 4 | | | | |
| Paul Harker | 13 | 13 | 4 | 4 | | | | |
| Stephen Lynch | 13 | 13 | | | | | 12 | 12 |
| Jenny Margetts | 13 | 13 | | | | | 12 | 12 |
| Peter Wauchope | 10 | 13 | | | | | | |

A = Number of meetings attended; B = Number of meetings eligible to attend

Current Director Bios



SELWYN SNELL
CHAIR

Mr Snell was appointed a Director of Hort Innovation at its registration, and re-appointed on 25 November 2016. Mr Snell is currently the chairman, and has an extensive history as a chairman, director and senior executive with leading agribusiness and biotechnology enterprises in Australia and internationally. He is also currently Executive Chairman of Barawyn Pty Ltd, and a former CEO of Single Vision Australia Ltd, Managing Director of IAMA Ltd, BioProspect Ltd, Zeneca/Syngenta KK Ltd Japan and Crop Care Australasia Ltd. Mr Snell is the former Chair of the Council of Rural Research and Development Corporations, Horticulture Australia Ltd, the Queensland Government's Horticultural Development Committee, Indigo Ltd and a former Non-Executive Director of Plant Health Australia Limited and the APVMA Advisory Board.

Mr Snell has held many directorships with ASX and not-for-profit companies. Mr Snell has a Diploma in Agrochemicals, is a fellow of the Australian Institute of Management and a member of the Australian Institute of Company Directors.



MARK NAPPER
DEPUTY CHAIR

Mr Napper was appointed a Director of Hort Innovation at its registration and was re-appointed on 27 November 2015. Mr Napper is currently the deputy chairman and chairs the Audit and Risk Committee. He has 30+ years' experience in Australian agribusiness. He owns a fruit orchard in Bangalow, New South Wales and currently grows peaches, nectarines and custard apples, having previously grown avocados, mangoes and mandarins.

In addition to his farming interests, Mr Napper owns and operates a business advisory firm. Previous positions have included Managing Director of the Australian Horticultural Corporation from 1998 to 2001, Director of the Australian Mango Industry Association Ltd from 2008 to 2011, Director of the Summerfruit Australia Ltd from 2012 to 2013, independent Director of AUSVEG Ltd from 2009 to 2013, and CEO and Director of Windsor Farm Foods Group Ltd from 2005 to 2011. Mr Napper holds a Bachelor of Arts (Accounting); Master of Business Administration; and is a graduate of the Australian Institute of Company Directors.



PROF ROBERT CLARK AM

Professor Clark was appointed a Director of Hort Innovation at its registration, and re-appointed on 25 November 2016. Professor Clark is an Emeritus Professor at the University of Tasmania. He is also the proprietor and Managing Partner of Lanoma Estate, 500 hectares of intensive agricultural properties in the Derwent Valley, Tasmania. Professor Clark's previous appointments include Non-Executive Director of the Geoffrey Gardiner Dairy Foundation, Deputy Chair of Rural Industries Research and Development Corporation, a member of the National Research and Development Council, a member of the Queensland Alliance for Agriculture and Food Innovation Advisory Board, Chair and Head of School, Agricultural Science and Director of Tasmanian Institute of Agriculture at the University of Tasmania, and Non-Executive Director of Webster Ltd. Professor Clark holds a Bachelor of Agricultural Science with First Class Honours and a Doctor of Philosophy (Horticultural Science).



DR MARY CORBETT

Dr Corbett was appointed a Director of Hort Innovation on 14 June 2017 to fill a casual vacancy until the date of the 2017 Annual General Meeting of the company, when she was reappointed for a period of three years. She has over 22 years' experience as a Director, spanning a diverse range of industries from cotton growing to public health, and has a strong focus on research and development and corporate governance.

Dr Corbett is currently a Director of DairyBio and DairyFeedbase, joint ventures of Dairy Australia, the Victorian Government and the Gardiner Foundation. She has recently completed tenures as Chair of the Cotton Research & Development Corporation and Chair of the West Moreton Hospital and Health Services. She previously held positions as Board member of Wound Management Innovation CRC, Deputy Chair of Southbank Institute of Technology and Deputy Chair of the Australian Agriculture College Corporation.

Dr Corbett has significant experience of Board committees including remuneration, intellectual property, finance, and audit. She has chaired and been a member of various Board selection panels. She is the Managing Director of Australian Business Class, which specialises in providing Board and senior executive training and facilitation. Dr Corbett's expertise lies in the areas of leadership, developing emotional intelligence and building personal and organisational resilience.

Dr Corbett has a BSc in Applied Biology (Hons Biochemistry) and a PhD in Clinical Physiology and is Adjunct Professor with University of Queensland Faculties of Health and Behavioural Sciences and Medicine and Biomedical Sciences.



SUSAN FINGER

Mrs Finger was appointed a Director of Hort Innovation at its registration by the Minister for Agriculture and re-elected on 27 November 2015. She owns and manages two orchards in the Yarra Valley, Victoria, growing and storing apples for the domestic and export market.

Mrs Finger has a successful history in farmer and industry representative organisations. Mrs Finger has previously served as a Director of the Victorian Farmers Federation (VFF) and as the president of VFF Horticulture Group. Mrs Finger was a committee member of the VFF Farm Business and the VFF Workplace Relation Committees, in addition to having served as an executive member of the VFF Industrial Association.

Previously Mrs Finger worked in the accountancy industry specialising in taxation and audit, and held positions in the wine industry and local government.

Mrs Finger holds a Bachelor of Business and is a member of Australian Institute of Company Directors.



PAUL HARKER

Mr Harker was elected a Director of Hort Innovation on 25 November 2016. Mr Harker has more than 20 years of retail experience spanning store operations, supply chain, and buying and marketing, including four years heading up the fresh produce buying team of one of Australia's largest retailers. Through his professional background, Mr Harker has an extensive understanding of retail, including strategy, operations, logistics, technology, and consumer marketing, coupled with an extensive knowledge of the produce supply and value chain.

Mr Harker is a former non-executive Director of PMA A-NZ, and is currently the director and owner of Highland Farms Pty Ltd, a small horticultural operation in the central tablelands of NSW.

Current Director Bios



STEPHEN LYNCH

Mr Lynch was elected a Director of Hort Innovation on 27 November 2015. Mr Lynch has over 35 years' experience in Australian and international agribusiness, with much of the last 20 years working in Australian horticulture. He was previously a director of the Almond Board of Australia (2003-2009), chairman for three of those years, and a board member of the Australian Nut Industry Council (ANIC). Mr Lynch was also involved in the establishment of Pollination Australia.

Mr Lynch owns and operates an agribusiness consulting company with a range of horticulture clients. He previously held a number of company directorships and senior management roles, managing horticulture operations and investments from 1999 to 2012. Mr Lynch is currently a non-executive director in a horticulture contracting company.

Mr Lynch's horticulture experience covers strategy, investment, project management and business development assessment advice for industries including almonds, citrus, stone fruit, table grapes, avocados, mangoes, olives, berries and some vegetables.



JENNY MARGETTS

Ms Margetts was elected a Director of Hort Innovation on 25 November 2016. Ms Margetts has more than 25 years' experience in agriculture, having worked in the cotton, sugar, wine and horticulture sectors. She has a background in agronomy and has previously held R&D and business management roles in both corporate and family businesses. Since 2003 Ms Margetts has managed her own consulting business which provides industry and business development advice and services to a range of clients, principally from the horticulture sector.

Ms Margetts holds a Bachelor of Applied Science (Horticulture Technology), a Bachelor of Business and a Diploma of Export Management.



PETER WAUCHOPE

Mr Wauchope was appointed a Director of Hort Innovation at its registration by the Minister for Agriculture, and was re-appointed on 25 November 2016. Mr Wauchope comes from a horticulture background having grown up in the Manjimup district of Western Australia where his father still grows avocados. Mr Wauchope has over 30 years' experience in marketing Australian fresh produce overseas and in this time has travelled extensively throughout Asia, the Middle East, India, Europe and the USA, visiting customers and opening doors for Australian fresh produce.

Mr Wauchope served on the Ministerial Task Force to review the charges of the Horticulture Exports Program and was previously the national vegetable industry's representative on the Federal Office of Horticultural Market Access (OHMA) committee. Mr Wauchope is currently the Chief Executive Officer of Center West Exports, a large vertically integrated carrot growing, packing and exporting operation that has regular customers in over 18 countries across Asia, the Middle East and Indian Ocean territories. He is also Chair of Hort Innovation's national Trade Assessments Panel.

MEMBERS

As of June 30, 2018, Hort Innovation was owned by 2299 members, 93.16 per cent of whom are Australian horticultural growers, with the remaining 6.87 per cent carrying on another form of enterprise in the Australian horticulture industry supply-chain.

WINDING UP

In the event the Company is wound up, each member has undertaken to contribute an amount not exceeding \$2.00.

CORPORATE GOVERNANCE

The Company adopts best corporate governance practice drawing upon the ASX Corporate Governance Principles and Recommendations, as appropriate for its governance structure as a non-listed, not-for-profit corporation.

The Company has in place the following governance documents and practices in respect of the Directors, the Board and its operations:

- » Constitution
- » Board Charter
- » Charter of the Committees of the Board
- » Director Nomination Committee Charter
- » Committee Compensation Guidelines
- » Code of Conduct and Business Ethics
- » Delegations of Authority
- » Board Effectiveness Review Framework
- » Conflicts of Interest Declaration Procedure and Form
- » Risk Management Policy and Framework
- » Risk Appetite Statement
- » Fraud Control Plan
- » Intellectual Property Policy and Intellectual Property Management Plan
- » Corporate Policies such as Business Continuity Policy, Whistleblower Policy, IT Policies
- » HR Policies such as Bullying, Harassment and Discrimination Policy, Health and Safety Policy
- » Procurement Manual
- » Privacy Policy.

A LENS ON GOVERNANCE IN DAY-TO-DAY OPERATIONS

Risk Management

A Risk Management process exists within Hort Innovation addressing Strategic, Emerging, Operational, Project and External risks. Strategic and Emerging Risk update reports are provided to the Audit and Risk Committee at each of the Committee meetings. Safety/people assessed risks are also reported to the Remuneration and Appointments Committee.

Major risk focus areas for 2017/18 included:

- » Updating the Strategic Risks
- » Updating the Risk Management Policy and Framework
- » Updating the Risk Appetite Statement
- » Enhancing Strategic Risk reporting to the Executive and Board
- » Enhancing Fraud Risk Analysis
- » Maintaining Internal Audit capabilities.

Business Continuity

Hort Innovation's Business Continuity Framework has been developed and is managed through the Recovery Management Team to respond to matters such as privacy data breach, major technology disruption, major office service issues, international travel issues and major media/public relations issues.

In 2017/18 this was achieved through the development of plans for:

- » Incident Management
- » Site-specific Business Continuity
- » Crisis Communication.

Privacy

Following completion of a privacy audit in 2017/18, Hort Innovation continues to implement actions in working towards a privacy by design framework. This framework will not only ensure compliance with the Privacy Act 1988 (Cth) ("Privacy Act") but also ensure that privacy is built into the company's business processes and culture. This approach coupled with staff education (via an online platform and face-to-face training) will ensure a robust privacy framework. All privacy related documentation is either being reviewed, updated or drafted. Documents produced in 2017/18 include an updated Privacy Policy, privacy notification forms, and a new Data Breach Response Procedure. Hort Innovation is committed to its obligations at law and to the best interests of its stakeholders in ensuring solid privacy protection frameworks.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of the Company during the period were investment in R&D and marketing programs for the Australian horticulture industry. These activities are expected to continue into the future.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Company during the year.

OBJECTIVES AND PERFORMANCE GOALS

The Company's primary objective is to increase the productivity, farm gate profitability and global competitiveness of Australia's horticulture industries.

The Company's Strategic Plan released in 2016 sets out the strategic purpose and operations of the Company that will drive the business of the Company for the term of the current Deed of Agreement with the Australian Government (to May 2019). Pursuant to the Strategic Plan, the Company is committed to three pillars of strategic intent:

- » Communicate and listen to stakeholders
- » Deliver on investments
- » Develop the Company's culture and leadership.

Evaluation and monitoring of the Company's progress against each of these pillars at the corporate strategy level will occur by way of annual reviews, with operational progress tracked through a variety of processes.

The Company's strategic pillar of 'Deliver on investments' can be further described in terms of both short-term and long-term approaches to increasing the productivity, farm gate profitability and global competitiveness of Australian horticulture industries:

- » The short-term needs of the horticulture industry will principally be served through investment in industry-specific strategic investments, applied R&D and industry maintenance activity carried out through **Strategic Levy Investment**. Strategic Levy Investments have a time-frame of one to five years.
- » The long-term needs of the horticulture industry will principally be served through **Hort Frontiers Strategic Partnership Initiative** co-investment funds in issues of national importance for transformational change affecting a range of horticulture industries. Hort Frontiers investments have longer time frames, up to 15 years.

The Company's strategic pillars of 'Communicate and listen to stakeholders' and 'Develop the Company's culture and leadership' are ongoing commitments which will play a vital role in informing the investment priorities of the Company and in ensuring delivery on the Company's objectives is driven through effective leadership and a high-performance culture.

ENVIRONMENTAL REGULATION

The Company is not subject to any particular or significant environmental regulations under the law of the Commonwealth or of a State or Territory.

INSURANCE OF OFFICERS

During the period, the Company incurred an insurance premium in respect of a contract insuring Horticulture Innovation Australia Limited Directors and Officers against liabilities arising as a result of work performed in their capacity as Directors and Officers of the Company. Details of the nature of liabilities covered, or the amount of premium paid in respect of the insurance contract, are not detailed here, as the disclosure of the details is prohibited under the terms of the contract.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia (EY), as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year 2017/18.

REVIEW OF OPERATING RESULTS

The operating surplus for the year ended 30 June 2018 was \$5,339,175 (period ended 30 June 2017: \$4,359,669).

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There have been no material events that occurred subsequent to balance sheet date.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received an Independence Declaration from the auditors, EY. This declaration is included on [p91](#) of the financial report.

No non-audit services were provided by EY during the year.

Signed in accordance with a resolution of the Directors



Selwyn Snell
Chair

Dated this twentieth day of September 2018 in Sydney



Mark Napper
Deputy Chair

Dated this twentieth day of September 2018 in Sydney

Statement of Comprehensive Income

for the year ended 30 June 2018

Horticulture Innovation Australia Limited
ABN 71 602 100 149

| | Note | Year ended 30 June 2018 | Year ended 30 June 2017 |
|--|------|----------------------------|----------------------------|
| | | \$ | \$ |
| CONTINUING OPERATIONS | | | |
| Sale of goods | 3a | 160 | 400 |
| Other income | 3b | 135,024,550 | 123,268,228 |
| REVENUE | | 135,024,710 | 123,268,628 |
| Occupancy expenses | | (777,373) | (720,550) |
| Administrative expenses | | (16,668,117) | (13,182,462) |
| Research and development programs | | (92,238,553) | (84,548,665) |
| Marketing programs | | (18,494,799) | (19,342,040) |
| Other expenses | | (1,506,693) | (1,115,242) |
| EXPENSES | | (129,685,535) | (118,908,959) |
| NET SURPLUS FOR THE YEAR | 12 | 5,339,175 | 4,359,669 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 5,339,175 | 4,359,669 |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2018

Horticulture Innovation Australia Limited
ABN 71 602 100 149

| | Note | 2018 \$ | 2017 \$ |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5a | 54,967,298 | 51,760,842 |
| Trade and other receivables | 6 | 17,045,075 | 12,476,001 |
| Prepayments | 7 | 255,773 | 196,502 |
| TOTAL CURRENT ASSETS | | 72,268,146 | 64,433,345 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 8 | 475,552 | 753,935 |
| Intangibles | 9 | 1,260,520 | 1,533,007 |
| TOTAL NON-CURRENT ASSETS | | 1,736,072 | 2,286,942 |
| TOTAL ASSETS | | 74,004,218 | 66,720,287 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 2,986,041 | 1,082,483 |
| Provisions | 11 | 1,092,673 | 1,100,354 |
| TOTAL CURRENT LIABILITIES | | 4,078,714 | 2,182,837 |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 11 | 365,223 | 316,344 |
| TOTAL NON-CURRENT LIABILITIES | | 365,223 | 316,344 |
| TOTAL LIABILITIES | | 4,443,937 | 2,499,181 |
| NET ASSETS | | 69,560,281 | 64,221,106 |
| FUNDS | | | |
| Funds – Corporate | | 5,130,972 | 3,355,048 |
| Systems Upgrade | | 730,475 | 1,169,048 |
| Total Corporate Funds | | 5,861,447 | 4,524,096 |
| FUNDS – R&D | | | |
| Unspent R&D Levies | | 22,957,813 | 23,283,411 |
| Levy Industry Strategic Reserve | | 5,000,000 | 5,000,000 |
| Non Levy Reserves | | 15,820,067 | 14,031,915 |
| Total Designated Funds – R&D | | 43,777,880 | 42,315,326 |
| FUNDS – MARKETING | | | |
| Unspent Marketing Levies | | 15,920,954 | 13,381,684 |
| Levy Industry Strategic Reserve | | 4,000,000 | 4,000,000 |
| Total Designated Funds – Marketing | | 19,920,954 | 17,381,684 |
| TOTAL FUNDS | 12 | 69,560,281 | 64,221,106 |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2018

Horticulture Innovation Australia Limited
ABN 71 602 100 149

| | Note | 2018 \$ | 2017 \$ |
|---|------|-------------------|-------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | – | 440 |
| Other income | | (79,087) | 240,371 |
| Levies received | | 62,345,690 | 60,993,813 |
| Receipts from Commonwealth Co-Contribution funds | | 56,672,338 | 54,056,805 |
| Receipts from co-investment | | 24,009,292 | 28,004,664 |
| Payments to suppliers and employees | | (20,380,447) | (15,187,034) |
| Payments to Research & Development providers | | (99,864,399) | (94,737,615) |
| Marketing program payments | | (20,396,553) | (21,596,678) |
| Interest received | | 1,323,074 | 1,268,540 |
| Net cash flows generated by (used in) operating activities | | 3,629,908 | 13,043,306 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of plant and equipment | | (122,984) | (117,233) |
| Purchase of intangibles | | (300,468) | (624,253) |
| Net cash flows (used in) investing activities | | (423,452) | (741,486) |
| Net increase/(decrease) in cash and cash equivalents | | 3,206,456 | 12,301,820 |
| Cash and cash equivalents at the beginning of the year/at acquisition | | 51,760,842 | 39,459,022 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 5(a) | 54,967,298 | 51,760,842 |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Statement of Changes in Funds

for the year ended 30 June 2018

Horticulture Innovation Australia Limited
ABN 71 602 100 149

| Note | RETAINED SURPLUS | | | | | | Total Funds |
|---|--------------------------|-------------------|------------------|------------------|----------------------|-------------------|-------------|
| | Research and Development | Marketing | Corporate | Systems upgrade | Transitional Reserve | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance as at 1 July 2016 | 39,366,572 | 15,674,952 | 3,246,222 | 1,541,121 | 32,570 | 59,861,437 | |
| Surplus/(Deficit) for the year | 2,948,754 | 1,706,732 | (295,817) | – | – | 4,359,669 | |
| Other comprehensive income | – | – | – | – | – | – | – |
| Total comprehensive income for the year | 2,948,754 | 1,706,732 | (295,817) | – | – | 4,359,669 | |
| Transfer from corporate reserve to systems upgrade and transitional reserve | – | – | 404,643 | (372,073) | (32,570) | – | – |
| Balance as at 30 June 2017 | 42,315,326 | 17,381,684 | 3,355,048 | 1,169,048 | – | 64,221,106 | |
| Balance as at 1 July 2017 | 42,315,326 | 17,381,684 | 3,355,048 | 1,169,048 | – | 64,221,106 | |
| Surplus/(Deficit) for the year | 1,462,554 | 2,539,270 | 1,337,351 | – | – | 5,339,175 | |
| Other comprehensive income | – | – | – | – | – | – | – |
| Total comprehensive income for the year | 1,462,554 | 2,539,270 | 1,337,351 | – | – | 5,339,175 | |
| Transfer from corporate reserve to systems upgrade and transitional reserve | – | – | 438,573 | (438,573) | – | – | – |
| Balance as at 30 June 2018 | 43,777,880 | 19,920,954 | 5,130,972 | 730,475 | – | 69,560,281 | |

Notes to the Financial Statements

NOTE 1: CORPORATE INFORMATION

The financial report of Horticulture Innovation Australia Limited (the "Company") for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on the 20th September 2018.

The financial report is for the entity Horticulture Innovation Australia Limited as an individual entity. Horticulture Innovation Australia Limited is a not for profit company limited by guarantee and domiciled in Australia. The nature of the operations and principal activities of the Company are described in the Directors' Report.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board and the Australian Charities and Not-for-Profits Commission. The financial report has also been prepared on a historical cost basis, except for financial assets and liabilities, which have been measured at fair value.

Where an amendment to policy has resulted in a reclassification of expenses, comparatives have been restated to present a true comparison.

(b) Statement of Compliance

The general purpose financial report complies with Australian Accounting Standards – Reduced Disclosure Requirements. The Company is a not-for-profit entity which is not publicly accountable. Therefore the financial statements are tier 2 general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporation Act 2001.

New Accounting Standards and Interpretations

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ended 30 June 2018. The directors have not early adopted any of these new or amended standards or interpretations. The directors have not yet fully assessed the impact of these new or amended standards and interpretations.

(c) Plant and Equipment

Plant and equipment is stated at historical cost, or fair value if the asset is donated to the entity, less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing parts is incurred. Similarly, when each major inspection is performed, the cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the profit and loss as incurred.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

The depreciation rates used for each class of assets are:

| Class of fixed asset | Depreciation rates | Depreciation basis |
|----------------------------------|------------------------|--------------------|
| Office Equipment | 50.00% | Straight line |
| Leasehold Improvements | Based on life of lease | Straight line |
| Furniture, Fixtures and Fittings | 12.50% | Straight line |
| Hardware | 33.30% | Straight line |

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Disposal:

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the year the asset is derecognised.

(d) Intangibles

Intangible assets include software which is being amortised over 3 years and the Company's program management system which is being amortised over 4 years from the go live date.

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

A summary of the policies applied to the Company's intangible assets is as follows:

Software and Program Management System

Useful life: Finite

Amortisation method use: Amortised over the period of expected future benefit from the related project on a straight-line basis.

Internally generated or acquired: Acquired

Impairment testing: When an indication of impairment exists. The amortisation method is reviewed at each financial year end.

(e) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets and the asset's value in use cannot be established to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

(f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

The Company has no finance leases.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(g) Other Financial Assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Subsequent measurement

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the Statement of Financial Position.

(h) Employee Benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' service up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using marketing yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(i) Income Tax

The Company is registered with the ACNC and is exempt from income taxation under section 50-40 of the Income Tax Assessment Act 1997.

(j) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- » When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- » Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(k) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

Short term deposits relate to temporary surplus funds, mainly from levies, voluntary and co-investment contributions and Commonwealth co-contributions which are placed in either a term deposit or cash deposit account. For funds deposited in at call accounts, interest is earned on the daily balance at the prevailing daily rate and is paid at the end of the month. Term deposits are held with the Company's bank with interest payable upon maturity of the deposits.

(l) Revenue and Contributions

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer. The nature of the transactions included in sale of goods are sales of final reports, publication sales and export license fees.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from the rendering of a service

Revenue from the rendering of a service is recognised upon the delivery of the service to customers.

Interest revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Other revenue is recognised when the right to receive the revenue has been established.

R&D Co-Investment and Legacy Voluntary Contributions

Contributions are recognised as revenue when the entity obtains control of the contribution.

Levy Receipts

The Department of Agriculture and Water Resources (DAWR) collects statutory levies on behalf of the Company. Revenue from levies are recognised as revenue when the levy amount is granted to the entity by the DAWR.

Commonwealth Co-Contribution Funds

The Commonwealth Government provides co-investment funding on a dollar for dollar basis on approved R&D projects, up to a level of 0.5% of the gross value of horticultural production. Commonwealth co-contribution funds are recognised as revenue upon incurring the eligible R&D program expenditure.

Corporate Cost Recovery (Service Delivery)

A service delivery cost is applied to all R&D and Marketing projects. For projects contracted during the 2017/18 year a service delivery cost of either 15.3% for Strategic Industry Funds or 15% for Hort Frontier Funds was applied. Older projects have been contracted at a different corporate cost recovery rate based on the rate applicable at the contract date. The corporate cost recovery is recognised upon incurring program expenditure.

Industry Reserve Interest

Interest earned on contributions received in advance from levies to meet future marketing and R&D expenditure is allocated to the respective levy account.

Royalties

Royalty income is recognised upon receipt.

All revenue is stated net of the amount of goods and services tax (GST).

(m) Economic Dependency

The Company is economically dependent on levies, voluntary contributions, R&D co-investment and Commonwealth Government contributions.

(n) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

(o) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of these goods or services. The amounts are unsecured, interest free and are usually paid within 30 days of recognition.

(p) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses. Management bases its judgements and estimates on historical experience and on other factors it believes to be reasonable under the circumstances, the result of which form the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Make good provisions

A provision has been made for the present value of anticipated costs of future restoration of leased premises. The provision includes future cost estimates of restoring the premise to its original state, including removal of workstations and glass panelling. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the balance sheet by adjusting both the expense or asset, if applicable, and the provision.

(ii) Estimation of useful lives of assets

The Company's management determines the estimated useful lives and related depreciation and amortisation charges for its plant and equipment and definite life of intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. Management will increase the depreciation and amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

| | 2018 | 2017 |
|--|--------------------|--------------------|
| | \$ | \$ |
| NOTE 3: REVENUE | | |
| REVENUE FROM CONTINUING OPERATIONS | | |
| (a) Sales of Goods | | |
| – Other | 160 | 400 |
| | 160 | 400 |
| (b) Other Income | | |
| <i>R&D Income</i> | | |
| – proceeds from levies | 32,947,881 | 31,132,555 |
| – revenues from Commonwealth Co-investment funds | 51,291,844 | 45,530,247 |
| – co-investment | 24,754,783 | 21,875,432 |
| – collective industry funds | 494,762 | 147,103 |
| – royalty income | 306,541 | 145,219 |
| – interest received | 810,329 | 859,777 |
| – other income | 0 | 4,211 |
| | 110,606,140 | 99,694,544 |
| <i>Marketing Income</i> | | |
| – proceeds from levies | 23,747,417 | 23,068,794 |
| – marketing program income | 41,076 | 61,615 |
| – interest received | 417,261 | 364,450 |
| – subsidies and grants | 105,454 | – |
| | 24,311,208 | 23,494,859 |
| <i>Other</i> | | |
| – corporate interest received | 91,779 | 64,330 |
| – rental income | 15,423 | 14,495 |
| | 107,202 | 78,825 |
| Sub-total Other Income | 135,024,550 | 123,268,228 |
| Total Revenue | 135,024,710 | 123,268,628 |
| Total Interest received | 1,319,369 | 1,288,557 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

| | 2018 | 2017 |
|---|------------|-----------|
| | \$ | \$ |
| NOTE 4: EXPENSES | | |
| Included within expenses are the following significant amounts: | | |
| Rental expense on operating leases | 19,204 | 20,746 |
| Wages & salaries | 10,542,865 | 9,450,782 |
| Superannuation | 923,364 | 712,701 |
| Levy collection costs | 1,235,316 | 1,618,520 |
| Depreciation | 401,045 | 395,147 |
| Amortisation | 572,955 | 401,607 |

| | | |
|--|-------------------|-------------------|
| NOTE 5: CASH AND CASH EQUIVALENTS | | |
| (a) Reconciliation of Statement of Cash Flows | | |
| Cash and cash equivalents at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows: | | |
| Cash on hand | 300 | 300 |
| Cash at bank | 7,966,998 | 7,260,542 |
| Short term deposits | 47,000,000 | 44,500,000 |
| | 54,967,298 | 51,760,842 |

| | | |
|--|-------------------|-------------------|
| NOTE 6: TRADE AND OTHER RECEIVABLES | | |
| Current | | |
| Trade receivables | 3,600,343 | 39,622 |
| Other receivables | 2,496,859 | 1,790,933 |
| Accrued income | 10,947,873 | 10,645,446 |
| | 17,045,075 | 12,476,001 |

| | | |
|-----------------------------|----------------|----------------|
| NOTE 7: OTHER ASSETS | | |
| Current | | |
| Prepayments | 255,773 | 196,502 |
| | 255,773 | 196,502 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

NOTE 8: PLANT AND EQUIPMENT

| | Office Equipment | Leasehold Improvements | Furniture, fixtures & fittings | Hardware | Total |
|---|---------------------|---------------------------|--------------------------------------|----------------|----------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2018 | | | | | |
| At Cost | 120,192 | 1,207,650 | 96,841 | 640,596 | 2,065,279 |
| Less accumulated depreciation | (100,892) | (892,917) | (59,329) | (536,589) | (1,589,727) |
| Carrying amount at end of the year | 19,300 | 314,733 | 37,512 | 104,007 | 475,552 |
| Balance at the beginning of the year | 3,006 | 520,720 | 28,117 | 202,092 | 753,935 |
| Additions | 27,735 | 29,122 | 18,328 | 47,799 | 122,984 |
| Disposals | – | – | – | (322) | (322) |
| Depreciation expense | (11,441) | (235,109) | (8,933) | (145,562) | (401,045) |
| Carrying amount at end of the year | 19,300 | 314,733 | 37,512 | 104,007 | 475,552 |

NOTE 9: INTANGIBLES

The intangible assets disclosed below include software which is being amortised over 3 years and the Company's program management system which will be amortised over 4 years.

| | Project Management System | Software | Total |
|---|------------------------------|----------------|------------------|
| | \$ | \$ | \$ |
| 2018 | | | |
| Software | | | |
| At Cost | 1,754,291 | 700,398 | 2,454,689 |
| Less accumulated amortisation | (859,254) | (334,915) | (1,194,169) |
| Carrying amount at end of the year | 895,037 | 365,483 | 1,260,520 |
| Balance at the beginning of the year | 1,333,610 | 199,397 | 1,533,007 |
| Assets transferred | – | – | – |
| Additions | – | 300,468 | 300,468 |
| Amortisation expense | (438,573) | (134,382) | (572,955) |
| Carrying amount at end of the year | 895,037 | 365,483 | 1,260,520 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

| | 2018 | 2017 |
|--|------------------|------------------|
| | \$ | \$ |
| NOTE 10: TRADE AND OTHER PAYABLES | | |
| Current | | |
| Other payables | 2,986,041 | 1,082,483 |
| | 2,986,041 | 1,082,483 |

(a) Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

| NOTE 11: PROVISIONS | | | | |
|--|-------------------------------------|------------------------|---------------------|---------------------|
| | Long Service Leave – Current | Annual Leave | Employee Oncosts | Total Current |
| | \$ | \$ | \$ | \$ |
| 2018 | | | | |
| Balance as at 1 July 2017 | 286,911 | 654,533 | 158,910 | 1,100,354 |
| Accrued Provision | 10,809 | 694,827 | 105,632 | 811,268 |
| Amount Utilised | (64,840) | (653,537) | (100,572) | (818,949) |
| Carrying amount at 30 June 2018 | 232,880 | 695,823 | 163,970 | 1,092,673 |
| | Long Service Leave – Non Current | Make Good Provision | Total Non-Current | Total Provisions |
| | \$ | \$ | \$ | \$ |
| Balance as at 1 July 2017 | 193,633 | 122,711 | 316,344 | 1,416,698 |
| Accrued Provision | 48,879 | – | 48,879 | 860,147 |
| Amount Utilised | – | – | – | (818,949) |
| Carrying amount at 30 June 2018 | 242,512 | 122,711 | 365,223 | 1,457,896 |

| | 2018 | 2017 |
|--|-------------|-------------|
| | No. | No. |
| (a) Number of employees at year end (Full time equivalent) | 80.4 | 79.6 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

| | 2018 | 2017 |
|--|-------------------|-------------------|
| | \$ | \$ |
| NOTE 12: RETAINED SURPLUS | | |
| Balance at the beginning of the year | 64,221,106 | 59,861,437 |
| Net surplus for the year | 5,339,175 | 4,359,669 |
| Other comprehensive income | – | – |
| Retained surplus at the end of the year | 69,560,281 | 64,221,106 |

Reconciliation of Net surplus for the year:

| | | |
|-----------------------|------------------|------------------|
| Corporate net surplus | 1,337,351 | (295,817) |
| R&D net surplus | 1,462,554 | 2,948,754 |
| Marketing net surplus | 2,539,270 | 1,706,732 |
| Net surplus | 5,339,175 | 4,359,669 |

The retained surplus at 30 June 2018 includes \$9,000,000 of Levy Industry Strategic Reserves, made up of \$5,000,000 from R&D and \$4,000,000 from Marketing.

Non Levy Reserves relate to unspent Co-Investment income and Rural R&D for Profit funding.

When managing capital, management's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns for all stakeholders.

The Company is not subject to any externally imposed capital requirements.

For the year ended 30 June 2018 the entity has recognised corporate revenue, including corporate recoveries, income and interest of \$20,289,534. Corporate expenditure during this period amounted to \$18,952,183 resulting in a corporate surplus for the year of \$1,337,351.

The corporate retained surplus amounts to \$5,130,972 and is utilised to manage the operations of the Company, while the R&D and Marketing retained surplus represents industry funds received but not yet expended on the R&D and Marketing programs. In 2014-15 a reserve of \$2,392,000 for new business systems was set aside. As at 30 June 2018 \$730,475 of the systems upgrade reserve was yet to be utilised.

| | 2018 | 2017 |
|---|----------------|------------------|
| | \$ | \$ |
| NOTE 13: COMMITMENTS | | |
| (a) Operating lease commitments | | |
| Future minimum payables under non-cancellable operating leases as at 30 June 2018 are as follows: | | |
| – within one year | 646,585 | 689,247 |
| – after one year but not more than five years | 78,853 | 677,245 |
| | 725,438 | 1,366,492 |

The Company has entered into commercial leases on its premises. There were three leases in effect at balance date, the remaining life of each being between 1 and 13 months. There are also two agreements in place for the rental of office equipment, the remaining life of each being 48 months.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

| | 2018 | 2017 |
|---|--------------------|--------------------|
| | \$ | \$ |
| NOTE 14: CONTINGENT LIABILITIES | | |
| Estimates of the maximum amounts of contingent liabilities that may become payable: | | |
| R&D and Marketing Expenditure Liabilities | | |
| – within one year | 76,245,013 | 60,312,770 |
| – after one year but not more than five years | 127,521,692 | 116,945,276 |
| – after more than five years | 1,585,752 | 2,628,210 |
| | 205,352,457 | 179,886,256 |
| Bank Guarantee Facility | 1,400,000 | 400,000 |

NOTE 15: DIRECTOR AND KEY MANAGEMENT PERSONNEL REMUNERATION

| 30 JUNE 2018 | SHORT TERM | | POST | TERMINATION | TOTAL |
|--------------------------|------------------|-------------------------------|------------------------------|----------------------------|------------------|
| | Salaries & fees | Cash Bonus/ Other benefits | EMPLOYMENT | BENEFITS | |
| | | | Superannuation/ Insurance | ETPs/Leave entitlements | |
| Directors | 526,180 | – | 38,127 | – | 564,307 |
| Key Management Personnel | 1,895,825 | 95,852 | 175,169 | 320,362 | 2,487,208 |
| TOTAL | 2,422,005 | 95,852 | 213,296 | 320,362 | 3,051,515 |
| 30 JUNE 2017 | SHORT TERM | | POST | TERMINATION | TOTAL |
| | Salaries & fees | Cash Bonus/ Other benefits | EMPLOYMENT | BENEFITS | |
| | | | Superannuation/ Insurance | ETPs/Leave entitlements | |
| Directors | 521,471 | – | 37,798 | – | 559,269 |
| Key Management Personnel | 1,783,320 | 157,837 | 191,477 | – | 2,132,634 |
| TOTAL | 2,304,791 | 157,837 | 229,275 | – | 2,691,903 |

At Horticulture Innovation Australia Limited, the key management personnel are the executive team. The executive pay is structured as a total remuneration package with superannuation payments made in accordance with the Superannuation Guarantee Legislation to the executive's choice of superannuation fund for the 2017/18 financial year. The balance of the executive's remuneration can be structured at the executive's discretion within the Company's salary sacrificing policy. The Executive is eligible for a performance bonus based on criteria determined in consultation with the Board.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2018**NOTE 16: RELATED PARTY TRANSACTIONS**

The Directors of the Company during the period were:

- » Selwyn Snell
- » Mark Napper
- » Robert Clark
- » Peter Wauchope
- » Susan Finger
- » Stephen Lynch
- » Paul Harker
- » Jenny Margetts
- » Mary Corbett.

Because of the nature of the skills and other interests of Directors related to horticulture, there is potential for conflict of interest given the broad range of R&D and marketing projects undertaken by the Company. The Company keeps a register of Directors' declared conflicts of interest, and each Board meeting commences with a declaration of conflicts in relation to the agenda items. All transactions are conducted using commercial arms-length principles and made under normal terms and conditions.

Paul Harker is an Executive at Woolworths Ltd. A co-investment contribution of \$2,200 was received from Woolworths Ltd during the reporting year.

NOTE 17: SUBSEQUENT EVENTS

There have been no material events occurring after balance sheet date.

NOTE 18: COMPANY DETAILS AND THE PRINCIPAL PLACE OF BUSINESS

The registered office of the Company is:

Horticulture Innovation Australia Limited
Level 8, 1 Chifley Square
Sydney, NSW 2000

Directors' Declaration

In accordance with a resolution of the Directors of Horticulture Innovation Australia Limited, we state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a fair and true view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date, and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001, and
- (b) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

This declaration is made on behalf of the Board of Directors.



Selwyn Snell
Chair

Dated this twentieth day of September 2018 in Sydney



Mark Napper
Director

Dated this twentieth day of September 2018 in Sydney



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Independent Auditor's Report to the Members of Horticulture Innovation Australia Limited

Opinion

We have audited the financial report of Horticulture Innovation Australia Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

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Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

Because of the inherent limitations of any assurance engagement, it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the requirements described in the above-mentioned Acts and Regulations as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with these requirements are undertaken on a test basis. The audit opinion expressed in this report has been formed on the above basis.

Ernst & Young

Daniel Cunningham
Partner
Sydney
20 September 2018

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Auditor's Independence Declaration to the Directors of Horticulture Innovation Australia Limited

As lead auditor for the audit of Horticulture Innovation Australia Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of Subdivision 60-C of the *Australian Charities and Not-for-Profits Commission Act 2012* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Daniel Cunningham
Partner
20 September 2018

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Hort Innovation

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