



**Hort
Innovation**

Growing together

Now and into the future

**Annual Report
2016/17**

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**Horticulture Innovation
Australia Limited**

**Annual Report
2016/17**

Growing together

Over the past 12 months, Hort Innovation has worked with growers and industry partners to deliver even more investment in R&D and marketing for Australian horticulture than 2015/16.

Introducing Hort Innovation

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

At Hort Innovation, it's important for us to reach and impact on as many Australian growers as possible, and to strengthen the work we do for the grower community. We do this via healthy connections to media (and the industry and public they help inform), as well as the research community, delivery partners, government bodies and commercial entities we work with.

Vital for these connections is the ability to develop a strong and cohesive company profile that communicates the often complicated models our work operates within in simple and effective ways. In 2017/18, we aim to continue extending our outreach to increasingly wider audiences, and to attract the very best partners in the world of research and development to strengthen the Australian horticulture sector. It is integral to this development that we are communicating the way our company works and the great things it does in ways that speak to these varying audiences, and particularly to those who are learning about the company for the first time.

Although Horticulture Innovation Australia Limited is our registered company name, most people know us as Hort Innovation, so from now on, that is how we will refer to the organisation. To reinforce the change, we have modified our core logo and updated our visual identity.

Hort Innovation's work is essentially divided into two funding models. They had become known as Pool 1 (our levy-funded investments) and, Pool 2 (strategic co-investments).

To better communicate our core work of the levy investments we make on behalf of Australian horticulture sectors, we will now be referring to "Pool 1" investments as **strategic levy investments**. Within this model, we will simply refer to individual funds in respect to the sector we service – for example, the Citrus Fund or Avocado Fund. Strengthening the recognition of individual sector funds in this way provides an important foundation for another of the company's goals moving forward: to communicate to our growers in increasingly targeted ways, better accommodating the differing needs of our growers in respect to the individual sectors they are a part of.

For our co-investment work, it is important to establish an identity that helps attract the best partners from around the world – including branching out from traditional research entities to include large commercial partners. "Pool 2" will now be known as the **Hort Frontiers** strategic partnership initiative; it facilitates collaborative cross-industry investments focused on a longer-term, often complex themes identified as critical for Australian horticulture into the future, and will now also have its own visual identity. The individual funds within this initiative, for example, the Green Cities Fund or Pollination Fund, will remain the same.

\$103.8M

Total program expenditure

612

Strategic levy investments

27

Hort Frontiers investments

25

Marketing programs

Hort Innovation

Strategic levy investments

Hort Innovation Strategic levy investment	ALMOND FUND	Hort Innovation Strategic levy investment	ONION FUND
Hort Innovation Strategic levy investment	APPLE AND PEAR FUND	Hort Innovation Strategic levy investment	PAPAYA FUND
Hort Innovation Strategic levy investment	AVOCADO FUND	Hort Innovation Strategic levy investment	PASSIONFRUIT FUND
Hort Innovation Strategic levy investment	BANANA FUND	Hort Innovation Strategic levy investment	PERSIMMON FUND
Hort Innovation Strategic levy investment	CHERRY FUND	Hort Innovation Strategic levy investment	PINEAPPLE FUND
Hort Innovation Strategic levy investment	CHESTNUT FUND	Hort Innovation Strategic levy investment	PISTACHIO FUND
Hort Innovation Strategic levy investment	CITRUS FUND	Hort Innovation Strategic levy investment	POTATO – FRESH FUND
Hort Innovation Strategic levy investment	CUSTARD APPLE FUND	Hort Innovation Strategic levy investment	POTATO – PROCESSING FUND
Hort Innovation Strategic levy investment	DRIED GRAPE FUND	Hort Innovation Strategic levy investment	PROCESSING TOMATO FUND
Hort Innovation Strategic levy investment	DRIED TREE FRUIT FUND	Hort Innovation Strategic levy investment	PRUNE FUND
Hort Innovation Strategic levy investment	LYCHEE FUND	Hort Innovation Strategic levy investment	PYRETHRUM FUND
Hort Innovation Strategic levy investment	MANGO FUND	Hort Innovation Strategic levy investment	RASPBERRY AND BLACKBERRY FUND
Hort Innovation Strategic levy investment	MACADAMIA FUND	Hort Innovation Strategic levy investment	STRAWBERRY FUND
Hort Innovation Strategic levy investment	MELON FUND	Hort Innovation Strategic levy investment	SUMMERFRUIT FUND
Hort Innovation Strategic levy investment	MUSHROOM FUND	Hort Innovation Strategic levy investment	SWEETPOTATO FUND
Hort Innovation Strategic levy investment	NURSERY FUND	Hort Innovation Strategic levy investment	TABLE GRAPE FUND
Hort Innovation Strategic levy investment	OLIVE FUND	Hort Innovation Strategic levy investment	TURF FUND
		Hort Innovation Strategic levy investment	VEGETABLE FUND

Hort Frontiers strategic partnership initiative

hort frontiers Strategic partnership initiative	ASIAN MARKETS FUND
hort frontiers Strategic partnership initiative	FRUIT FLY FUND
hort frontiers Strategic partnership initiative	GREEN CITIES FUND
hort frontiers Strategic partnership initiative	HEALTH, NUTRITION & FOOD SAFETY FUND
hort frontiers Strategic partnership initiative	LEADERSHIP FUND
hort frontiers Strategic partnership initiative	POLLINATION FUND
hort frontiers Strategic partnership initiative	ADVANCED PRODUCTION SYSTEMS FUND

Chair's report

How we are growing together, now and into the future

As an organisation, Hort Innovation has continued to deliver another excellent year of investments on behalf of the horticulture sector, investing more than \$103 million across the two funding portfolios: strategic levy investments and Hort Frontiers strategic partnership initiatives.



Selwyn Snell
Chair

These investments have been driven by the organisation's commitment to consulting with industry and getting advice directly from growers on the investment priorities for each industry. The Hort Innovation Board directors, and I as the Chair, have been really encouraged by the number of investments coming through the advice process from growers and industry stakeholders. It is this process that has helped to develop research and development, marketing and trade investments that are having a positive impact for individual commodities, as well as a compounded benefit across the horticultural sector. It has enabled us as a Board to be responsive to industry needs and agile in helping to move these investments forward and in line with industry's direction. This drive to innovate through a funding model and an advisory mechanism that is grower focused has set a new benchmark within Research and Development Corporations (RDCs).

While horticulture could be seen as the 'sleeping giant' compared to its wider agriculture industry counterparts, its record-breaking levy investments, strong focus on trade and a new partnership funding model with co-investors and the Australian Government, has horticulture beginning to take a pre-eminent stance within Australian agriculture. Many in the agricultural industry are watching our sector with keen interest. Many have expressed enthusiasm for what is taking place and are seemingly adopting aspects of our model, to either align or modify to improve their organisations.



This is especially true when it comes to having more sustainable organisations that deliver greater cross sectoral and transformational investments and – most importantly – ones that have a collaborative, effective working relationship with stakeholders.

An organisation is only as effective as its component parts. Hort Innovation is made up of 78 highly capable, highly engaged employees; and the goodwill, ideas, insights, collaboration, execution and old-fashioned hard work of every industry participant. It is only through our collective power and cooperation that we can be as successful as a sector. I want to thank this widest cross section of people, which includes our staff, who have helped horticulture drive its own path to success this financial year; but I especially want to thank growers for their dedication and contribution to cultivating the products that every Australian enjoys, every day.

It has been a privilege to lead the Hort Innovation Board again in 2016/17. I personally am looking forward to the bright future we have in Australian horticulture; a sector that understands the enormous opportunity before us; that understands the advantage, influence and reach we can bring forth together; and the impact that we can have by working collaboratively to align common goals for the greatest impact, now and into the future.

Selwyn Snell, Chair

While horticulture could be seen as the 'sleeping giant' compared to its wider agriculture industry counterparts, its record-breaking levy investments, strong focus on trade and a new partnership funding model with co-investors and the Australian Government, has horticulture beginning to take a pre-eminent stance within Australian agriculture.

CEO's report

Another great year of investments

In 2016/17, the Australian horticulture industry has continued to perform with \$54.2 million in levy collected from 33 commodities. This has enabled \$103.8 million worth of total program expenditure; \$84.5 million in strategic levy R&D and Hort Frontiers investments, plus \$19.3 million in marketing programs. The investments resulted in 639 R&D projects, including trade initiatives, and 25 marketing programs.



John Lloyd
CEO

This huge amount of effort was only made possible through the partnership we have with all of our stakeholders – but especially growers and the Australian Government.

In speaking to the unique relationship levy money has to public monies – that is the Australian Government contributions – the Australian horticulture sector was able to have its levy collection leveraged by more than \$45.5 million in Australian Government contributions. This partnership is made possible by the Research and Development Corporate model, while being entrusted to Hort Innovation to manage.

This management of levy, public and co-investor monies is a huge responsibility that Hort Innovation takes very seriously and with the rigour expected by all of our stakeholders. To make sure the right investments were being made, at the right time and in line with industry's expectations, Hort Innovation embarked on a program on continuous consultation across Australia, with growers and industry stakeholders. It was this consultation effort based around industry strategies that created the space for growers to debate, discuss and share insights on the highest strategic investment priorities for their individual industries. Hort Innovation was there, seeking to work in partnership with the Industry Representative Bodies, to make sure growers could have their say. The culmination of these meetings, workshops and forums resulted in the drafting of the Strategic Investment Plans (SIPs) for each levy fund. The SIPs are the guiding documents used by Hort Innovation and Strategic Investment Advisory Panels to support investment decisions.

Total investments in 2016/17

Strategic levy R&D expenditure

\$58.4M

Strategic levy R&D expenditure

612

Current project investments

207

New projects

\$45.5M

of Australian Government contributions

Hort Frontiers investment expenditure

\$26M

Hort Frontiers investment expenditure*

27

Current project investments

\$19.3M

Marketing levy expenditure

25

Marketing programs

But consultation doesn't stop there. The Hort Innovation team continues to work hard to meet, talk to and engage with as many growers and industry stakeholders as possible, across what is an enormously varied and complex stakeholder landscape. While the nine industry specific Relationship Managers are at the core of our face-to-face engagement with growers, the Hort Innovation model also means that industry stakeholders can get close to the Fund Managers and Marketing Managers all working hard on their levy investments, as well as access the Hort Innovation Executive team, whose doors are always open.

As we grab hold of the new frontier facing Australian horticulture, the team will again be reaching out to stakeholders and undertaking a program of consultation to help guide investments in issues bigger than any one horticulture industry in the cross-sector Hort Frontiers strategic partnership initiative. Industry has told us they are excited about the future and we will work in partnership to leverage this broader scope of investments with commercial investors as well as industries.

It is a pleasure to talk to stakeholders about opportunities for trade or the next great idea for investment. While we are trying to connect with as many people as possible, we want the message to be out there: you can always pick up the phone if you have a question or concern. Hort Innovation is grower owned and it's our job to facilitate the best possible outcome for each investment we manage on behalf of industry.

Thank you to the Executive team and all the staff at Hort Innovation who come to work every day and do their very best for growers. Thank you to the Board for their vision of the future and support of the organisation in helping to realise that vision. And thank you to the many and varied Industry Representative Bodies who have worked with Hort Innovation these past 12 months in the same spirit that we approach our critical relationships: with respect and acknowledgment of the complementary roles we play in getting the best outcomes for the horticulture sector.

All of the effort and all of the achievements are for the common goal we share – to support the Australian horticulture sector to be more profitable, more productive and more competitive, now and into the future.



John Lloyd, CEO

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

* This includes legacy investments.

Our Constitution

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

- » 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, programmes 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

Hort Innovation is not an Industry Representative Body. Under its Deed of 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 Deed of Agreement with the Australian Government can be viewed at www.horticulture.com.au/about

Hort Innovation's Constitution can be viewed at www.horticulture.com.au/about



**Helping the
horticulture
sector to
invest now
and for the
future**

Helping growers

Growers are at the heart of how we invest – here's how we do it

Hort Innovation has now received more than 1050 concepts and ideas that have submitted by stakeholders.

THIS IS HOW IT WORKS:

1. Ideas get submitted via the Concept Form
2. Ideas that are in line with strategic investment priorities go to advisory panels for advice
3. Advice from advisory panels is used by Hort Innovation to work the ideas into project proposals
4. Project proposals are distributed and made public to delivery partners for response
5. Responses are assessed often with the assistance of industry and the best delivery partner is chosen
6. Contracts are issued and the work begins



An easy to use form is available on the Hort Innovation website for anyone to use to put in an idea that supports the horticulture sector. These ideas then move through different risk profiles, are segmented against specific industries and aligned to strategic investment priorities. Ideas are then tested by experts and given advice on from specific advisory panels.

Once the ideas are validated, they can then become investments and be undertaken with the help of delivery partners.

The Hort Innovation team plays an active role to assess these ideas, and importantly, to get advice from industry. They engage the collective input of advisory panels depending on which fund the idea relates to – Strategic Investment Advisory Panels, Expert Advisory Panels, and various Trade Advisory Panels – which debate and validate potential benefits and costs. After this stage, successful ideas are worked up into project proposals by Hort Innovation, and are then prepared for testing and response by the market.

Growers are at the heart of this advice process as they are best placed to advise on the benefits to industry.

Depending on the investment, some projects might take several years to complete, and more research may be needed to realise fuller benefits. Throughout the investment, Hort Innovation works closely with partners to help deliver the best result for growers, and to keep the industry up to date with progress.

Hort Innovation is committed to continuing its support for investments that build a more profitable, productive and competitive Australian horticulture sector.

Anyone can submit an idea. If you would like to contribute, you can plant your idea using the concept form here <http://bit.ly/2eTpOxA>

To learn more about the investment process, you can watch the short video *Harvesting Innovation* at www.horticulture.com.au/harvesting-innovation-video/

The advisory mechanism in ACTION – strategic levy, Hort Frontiers and trade investments

To gain the necessary industry insights for strategic levy investments, Hort Innovation consults with growers through industry-specific panels – Strategic Investment Advisory Panels (SIAPs).

SIAPs consist of industry supply-chain stakeholders, most of whom are levy-paying growers. Panellists are selected through an expressions of interest process and are there on behalf of industry, not their individual interests. Panels also include Industry Representative Body (IRB) representation for their respective industry and, where applicable, a lead agency representative from within the National Horticulture Research Network (NHRN). Panellists must meet appropriate skills criteria. Each SIAP also has a suitably qualified Chair to ensure the smooth operations of meetings, that advice is in line with Strategic Investment Plans and that contributions from all panellists are recognised equitably.

The SIAPs have two main objectives: to give transparent and robust investment advice; and to ensure investments align to industry priorities by aligning investments to each industry's Strategic Investment Plan (see page 14 for more on the SIPs). SIAPs are tasked with advising Hort Innovation on investments that meet the priorities of that particular industry by debating and validating potential investment concepts and ideas. The SIAPs provide a vital link between meeting the priorities of industry and helping Hort Innovation to make decisions on how, where and when investments need to be made. The collective knowledge, experience and insights from each panellist are coupled with that of the Hort Innovation team in this deliberate partnership approach that is the cornerstone of how Hort Innovation invests levy monies. With over 300 technically skilled, industry focused and sector specific stakeholders as panellists, SIAPs are well equipped to provide broad sector, transparent investment advice.

For Hort Frontiers funds, a similar advisory mechanism is in place. These Expert Advisory Panels (EAPs) work with Hort Innovation to guide the investments in each Hort Frontiers fund. In 2016/17, six funds were fully operational:

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

* A seventh fund, *Advanced Production Systems Fund*, has since been announced.

All EAPs feature a broad cross-section of specialist representatives, including growers, subject matter professionals, and state government experts. Tasked with providing that link and partnership approach between Hort Innovation and industry experts, the EAPs are a vital ingredient in advising on investments within the Hort Frontiers strategic partnership initiatives. When considering the establishment of new funds, Hort Innovation will continue to receive feedback from its ongoing consultation program.

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

- » 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; they met 14 times in 2016/17. Issues specific to market access are relayed to the Department of Agriculture and Water Resources for consideration.

2016/17 advisory mechanism in ACTION

SIAPs

36

Panels

97

Meetings

>300

Panellists/Chairs

EAPs

6

Panels

7

Meetings

30

Panellists

Helping growers

How we are growing together... to ensure the right investments are happening at the right time

Strategic Investment Plans

In 2016/17, Hort Innovation partnered with industry to refresh or re-establish individual industry Strategic Investment Plans (SIPs). In all, 28 SIPs were consulted on, validated, and drafted. More than 100 meetings and events were convened to showcase drafts of the industry SIPs and to collect advice from growers. The Industry Representative Bodies (IRBs) were instrumental in helping Hort Innovation run the consultative process – a real partnership that ensured growers were informed, involved and empowered to have a voice in the strategic investment priorities of their industry.

As a result, most individual industries now have a new document that is the foundation for investment advice, specific to that industry. The targeted investment outcomes focus only on those priorities that address the biggest opportunities to make each sector more productive, profitable or competitive.

As the guiding documents for strategic levy investments, the SIPs are critical plans that guide the Strategic Investment Advisory Panels (SIAPs) as they provide Hort Innovation with advice on proposed levy investments. As part of Hort Innovation's commitment to monitoring and evaluation (M&E), each SIP includes an independent assessment of the likely impact associated with the proposed R&D, extension and marketing investments. These SIP impact assessments used cost benefit analysis (CBA) to assess the risk adjusted net

benefits over a 15-year period. The majority of SIPs use a static equilibrium model showing first round impacts on production volume and industry values. This modelling is consistent with the Council of Rural Research and Development Corporation (RDC) Impact Assessment Guidelines.

The SIP development process is one step in a continuous investment decision cycle now implemented at Hort Innovation.

- » The SIP impact assessment process provides Hort Innovation with a consistent, transparent and objective tool to support investment decision making and investment alignment.
- » Each SIP includes an M&E component to track investment progress based on key performance indicators. The SIP impact assessment process has informed M&E by identifying industry data requirements (and gaps).
- » Through the impact assessment and M&E, the SIP process provides a benchmark and a process to compare before-SIP expected impacts with the end-of-SIP realised impacts. This information will support a decision on whether outcomes have been achieved or whether additional investment in a particular area is justified. As such, the impact assessments support a structured approach to industry planning into the future.

In 2017/18, Hort Innovation will finalise the remaining SIPs – vegetable, melon, processing tomato, sweetpotato, pistachio, and pyrethrum.

Snapshot on SIPs

28

SIPs delivered

6

To be published

100+

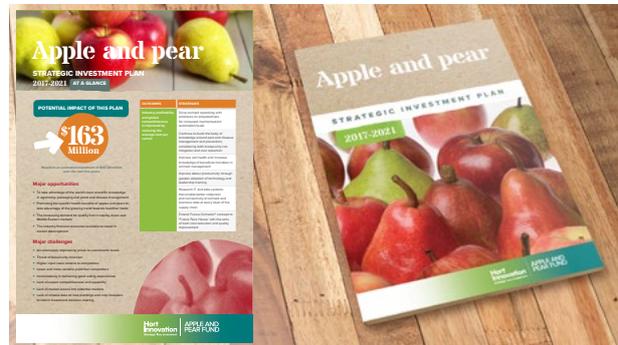
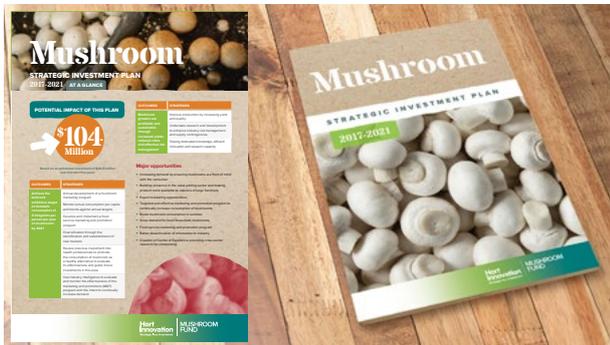
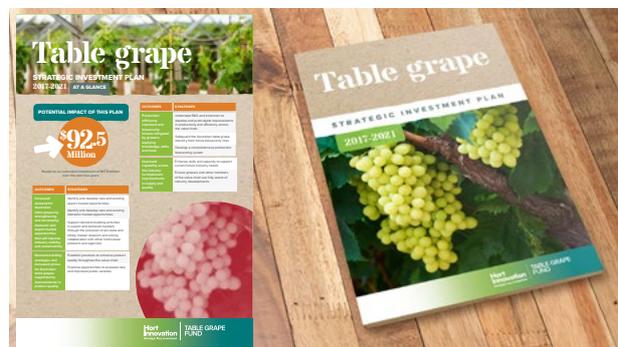
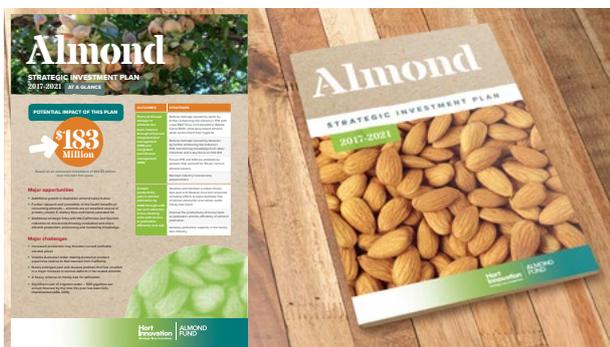
Face-to-faces with stakeholders

160+

Pieces of written feedback

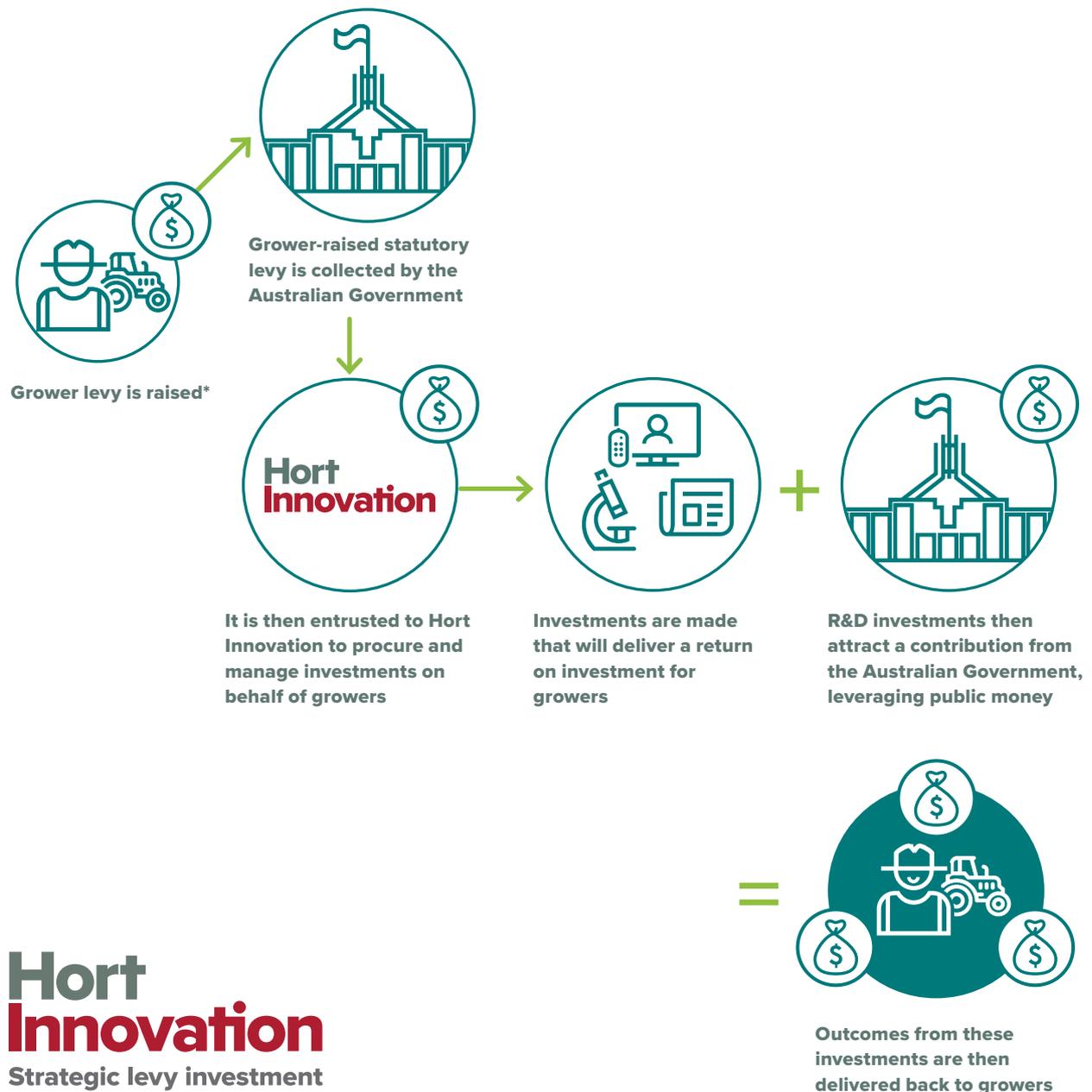
49

Additional industry-specific meetings



In 2017/18, Hort Innovation will work with industry to build SIPs for each Hort Frontiers fund, leveraging the existing Co-investment Strategic Intent (CSI) documents

How the levy system works



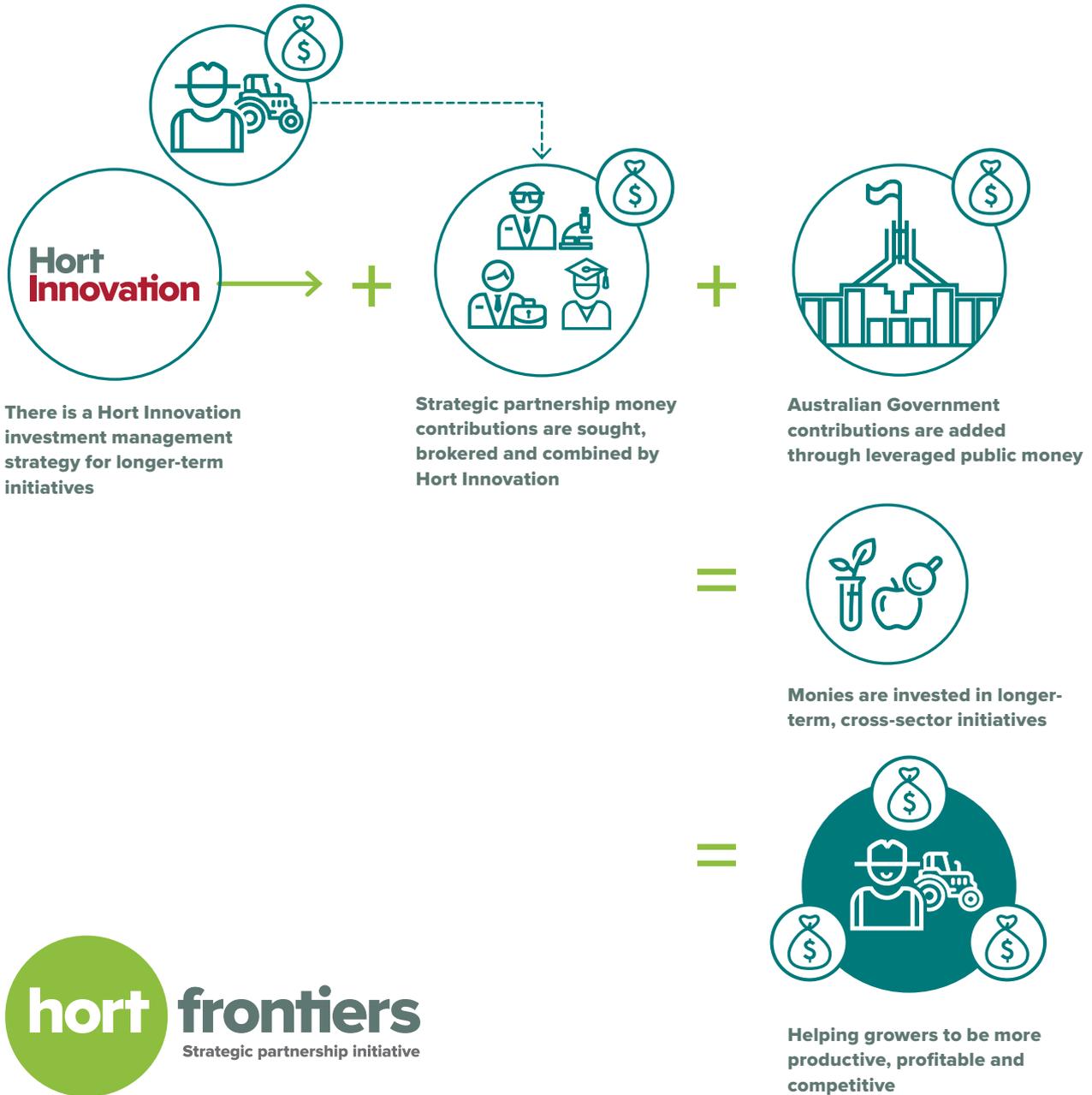
**Hort
Innovation**
Strategic levy investment

A levy is raised by growers* and 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 onto 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 by the individual industry Strategic Investment Advisory Panel (SIAP). Once money is spent, the Australian Government then helps share the costs of R&D investments by making a contribution to the investment, 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 part 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 want 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 SIAP.

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, they make 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.

Helping growers

Making sure the right investments are meeting strategic priorities

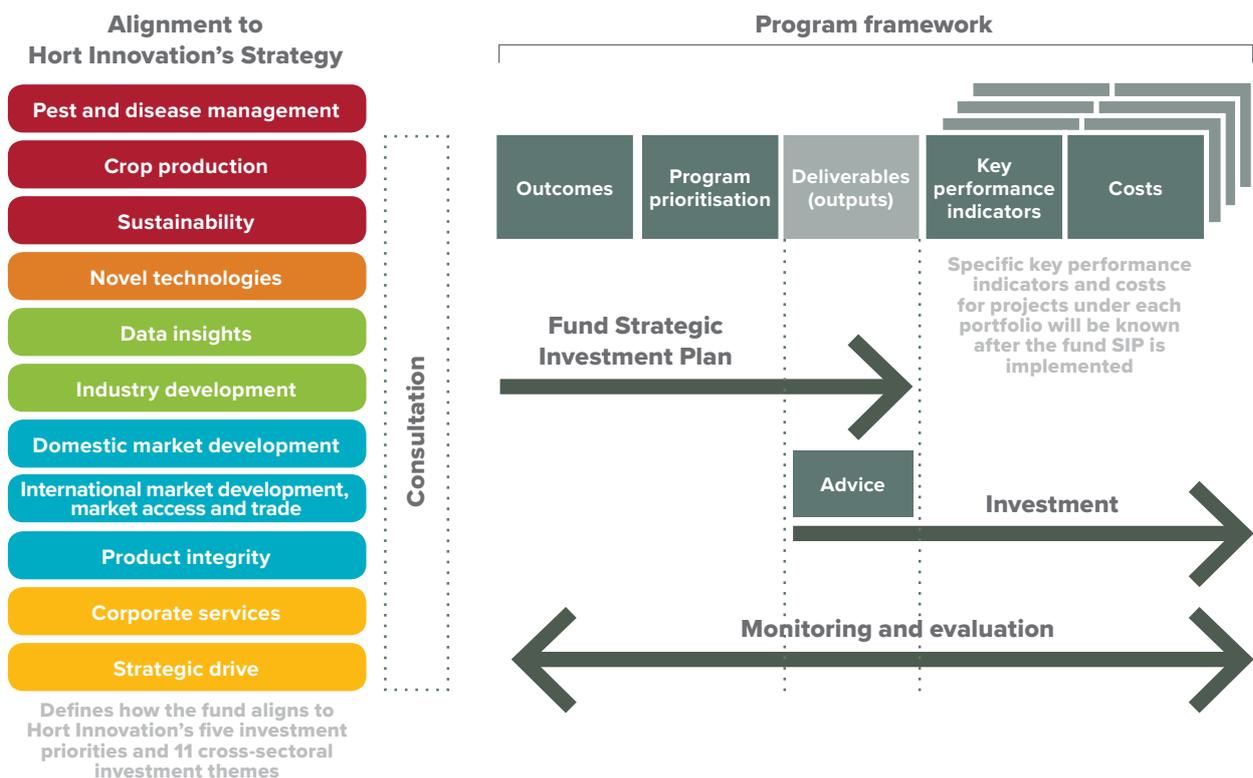
Hort Innovation’s Program Framework is the mechanism that links Hort Innovation’s overall strategy and investment priorities to the investment priorities of the Strategic Investment Plan for each strategic levy fund.

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. These themes were consolidated further and their alignment considered with the Australian Government’s Rural RD&E Priorities and National Science and Research Priorities (see page 23) to arrive at the five investment priorities outlined in the diagram on page 19.

The diagram also shows how each cross-sectoral investment theme relates to the five broad investment priorities.

The Strategic Investment Plans assist Hort Innovation to prioritise and implement strategic levy R&D and marketing programs. Dynamic reporting against the framework tracks progress, while the intention of investments of each levy fund strategy will be reported regularly including through annual reports and Hort Innovation’s Annual Operating Plan.

Hort Innovation’s Program Framework





Hort Innovation's investment priorities



Helping growers

A whole-of-industry partnership approach

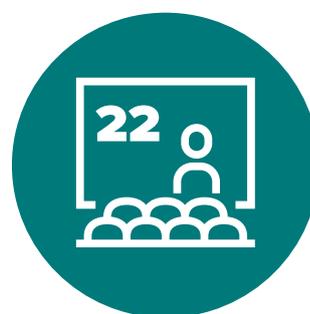
Industry Representative Bodies, the scientific community and national research, development, extension and marketing organisations – a whole of industry partnership approach

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

- » Representative bodies, such as Voice of Horticulture and individual Industry Representative Bodies (IRBs)
- » State and regional grower groups, such as Australian Horticultural Exporters' Association (AHEA), Growcom, and Bundaberg Fruit and Vegetable Association
- » The supply chain, such as PMA Australia-New Zealand Limited (PMA A-NZ), 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.

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 in this relationship with Hort Innovation due to their close relationship with the industry. They have strong networks that help to ensure industry investments are communicated and extended directly to growers, whilst also playing the distinctly different role to Hort Innovation in their advocacy endeavours.

IRBs are represented on each SIAP to ensure an 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 to produce, translate the science and disseminate information to growers, through hard copy, electronic or face to face communications.



In 2016/17, 22 events, such as conferences, were convened by industry, and supported by Hort Innovation using R&D levy funds



Working with other Research and Development Corporations to leverage the levy model

Hort Innovation’s current work with other Research and Development Corporations (RDCs) and organisations on cross-sectoral strategies will continue as it delivers compounding benefits for agriculture and rural communities and a positive effect on rural industries, which are often the lifeblood of these communities. Part of this work includes the horticulture component of other functions: The National Climate Change Research Strategy for Primary Industries (CCRSP); the National Soil Research, Development & Extension Strategy; Plant Biosecurity strategies; and the National Water Use in Agriculture RD&E Strategy. Hort Innovation works closely with horticulture industries to consider ways that each strategy allows for cross-sectoral investment that aligns with industry priorities.

Following approval of funding in June 2016, Hort Innovation is leading a number of projects (*Table 1*) as part of the Australian Government’s Rural R&D for Profit program. More than \$15 million has been allocated over the lifespan of these projects. Other RDCs will lead the additional four projects listed (about \$47 million over their lifespan) with support from Hort Innovation through levy monies, in-kind work, and participation in steering committees.

Hort Innovation is committed to RDC collaboration. We support all opportunities by regularly attending and contributing to business meetings and collaboration forums, including the following:

The Council of Rural RDCs: The CEO and Chairs meet twice a year to discuss RDC collaboration and joint projects, and to investigate other system efficiencies.

Communications Managers: The Communications managers network through quarterly meetings for the invited 15 RDC organisation members. These managers work collectively on important cross-communication issues, including collaboration across the RDC model, and on opportunities to create a consistent, shared narrative, and best practice principles.

Monitoring and evaluation (M&E) representatives: The Rural RDCs collaborate on performance monitoring and evaluation. An Impact Assessment Working Group provides the Rural RDCs with a forum to share their approaches to monitoring and evaluation, and lessons learnt. The RDCs share resources and reports that can help others to implement M&E. The Working Group meets as needed to discuss impact assessment and reporting within the RDCs.

Business Managers: Business Managers meet three times a year to discuss common issues. By sharing information, they reduce duplication of effort to build on the experiences of other RDCs.

IT Managers: IT managers usually meet the day before each business managers meeting to resolve common problems.

Table 1: Key RDC projects that Hort Innovation leads or supports

Lead RDC	Project name
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
Hort Innovation	Adaptive area-wide management of QFly using SIT: Guidelines for efficient and effective pest suppression and stakeholder adoption
Hort Innovation	Multi-scale monitoring tools for managing Australian tree crops – Industry meets innovation
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
Ag Futures (formerly known as Rural Industries Research and Development Corporation)	Securing pollination for more productive agriculture

Hort Innovation taking a leadership role in plant biosecurity

In March 2017, the nation's seven plant RDCs announced a new partnership approach to protect and enhance food, timber and fibre production. Headed up by Hort Innovation, the new partnership approach will improve research coordination, reduce duplication, and fill gaps in plant biosecurity research and development.

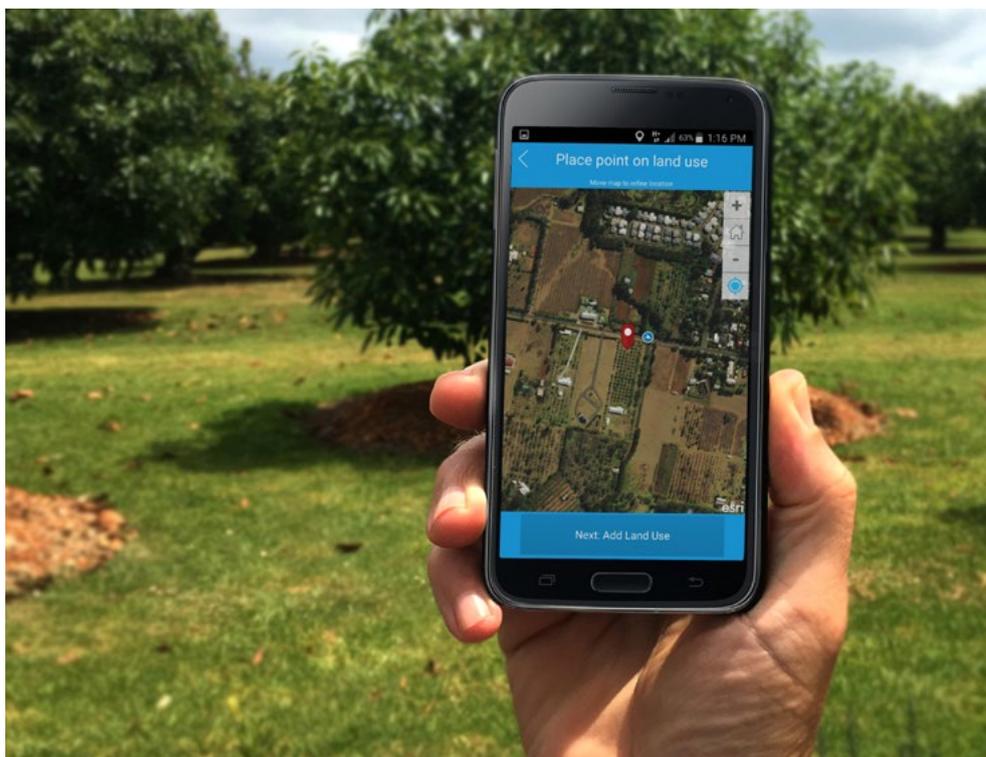
The seven members are Hort Innovation; Wine Australia; Forest Wood Products Australia; Cotton Research and Development Corporation; Grains Research and Development Corporation; Ag Futures, and Sugar Research Australia. Together, we are streamlining funding efforts and plan to grow biosecurity investment partners. This group will also create better links between industry research and the national biosecurity systems managed by the Australian state and territory governments, which means more leveraged effort and an even greater positive impact for industry.

Cyclone Debbie shows value of new app

In March and April 2017, when Severe Tropical Cyclone Debbie smashed into Queensland, citizen science (horticulture-style) stepped into action. To help with the recovery, researchers used data that growers had plugged into a new app. Earlier in the year, Hort Innovation and its partners had been encouraging mango, avocado and macadamia growers to log some basic information into an app developed as part of a Federal Government Rural R&D for Profit project.

Straight after the cyclone, that data was combined with satellite and aerial imagery to quickly develop a map that pinpointed orchards in the cyclone's path. The QLD Government State Disaster Coordination Centre and industry representative bodies used the map to assess damage and crop loss, which was an invaluable aid to the recovery. App development has been funded through the *Multi-scale monitoring tools for managing Australian tree crops – Industry meets innovation* Rural R&D for profit program, supported by Hort Innovation and the Australian Government Department of Agriculture and Water Resources' Rural R&D for Profit program.

Hort Innovation's reach in supporting leveraged investments was ever-present in 2016/17. We are proud to partner with other agencies to make an even greater positive impact on behalf of industry



Helping growers

Aligning with Australian Government priorities

The partnership approach Hort Innovation operates within illustrates the unique relationship that the RDC model holds with the Australian Government. In the model, co-contributions and leveraged public monies combine with industry levies to address market failure, and to deliver against whole-of-industry, shared priorities that are also in the public interest.

Importantly, all industry Strategic Investment Plans align with the Australian Government priorities, because they are linked to Hort Innovation's investment priorities.

Sector-wide strategic planning must go beyond issues that are specific to one commodity; it must express priorities and actions at a much broader level. In addition, 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 overarching National 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 Statutory 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 National Science and Research Priorities. We will monitor these through our Annual Operating Plan, as it relates to the Hort Innovation's Company Strategic Plan.



Hort Innovation operates within a Statutory Funding Agreement entered into with the Australian Government. This partnership allows the company the privilege of working with both government and industry to provide the desired outcomes from the combined public (government) monies and industry levies.

Alignment of our investment priorities with the Australian Government’s Rural RD&E Priorities and National Science and Research Priorities is shown in the following diagrams. These percentages are based on weight of investments (\$).

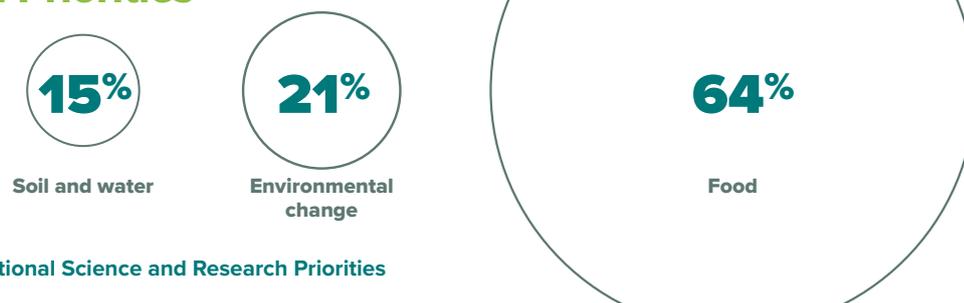
Australian Government Rural RD&E Priorities



Aligning with Australian Government 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 	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 	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 	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 	Novel technology including plant genetics, breeding, biotechnology, mechanisation, robotics and precision agriculture among others

National Science and Research Priorities



Aligning with National Science and Research Priorities

Rural RD&E 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 technologies
Soil and water	<ul style="list-style-type: none"> » Support industry efficiency and sustainability

Helping growers

Delivering investment outcomes to growers

Membership

Hort Innovation is the grower-owned Research and Development Corporation (RDC) for Australian horticulture. We are constantly engaged with our current members while continually encouraging new membership. This is a core component of our role. Hort Innovation wants a relationship with every Australian horticulture grower, as it is their levy that we are helping to invest. We want to work as closely as possible with growers so that growers 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.

At the end of June 2017, we increased membership to 2100 members – an additional 200 memberships since the last company annual report. We communicate through regular electronic media to a database of almost 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, which they can exercise at the company's Annual General Meeting.

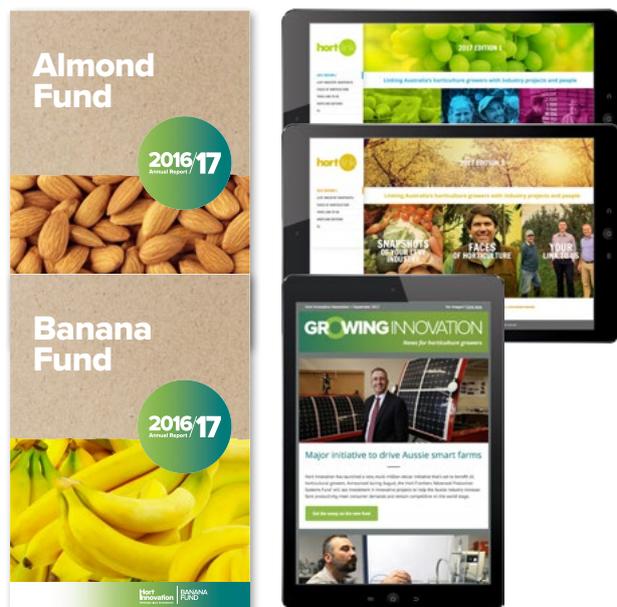
We consult widely with our members and interested growers. For each individual horticulture industry, we have to consider its size, geographical spread, diversity of growers, representative structures and the nature of supply chains, including export potential and intensity. The way we consult with our members varies, depending on industry needs. In 2016/17, 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
- » Engagement with Industry Representative Bodies

The quarterly publication *Hortlink* gives growers timely, relevant and accurate information on their levy at work. Sent to our members' inboxes, *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 industry representative bodies, 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.



The latest edition of Hortlink can be viewed from your industry fund page at www.horticulture.com.au/grower-focus

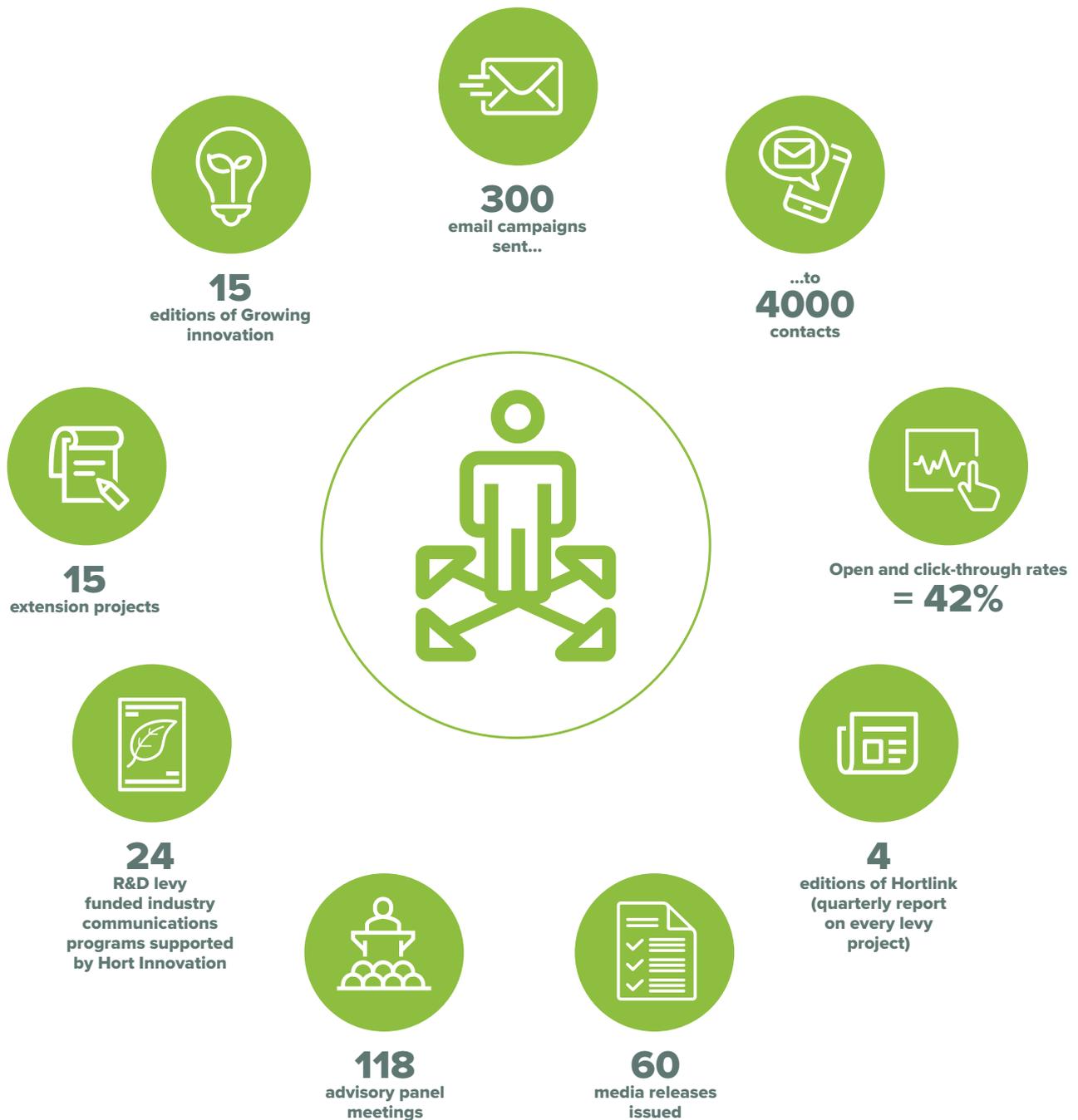
Industry Annual Reports can be viewed at www.horticulture.com.au/resources/fund-annual-report-portal

An example of Growing Innovation can be viewed at <http://bit.ly/2wxWmm5>

Are you a member?

Paying a levy does not automatically make you a member of Hort Innovation. If you haven't become a member, sign up for free at www.horticulture.com.au/membership or book a phone call from your industry's Relationship Manager, who can assist you, at www.horticulture.com.au/contact-me.

How we've connected with stakeholders in 2016/17...





Investment news

Hort Innovation has exciting investment news for all investment portfolios: strategic levy investment, Hort Frontiers, and trade and market access.

Investments

Telling the story of investments – strategic levy



Strategic levy investments remain Hort Innovation's core business



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 for enhancing the productivity, profitability and competitiveness of Australian horticulture.

Redoubling Australia's bee protection efforts

In an effort to maintain the health of Australia's bees along with the country's \$1.8 billion pollination-reliant industries, Hort Innovation launched the *Enhanced National Bee Pest Surveillance Program* (MT16005) in May 2017.

Hort Innovation, the Australian Honey Bee Industry Council and Grain Producers Australia are joining forces to deliver the \$3 million program that is bolstering bee surveillance at 32 of the nation's riskiest ports.

The delivery of this program is made possible through the apple and pear, avocado, almond, prune, macadamia, onion, raspberry and blackberry, strawberry and vegetable levies, and contributions from the Australian Government.

Led by Plant Health Australia, this project includes a boost in the number of catchboxes that trap exotic bees and pests at various ports, and more teams will be on the ground using nets to detect any exotic bees foraging on key plants within a 600 metre zone of the ports.

On top of that, there will be an increase in the number of honey bee hives located across these ports with surveillance officers trained in the latest hive inspection measures to detect Varroa mite and other exotic pests.

Engagement is continuing with Commonwealth biosecurity teams including Northern Australia Quarantine Strategy, Operational Science Services, and all state and territory governments and beekeepers throughout the program.

This Enhanced Bee Surveillance Program complements more than \$12 million in research Hort Innovation is delivering – with industry levies, its partners and contributions from the Australian Government – to protect and enhance the nation's pollinators. It follows on from the *National honey bee pest surveillance program*



PHOTO: Plant Health Australia

(MT12011), with the enhanced approach informed by the supporting *Statistical review and re-design of the National Bee Pest Surveillance Program* (MT14057).

Sterile Queensland fruit fly findings a valuable tool in fight against the pest

In 2013, a project titled *Area-wide integrated pest management using the sterile insect technique to control the Queensland fruit fly – SITplus* (MT13040) was contracted to the NSW Department of Primary Industries (NSW DPI). The research spanned several growers' properties near Stanthorpe in south-eastern Queensland, in a region known as 'Trap Rock'. Here, NSW DPI established an Area Wide – Integrated Pest Management (AW-IPM) Sterile Insect Technique (SIT) program to facilitate control of Queensland fruit fly (Q-Fly). The team applied a phased approach to control the pest including a pre-intervention phase, a population reduction phase, release phase and a maintenance phase. A number of findings resulted from the project, including:

- » AW-IPM that incorporates SIT was shown to be effective for the suppression of endemic Qfly in stone fruit under the conditions in the study and where pest pressure is relatively low
- » The lowest male and female wild fly pressure was experienced by the SIT treated orchards
- » There was a reduction in pesticide use across treatment orchards from up to four sprays per season over the entire orchard, down to one.



Learning consumer habits through national fruit and vegetable consumption research

Beginning in October 2016, the project *Consumption of juiced fruit and vegetables data analytics* (MT16008) comprised the investigation of a large and nationally representative data set to better understand how much fruit, vegetables and juice Australians report to consume.

CSIRO researchers also looked at how that consumption compared to the recommended dietary guidelines, using a very large sample of Australian adults captured through its CSIRO Healthy Diet Score platform.

This project was funded using citrus, vegetable and apple levies and contributions from the Australian Government.

When the project was complete in December 2016, growers had access to a comprehensive report of consumption nationally including breakdowns of gender, age, state, metro/rural, occupation and weight status.

The report found that only 24 per cent of women and 15 per cent of men are meeting both the fruit and vegetable guidelines, despite people believing they ate enough of each.

Men, younger adults, obese adults and unemployed adults were identified in this report as the key groups who need extra help increasing their intake.

Recommendations to help improve the number of Australians consuming fruit and vegetables included increasing the variety of fruit and vegetables adults eat and urging them to consume three different kinds of vegetables with dinner.



Arming industry with new data

In September 2016, Hort Innovation released the *Australian Horticulture Statistics Handbook*, produced as part of project *Horticulture Statistics Handbook* (AH15001), which offered the most comprehensive data available on all sectors of the Australian horticulture industry in one easy-to-read guide.

Featuring more than 470 pages of information drawn from the Australian Bureau of Statistics, international trade sources, domestic market pricing reporting services, Hort Innovation-funded data projects, and industry representative bodies, the handbook included data on more than 70 horticultural categories including fruit, nuts, vegetables, herbs, nursery, turf and cut flowers.

Areas of focus included production locations, supply chain information and import and export behaviours with the aim of providing a resource that helps industry, researchers and decision makers guide their business activities.

The handbook examines some of the changes in production and end-market dynamics that influenced trading patterns, such as a strong, favourable Australian dollar exchange rate combined with progress on trade agreements. It also reveals a number of key trends.

On top of this, the handbook has the potential to be used to help plan research and development and marketing projects, through the identification of gaps in industry data and benchmarking.

Delivered by Freshlogic using across-horticulture levies and contributions from the Australian Government, this project will continue through to late 2017.



Looking for your individual industry's Annual Report? Jump onto www.horticulture.com.au/resources/fund-annual-report-portal to download the complete report on your levy fund.



Partnership with industry

Hort Innovation works in close partnership with industry to support monitoring, prevention or – in the case of an incursion – responsiveness to biosecurity issues.

In 2016/17, a number of biosecurity investments were driven by industry and managed in partnership with Hort Innovation.



Hort Innovation monitoring and surveillance programs support the sector in identifying and managing biosecurity incidents.

Surveillance of tomato potato psyllid in the Eastern States and South Australia (MT16016)

Surveillance of tomato potato psyllid in the Eastern States and South Australia (MT16016) began in April 2017, with levy investment from the vegetable and potato industries. Its surveillance activities are designed to bolster psyllid surveillance already conducted under other industry work, for the early detection of tomato potato psyllid (TPP) should it cross from Western Australia into South Australia and the eastern states, including Tasmania. Surveillance involves potato crops as well as other solonaceous vegetables (including capsicum, eggplant and chilli), especially those grown in greenhouses.

The project continues to offer growers access to sticky traps for participation in the national TPP surveillance program, with over 400 traps distributed to growers in regions of Tasmania, Queensland, Victoria, New South Wales and South Australia.

The project also facilitates training workshops on TPP, which included how to identify the pest and the plant damage it causes. Sessions have so far been held in Echuca, Victoria and Forth, Tasmania in June; Virginia, South Australia in July.

RD&E program for control, eradication and preparedness for vegetable leafminer (MT16004)

Contracted in June 2017 for, and funded by, the vegetable and nursery industries, this project will bolster preparedness for and protection against the potential spread of vegetable leafminer (*Liriomyza sativae*) through Australian growing regions. The pest was first detected on the country's mainland in 2015, and is capable of infesting a broad range of crops.

Specific project activities will include developing information and resources for monitoring, managing and eradicating leafminer; reviewing and looking at accessibility of chemical and biological control options; and generally increasing awareness and understanding of vegetable leafminer in the relevant industries.

National Nursery Industry Biosecurity Program (NY15004)

The National Nursery Industry Biosecurity Program aims to ensure production nurseries in Australia are aware of and prepared for incursions of exotic plant pests, and that they have effective market access mechanisms in place to maintain business functionality.

Beginning in 2016, a key part of the project is the industry on-farm biosecurity program BioSecure HACCP, to underpin national market access with electronic certification. BioSecure HACCP assists growers in assessing pest, disease and weed risks and supports the implementation of management strategies within businesses. It is one program under the Nursery Production Farm Management System (Nursery Production FMS), which is now an entirely nationally governed and administered system that also includes the EcoHort system and the Nursery Industry Accreditation Scheme Australia, or NIASA, Best Management Practice program.

The project continues to develop BioSecure HACCP as a national market access system, and to carry out broader biosecurity-related activities for the industry, including meeting industry obligations under the Emergency Plant Pest Response Deed (EPPRD), particularly with the detected incursion of tomato potato psyllid in Western Australia earlier this year. It also continues to maintain the industry's minor use permit program as needed.

Minor use permits

Pesticides are a valuable tool for the horticulture industry. While the use of pesticides is being modified through the increasing uptake of integrated pest management, there is still a need for the strategic use of specific pesticides.

In the 2016/17 financial year, Hort Innovation prepared and submitted to the Australian Pesticides and Veterinary Medicines Authority (APVMA) a total of **101 new minor use permit applications, permit renewal applications and/or data submissions** on behalf of Australian horticulture industries. The majority of these applications resulted in new, renewed or extended permits, with the rest remaining with the APVMA for assessment. Minor use permits, including those actioned in the 2016/17 period, are reported on in Hort Innovation's individual industry annual reports, which you can find at www.horticulture.com.au/resources/fund-annual-report-portal/.

Permit applications included:

- » Straight renewals with no data required – 76 applications submitted and 73 issued and three pending with the APVMA.
- » Emergency Use Permit applications – one application submitted and one Emergency Use Permit issued.
- » New permit applications or submitting data to renew existing permits or to make any changes to existing permits – 24 applications submitted with eight permits issued and 16 pending.

101

In 2016/17 101 minor use permit applications were submitted. APVMA approved all applications assessed.



Hort Frontiers

Hort Frontiers is a new frontier for investment in horticulture

The **Hort Frontiers strategic partnership initiative** (formerly known as ‘Pool 2’) developed by Hort Innovation facilitates collaborative cross-industry investments focused on longer-term, often complex themes identified as critical for Australian horticulture into the future.



Hort Frontiers investments were made in 2016/17



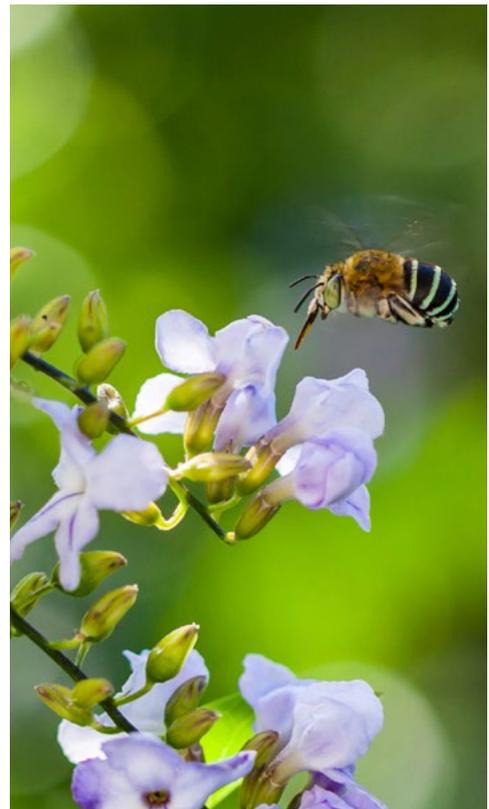
Co-Investment Strategic Intent (CSI) documents for each fund can be found at www.horticulture.com.au/hort-frontiers

In 2017/18, Hort Innovation will build on the CSI documents to establish Strategic Investment Plans for each Hort Frontiers fund.

In 2016/17 there were six separate funds each with their own key investment theme:

- » Pollination Fund (Ensuring sustainability)
- » 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)
- » *Advanced Production Systems Fund (Stimulating productivity) – announced outside of the financial year.*

Each fund is governed by a Co-Investment Strategic Intent (CSI) document that outlines key investment themes. For a proposal to be successful, it must fit within the context of the fund theme.



Hort Frontiers – investments in ACTION

POLLINATION FUND investment case studies

Strengthening and enabling effective pollination for Australia (PH15000)

In partnership with Plant Health Australia (PHA) this project will deliver sustainable pollination services for Australian crops by improving the understanding of pollination requirements. This project will also look at key threats to honeybees, and providing crop-specific resources to encourage growers to improve their pollination practices.

The project has three main research areas. First, it will determine current pollination requirements to provide honeybee stocking rate recommendations. Secondly, it will identify and develop management options for alternative pollinators to provide resilient pollination services. Thirdly, it will develop new tools to aid honey bee health through new testing methods for American Foulbrood (*Paenibacillus larvae*) and honey bee behaviours that confer resistance to *Varroa* mites.

This five-year research project will also determine current pollination requirements for specific fruit, vegetable and nut species, which have not previously been established.

Healthy bee populations for sustainable pollination in horticulture (PH15001)

This project consists of five focuses, which aim to fill key knowledge gaps.

- » **Characterising and securing alternative pollinators:** Reducing the dependence on honey bees by identifying the roles of different insect pollinators in the pollination of key horticultural crops in field situations.
- » **Increasing pollen and nectar on farms:** Developing an understanding of the contribution of floral resource species to bee colony and population health, and devise farm-level floral enhancement schemes.

- » **The effects of climate change on pollinators:**

Testing how climate manipulations influence the timing, quality and quantity of nectar and pollen available to bees.

- » **Bee virus research:** Determining what viruses are harboured by native bees and to what extent these are shared by honeybees.

- » **Grower involvement and adoption:** Informing and educating growers and land managers about bee population health – floral resources, diseases, soil and pest management.

More specifically, the project is conducting field surveys to estimate the diversity and abundance of flower visitors on a range of horticultural crops in field situations. Work will also determine which flower visitors transport pollen to and from flowers of a given crop species. In addition, the project will determine the effectiveness of floral visits for seed production, fruit set, size and quality in key crops using exclusion/inclusion experiments on test farms.

This information will be used to develop a database of plant species and floral resources known to be utilised by pollinator species present on farms to help growers better understand how they can boost on-farm pollination. The project will include a series of educational workshops/field days directed specifically at growers and land managers. The process will involve strong collaboration and continuous consultation with key contacts in order to obtain new knowledge of the diversity of pollinators, and to increase in grower understanding of the importance of diverse pollinator species.

Fund investments

- PH15000 Strengthening and Enabling Effective Pollination for Australia
- PH15001 Healthy bee populations for sustainable pollination in horticulture
- PH16001 Increasing yield and quality in tropical horticulture with better pollination, fruit retention and nutrient distribution



SUPPORTING A HEALTHY POLLINATION FUTURE

The Pollination Fund aims to enhance and support existing pollinators, and identify the most effective pollination methods for various horticulture crop types.



Investments in action



FORGING AUSTRALIAN HORTICULTURE'S EXPORT FUTURE

Utilising the work of Hort Innovation's dedicated Trade Unit, the Asian Markets Fund aims to strengthen trade opportunities in the arc between Jordan and Japan.

ASIAN MARKETS FUND investment case studies

Serviced supply chains (AM15002)

This project aims to monitor conditions of supply chains to Asian markets, to improve the quality of exported fresh produce. It currently includes the following commodities: mangoes, summer fruit, citrus and table grapes. Temperature loggers are included in consignments and tracked to identify problems and/or large increases in temperature, with the plan to feed this information back to the supply chain so they can reassign the consignment to a different market or improve the conditions in the supply chain.

Asia Fruit Logistica (AM16002)

Asia Fruit Logistica is Asia's largest horticultural trade show, with over 11,000 key decision makers attending the event from over 74 countries. In 2016, Hort Innovation helped 29 industries and organisations to be on display at the event, attracting more delegates and interest than any other country. The Asian Markets Fund not only helped a number of these growers be present at the event, but actively networked them with a number of key buyers from the Asia region.

Fund investments

- AM15000 Now! In Season
- AM15002 Serviced supply
- AM15007 Australia Fresh
- AM15010 Australian Fresh Collaborative Market Development Program – Nuts
- AM16001 Asian Market Intelligence & Data Insights
- AM16002 Asia Fruit Logistica 2016/17 (Hong Kong)
- AM16003 Fruit & Vegetable Fair – FVF (Beijing)
- AM16004 World of Perishables – WOP (Dubai)
- AM16006 National Farmers Federation (NFF)



FRUIT FLY FUND investment case study

SITplus: Port Augusta Qfly SIT factory pilot operation (FF15000)

Jointly funded by Hort Innovation and the Government of South Australia, construction of a purpose-built, \$3.7 million sterile Queensland Fruit Fly (Qfly) facility in Port Augusta, South Australia, will culminate with the release of sterile flies in 2018.

Designed to allow production of at least 50 million flies per week, the Port Augusta facility has been engineered with strict environmental control and low energy use targets. Computer controlled environment systems, cool-room type wall insulation (bondor walls) and a lack of windows all contribute to the ability to manage temperature to within 0.5 degrees – which is important for consistency in fruit fly batches. The use of bondor walls allows low-cost expansion of the factory if demand exceeds current plans, and solar power means operating costs will be minimised.

The development of the Qfly facility is just one facet in the more than \$45 million 'SITplus' (Sterile Insect Technique plus) partnership that aims to deliver an integrated solution to the management of Qfly. The program involves a consortium of research organisations and includes more than 15 individual projects.

Fund investment

- FF15000 SITplus: Port Augusta Qfly SIT factory pilot operation



WORKING TOGETHER TO GIVE FRUIT FLY THE FLICK

The Fruit Fly Fund has a simple aim: to control fruit fly populations that can impact the productivity of Australian horticulture.

GREEN CITIES FUND investment case studies

Which plant where, when and why database (GC15002)

This project brings together a consortium of researchers from Macquarie University and Western Sydney University to investigate the suitability of various plants species under current and future climate scenarios. The project is the first of its kind, and will culminate in an online interactive tool that will map the distribution of suitable habitats for various plant species across Australia. It will be relative both now and in the future as our cities get hotter and our climate patterns change.

The tool will be publicly available, designed for use by a wide range of stakeholders from nursery and turf growers, to developers, landscape planners and designers, councils, and individuals. Users will be able to select from a range of filters to choose the right species of plant for various urban areas – from street plantings, to housing developments and open spaces.

Details on the heat mitigation properties of various plants and their ecosystem benefits, such as pollination and improvements to soil quality will also be available. A national best practice technical design guide will be developed as part of the project to demonstrate best-practice case studies of species selections around Australia.

Greener cities – healthier lives (GC15005)

This project, in partnership with the University of Wollongong, will provide the first systemic evidence on the health benefits of green space to people, from birth to older age.



It will provide industry and policy makers with evidence-based research on the minimum threshold of local green space necessary for favourable health and societal outcomes through an investigation into five key research questions:

1. Does a greener neighbourhood buffer the harms of air pollution to promote better pregnancy health outcomes and give children in urban areas a healthier start in life?
2. Do adults in greener areas stay mentally healthy, keep slim and physically active over time, resulting in a lower risk of developing certain cancers and cardiometabolic diseases such as Type 2 Diabetes?
3. Do adults living in greener neighbourhoods visit general practitioners less, take fewer medications, stay out of hospital for longer and use fewer health sector dollars as a consequence?
4. Does more green space translate into better educational outcomes because children are healthier and have spaces to grow socially, interact and be physically active?
5. What types or features of green spaces are preferred by older adults, how do these preferences vary between social and cultural groups, and how do they manifest in terms of outdoor recreation?

Fund investments

GC15001	Expanding the living architecture industry in Australia
GC15002	Which plant where, when and why database
GC15004	Measuring Australia's green space assets
GC15005	Greener cities – healthier lives
GC16000	Investigating the influence of green infrastructure on demountable building performance



SUPPORTING THE CREATION OF GREENER CITIES

The Green Cities Fund brings together a range of partners to research and demonstrate the benefits of increased urban greening.

Investments in action



DELIVERING SAFE, NUTRITIOUS AND HEALTHY PRODUCE

The Health, Nutrition & Food Safety Fund focuses on research to support consumer confidence by developing novel products, technologies and processes for high quality, safe and nutritious produce and value-added food derived from fruit, vegetables and nuts.

HEALTH, NUTRITION & FOOD SAFETY FUND investment case studies

Naturally Nutritious (HN15001)

One of the main objectives of the Naturally Nutritious project, led by the University of Queensland, is to provide initial research into innovative and appealing products that are nutrient-dense, can be differentiated in the marketplace, and are visually attractive and flavoursome.

Naturally Nutritious addresses key investment themes within the Health, Nutrition & Food Safety Fund including the development of value-added nutritional foods and consumer preference for differentiated and nutritious Australian fresh produce.

This project focuses on the following research areas:

1. Screening of germplasm and exploratory bioprospecting for nutrition-enhanced products to create nutrient-dense fruits, vegetables and nuts
2. Building the evidence base for the nutritional benefits of fresh produce
3. Identifying nutritional value decline in the supply chain and means of preserving nutritional content to point of consumption.

New technology for sanitising fresh produce and nuts (HN15000)

Contamination of fruits, vegetables and nuts can be a significant challenge for the horticulture industry and can negatively affect the management and maintenance of a 'clean, green and safe' reputation, both in the domestic and export markets.

There are opportunities to improve the current use of chemical sanitisers such as chlorine in postharvest decontamination which can be limited in their effectiveness, leave behind residues and impact the environment.

New technology has recently emerged as a non-thermal option for killing or inactivating a broad range of microorganisms such as bacteria, mould, yeast and viruses.



This project, led by NSW Department of Primary Industries, is focusing on the development of a new tool to reduce food safety risks to both consumers and industry. The first phase of the project, working in collaboration with international research partners, commercial partners and others, will assess the use of cold plasma technology to decontaminate fresh horticultural produce and nuts to mitigate the risk of food safety incidents and boost consumer confidence.

The project aims to:

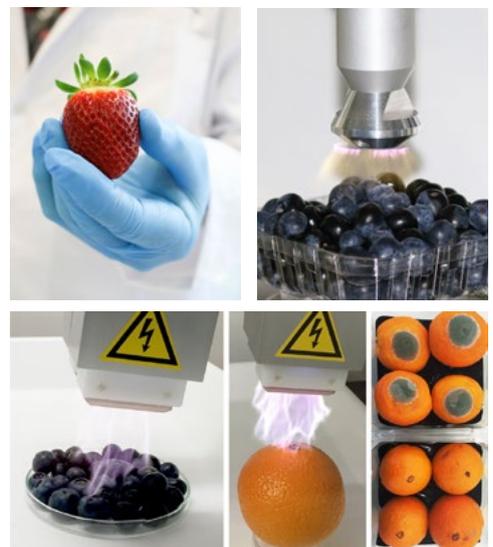
1. Develop cold plasma treatment protocols to achieve food safety and decay control in a range of horticultural products without affecting product quality
2. Design and build a cold plasma treatment prototype to validate laboratory experimental results and to scale up the technology
3. Scale-up and commercialise cold plasma technology by collaborating with technology partners and horticultural industries.

Fund investments

HN15000 New technology for sanitising fresh produce and nuts

HN15001 Naturally Nutritious

HN16001 Consumer insights into nuts



LEADERSHIP FUND investment case studies

Global Masterclass Horticulture (LP15001)

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, and the leading Australian horticulture university, the University of Tasmania.

Best described as a mini-MBA, the Masterclass is available to growers and people working in the supply chain looking to take their business to the next level. Up to 30 selected industry leaders each year will be exposed to nine-month program of learning that focuses on global trends in agriculture and horticulture, international business, innovation, value chains, and governance and risk.

The first Masterclass commenced in February 2017. There will be 30 participants selected each year for a total of five years.

Attracting new entrants in horticulture (LP15006)

This project will attract newcomers to the horticulture sector and drive innovation by

building a new pool of industry leaders. Under this investment, final year university students from a range of disciplines are encouraged to apply for a paid internship within the horticultural sector, gaining real life experience and exposure to the variety of exciting career paths.

Following graduation, the host businesses are encouraged to employ the intern, with Hort Innovation co-investing to support the first year salary and participation in a five-day leadership program.

The program is being led by specialist recruitment company Rimfire Resources, with the Australian Rural Leadership Foundation engaged to provide industry wide leadership training to successful graduates in their first year of employment.

Fund investments

LP15000	Horticulture Nuffield Scholarship 2016
LP15001	Global Masterclass Horticulture
LP15006	Attracting New Entrants into Australian Horticulture
LP15007	National PhD scholarship coordinator
LP16000	Leadership training for women in Australian horticulture
LP16002	Churchill Fellowship



IGNITING THE NEW HORTICULTURE GENERATION

The Leadership Fund identifies, builds and empowers future industry leaders at all stages of their career.

www.vimeo.com/205315959



Investments

How trade is tipping the scales in favour of growers



The international markets for Australian products continue to be North Asia and the Middle East. Australian exports of fresh horticultural produce to Asia have increased 9% between 2015-16 and 2016/17 to be worth \$1.58 billion dollars. This compares to a 3% decline in total exports over the same period. As a result, exports to Asia have increased their share of total horticultural exports from 68% to 77%.

Hort Innovation works closely with Australian horticulture growers to develop export opportunities and to build markets overseas where consumers recognise value and appreciate premium products. Grower levies also develop domestic markets. These duties are in Hort Innovation's Constitution.

In the export space, Australia is focused on maximising our strengths, with Australian horticulture's main opportunity to export premium-quality fresh food. We want to build recognition of Australian horticulture products so they stand apart – for taste, quality, clean, green, proximity, and 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 works with industry to support trade endeavours. 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.

... exports to Asia have increased their share of total horticultural exports from 68% to 77%.



Australian horticulture exports snapshot

Value of the top five fresh export markets 2016/17



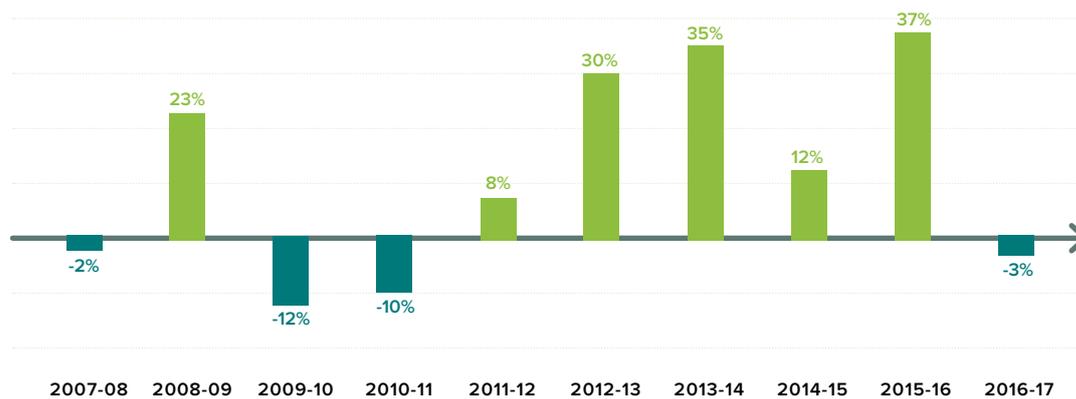
China	\$319.9M	▲	33%
Hong Kong	\$207.8M	▼	-1%
Japan	\$167.6M	▲	23%
India	\$145.8M	▲	19%
Vietnam	\$118.2M	▲	155%

Value of the top five fresh export products 2016/17



Almonds	\$461.2M	▼	-25%
Table grapes	\$372.7M	▲	1%
Macadamias	\$291.0M	▲	19%
Oranges	\$223.8M	▲	11%
Mandarins	\$100.2M	▲	18%

Value change in Australian fresh exports over 10 years



A timeline of trade milestones

**Jul
2016**

July 2016: Horticulture industry accelerated Asian trade offering

Off the back of the creation of its dedicated trade arm in 2015, Hort Innovation launched a multimillion dollar initiative to strengthen export opportunities in the arc between Jordan and Japan.

The new dedicated Asian Markets Fund focuses on everything from boosting industry's capacity to export and building stronger relationships with key countries to obtaining vital trade data insights, and driving efficiencies along the value chain.

**Sep
2016**

September 2016: Industry joined forces to show Australia Fresh is best

Hort Innovation helped 29 industries and organisations to showcase Australian produce at Asia Fruit Logistica in Hong Kong. Asia Fruit Logistica is an annual world-leading trade show and the Australia Fresh pavilion attracted more delegates and interest than any other country's display.

**Sep
2016**

September 2016: Introduced Aussie nectarines to Shanghai importers

Following the signing of a new export protocol and in the lead up to the first season of Australian nectarines to arrive in China, Hort Innovation and the Victorian Government showcased the fruit at a special event in Shanghai.

About 100 importers and retailers were in attendance, gaining Australia valuable exposure to key stakeholders from a country that is the second largest consumer market in the world.

**Nov
2016**

November 2016: Middle East importers got a taste of Australian produce

Producers from key growing regions across Australia descended upon the World of Perishables trade expo in Dubai to showcase their produce to the eager Middle East market.

The group – led by Hort Innovation and joined by Industry Representative Bodies – occupied an eye-catching two-storey Australian produce exhibit at the World of Perishables. More than 7000 people including key government officials, importers, wholesalers and suppliers entered the event doors over three days.

**Jan
2017**

January 2017: Driving a 40 per cent rise in vegetable exports

The future is bright for Australia's vegetable industry, following the release of an industry strategy in January that aims to increase the value of vegetable exports to \$315 million, or by 40 per cent, by 2020.

The *Vegetable Industry Export Strategy 2020*, developed in conjunction with AUSVEG, outlined a range of methods to help more growers and the wider industry export Australian vegetables to overseas markets.

**Feb
2017**

February 2017: \$16.5M to bolster Australia's export reputation in Asia

Hort Innovation announced a \$16.5M strategy to take the nation's reputation for delivering premium produce in Asia to new heights.

The national four-year project will explore a tightening of export operations along all stages of the supply chain – from the way produce is packed, to how it is stored, to shortening the time from picking to it arriving on supermarket shelves.



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.

Corporate strategies

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

As a grower-owned organisation, we have consulted widely with our stakeholders to develop our corporate strategies. From the company's inception, we have used a range of methods to gather ideas and input from stakeholders. Significantly, much of our consultation has been through direct connections; we prefer to meet people and organisations in person, right across the spectrum of our stakeholder groups.



How we've connected with stakeholders



300 email campaigns sent...



...to 4000 contacts



Open and click-through rates = 42%



118 advisory panel meetings



4 Hortlink editions (quarterly report on every levy project)



15 Growing Innovation editions



15 extension projects

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 our delivery partners – as well as the wider agricultural sector, and the Australian public.

To reach them – with different messages of different complexity – we use a full range of communication channels. We are believers in the traditional power of 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, so we will 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 have established 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 what they have produced) is available with the regularity and availability 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 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 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, helping growers maximise their returns. Hort Innovation helps industries to develop export opportunities and invests 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 want to set the highest standards in agriculture in the delivery and adoption of investment outcomes. We want to support leadership in the industry through our investments in capacity building, succession planning and education. We see leadership as an outcome that all of our stakeholders are invested in.

Excited by our role as a grower owned company, Hort Innovation has reinvigorated our internal culture to produce 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 both develop to their full potential and deliver the required results.

How we've delivered on investments



Corporate strategies

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	Progress to date...
<p>Communications strategy – Implement a holistic communications strategy to link all face-to-face and other channel communications together in one plan.</p>	<ul style="list-style-type: none"> » The communications strategy is continuing to be implemented » Across a 12-month period, over 300 campaigns were sent using the CRM data base to approximately 4,000 contacts with information for growers on the levy system, investments (strategic levy as well as Hort Frontiers), engagement opportunities, as well as important company information including details of the Annual General Meeting. » The stakeholder sentiment survey scoping commenced earlier in the year. A procurement process has been run and the project will commence before the end of the calendar year. » A Grower Resource Centre was successfully deployed on the Hort Innovation website; a one-stop shop where growers can access outputs from levy investments. » A Delivery Partner Portal was launched; an access point for all delivery partner brand and reporting requirements and documentation.
<p>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’.</p>	<ul style="list-style-type: none"> » Large scale, high-reach, multi-industry media campaigns, for example the opening of the Horticulture Innovation Centre for Robotics and Intelligent Systems (HICRIS) and the Masterclass in Horticultural Business social media presence have greatly enhanced the brand of the company.
<p>Advisory mechanism – Implement and manage a successful fit-for-purpose advisory mechanism, panels and process to seek advice and inform investments in RDE&M.</p>	<ul style="list-style-type: none"> » The advisory mechanism is functioning well, with advice being sought from relevant, appropriately skilled stakeholders – from growers to supply-chain and Industry Representative Body personnel; every relevant industry had at least two Strategic Investment Advisory Panel (SIAP) meetings in 2016/17. » The concept pipeline has received a healthy number of ideas – 1050 concepts have been submitted from a cross section of stakeholders for consideration since implementation. » A summary of each SIAP meeting is consistently posted on each relevant grower page of the Hort Innovation website for transparency for all levy payers and members.

Activities (continued)	Progress to date...
<p>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.</p>	<ul style="list-style-type: none"> » A new partnership between Hort Innovation R&D team and communications team to review and provide advice on industry communications publications has been valuable in streamline communication across sectors, delivery partners, Hort Innovation and Industry Representative Bodies.
<p>Membership – Manage membership application processes including allocating voting rights and managing processes at the AGM.</p>	<ul style="list-style-type: none"> » Membership strategy diagnostics and recommendations have now been completed and progress towards implementation is underway. » The streamlining of voting verifications was achieved after a favourable resolution at the 2016 Hort Innovation AGM was brought and approved by an almost 100 per cent majority.
<p>Feedback mechanism – Develop and manage a feedback, complaints and continuous improvement process to listen, investigate root causes, and learn from our feedback.</p>	<ul style="list-style-type: none"> » A workflow has been integrated in the document management system whereby stakeholders and staff alike can input feedback via an online form, which then get triaged, resolved and the data captured for reposting against risk and sentiment with regards to feedback. » With the feedback system activated, a number of pieces of feedback have come through the formal online feedback mechanism; a program on reminding staff to log pieces of feedback so the business can respond, track and monitor sentiment is underway. » The convening of a SIAP Chairs check-in meeting to review the operationalisation of the advisory mechanism was achieved. » The company is always seeking both formal and informal feedback from its stakeholders. A formal feedback collection system has been implemented via on an online form or feedback forms returned after each meeting.
<p>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.</p>	<ul style="list-style-type: none"> » The CRM is operational and has been successfully deployed to support capture of member information, communications needs and stakeholder engagement data. » Exploration is underway to find a technology solution to searching and downloading investment final reports to make it easy for growers to access such documents.

Corporate strategies

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 company now orientates itself around a Fund-Centric model of business operations to ensure investments are at the core of the operating rhythm.
<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>	<ul style="list-style-type: none"> » Each Hort Frontiers Fund has been able to secure substantial investment above and beyond the Australian Government contribution. » The Hort Frontiers Investment Manager's roles are to identify and convert potential partners to seed funding for Hort Frontier Fund projects across the seven funds. » Considered pieces of communications for grower, member and partner audiences are being crafted off the back of the company's new branding story, which describes the difference between strategic levy investments (or what was once known as 'Pool 1) and the Hort Frontiers Fund (previously known as 'pool 2'). » Each of the seven Hort Frontiers funds has an Expert Advisory Panel, which is convened to review co-investment concepts and provide formal advice on the portfolio balance and scope of the fund. » Strategic intent documents have been produced for each of the seven Hort Frontier Funds. A review and refresh of these documents will be undertaken in 2017/18. » All Hort Frontier investments are reviewed by the company in line with good procurement and governance procedures; this information is used to provide additional guidance in the investment planning process.
<p>Strategic Investment Plans (SIPs) – Implement and manage a process to establish and review SIPs for all funds.</p>	<ul style="list-style-type: none"> » Strategic Investment Plans (SIPs) for levy paying industries are drafted for 28 industries; five remaining will be finalised in 2017/18. As new industries are on boarded with a new levy, a SIP will be developed for those industries. » SIPs are used by advisory panels as guiding documents to give sound investment advice based on the priorities outlined by growers.
<p>Procurement process – Implement and manage a new procurement process for greater transparency and contestability to deliver improved value for money.</p>	<ul style="list-style-type: none"> » All investments are in alignment with national RD&E priorities » The company's procurement process provides good financial governance around the procuring of goods and services; continuous improvement through staff training and education is ongoing.

Activities (continued)	Progress to date...
<p>Evaluation framework – Implement a monitoring and evaluation framework at all levels of investment (project, fund and corporation).</p>	<ul style="list-style-type: none"> » Progress is underway to build a communications video that tells the story of investments from the point of view of the innovation funnel and process; how the company sources, manages, consults and procures investments.
<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>	<ul style="list-style-type: none"> » A workflow system has been implemented from concept to contracting. » The concept pipeline has received a healthy number of ideas – 1050 concepts have been submitted from a cross section of stakeholders for consideration since implementation.
<p>Portfolio compliance – Ensure current and future portfolios remain compliant against the new Statutory Funding Agreement (SFA).</p>	<ul style="list-style-type: none"> » Currently underway, a new suite of fit-for-purpose contracting documents are being prepared and will support a streamlined relationship between delivery partners and the company. Such documents will be made available on the Hort innovation Delivery Partner Portal
<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>	<ul style="list-style-type: none"> » Launching of the Organisational Trade Framework in October 2016 marked a milestone in the newly established Trade Unit. The framework seeks to align the trade agenda with a systematic and coordinated approach. » The advisory mechanism for providing expert advice to Hort Innovation and the Australian Government is via the industry Trade Assessment Panel (iTAP), the industry nut Trade Advisory Panel and the Trade Advisory Panel (TAP); these panels continue to develop as effective advisory panels. » Canvassing input from industry is vital for developing any support for exports and market access. Briefings have been held with a wide range of individual growers, industries, forums, panels and workshops, including as part of the development of the Strategic Industry Advisory Plans. » The new market access template has been uploaded to the Hort Innovation Trade and Market Access website for accessibility by all stakeholders. The Hort Innovation panel that assesses trade is functioning well and reviewed a wide range of market access applications from industry. » Progress was well underway to refreshing the Australia Fresh brand in 2016/17; Taste Australia was launched at the beginning of August 2017. Taste Australia is the new umbrella positioning for Australian horticulture activities overseas supported by Hort Innovation. Taste Australia is also the positioning in collaborative activity with the meat, dairy and wine industries.
<p>Systems to support delivery of investments – Implement upgraded systems across finance, procurement and innovation workflow.</p>	<ul style="list-style-type: none"> » Through enhancements in technology and team skills, the company continues to improve contracting requirements, the expense management system, and overall financial reporting capability.

Corporate strategies

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 co-investment 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"> » A refreshed program for on-boarding new staff is underway to ensure high performance from the start. » The Hort Innovation Behavioural Capability Framework is well embedded within the business and is reflected in various people processes, including recruitment, recognition, and performance management (via a new, easy to use online tool). » A program of work has commenced with senior staff to build capability in leading authentically in an environment of continuous change and innovation. Individual action planning is integrated into Personal Development Goals. » Retaining and developing talent is integrally linked to succession and workforce planning at Hort Innovation and senior staff are undertaking a program to identify and manage talent in the business. » The peer recognition program implemented by Hort Innovation has greatly contributed to an uplift of staff engagement and an increase in the Employee Net Promoter Score from -7.2% in 2015-16 to 16% in 2017/18 (compared to an Australian average of -23%).
<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"> » An internal communications plan has been drafted to effectively the dialogue with staff on the Hort Innovation brand and value proposition.
<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"> » Other RDC strategic investments are considered and may be included in Hort Innovation investment portfolio, for example within the Rural R&D for Profit program or the Plant Biosecurity Research Initiative.

Activities (continued)	Progress to date...
<p>Diversity and citizenship – 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"> » Hort Innovation continues to strive for a culture of diversity and inclusion based on sound practices and policies to support its long term success and strategic vision. » Hort Innovation continuously reviews its Workplace Health and Safety practices to ensure obligations under work health and safety policy, regulations and laws are met. In the financial year, no lost time injuries were experienced and three minor worker's compensation claims were lodged and all closed within several months. » To support the integration of sound people procedure, Hort Innovation undertakes an annual review of its people policy. » Each business unit has undertaken a review of the risk framework relevant to their area of business. The risk management framework and actions are regularly reported to the company's Audit and Risk Committee and Board. » All staff are on track to be trained on risk management and systems of good governance. » The Operational Risk Framework is complete and staff have been on-boarded. » Operational Risk workshops will be implemented to ensure staff at all levels identify and manage risks appropriately. » Fraud Risk awareness at executive and Board level has been achieved, with regular reviews now to take place. » Training of all management and staff on the identification of fraudulent activity has been achieved. » Annual reviews of the company's Risk Management Policy and Framework, as well as Board risk register are being conducted in line with the organisation's risk strategy. » All incoming Board members are inducted to the position during a face to face briefing session that covers roles, responsibilities and corporate governance.

Investment priorities

Keeping KPIs front and centre

Implementation of KPIs outlined in the Strategic Plan

In addition to the corporate strategic KPIs, Hort Innovation is also measured against how we are delivering on the five investment priorities, which spring from the 11 cross-sectoral themes. Below is a snapshot of investments that demonstrate Hort Innovation’s progress towards delivering on the full planned investment.

INVESTMENT PRIORITY: Grow the horticulture value chain capacity	How we are contributing to the investment priority		
<p>Hort Innovation action: Grow the capacity of the industry by driving grower and supply chain capabilities and delivering industry and market intelligence.</p>	<p>Gross Value (data by estimated value of agricultural operations of \$40,000 or greater)</p>		
<p>Cross-sectoral investment themes</p>	Vegetables (\$M)	3,585.4	Change in value since 2014-15 9.3%
<p>» Data insights (RDM&E)</p>	Fruit and nuts (excluding grapes)	4,224.6	Change in value since 2014-15 25.3%
<p>» Industry development (RD&E)</p>	Nurseries, cut flowers and cultivated turf	1,296.3	Change in value since 2014-15 7.0%
<p>Key performance indicators</p>	<p>Fruit and nuts (excluding grapes) contributed \$4.2 billion to the total value of Australian agriculture in 2015/16, up 25% on 2014/15</p>		
<p>» 7.5 per cent increase in horticulture GVP by 2018</p>	<p>Vegetables contributed \$3.6 billion to the total value of Australian agriculture in 2015/16, up 9% on 2014/15</p>		
	<p>Nurseries, cut flowers and cultivated turf contributed \$1.3 billion to the total value of Australian agriculture in 2015/16, up 7% on 2014/15</p>		
	<p><i>* Source: ABS. 28 July 2017. 7503.0 – Value of agricultural commodities produced, Australia, 2015-16.</i></p>		

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"> » 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 » 10 per cent increase in the value of horticulture exports by 2018 	<p>The growth in the 12 months to June 2017 of household expenditure on fresh produce was:</p> <table border="1" data-bbox="659 524 1278 1016"> <tbody> <tr> <td>Total fresh fruit/veg/dried fruit and nuts</td> <td>7.3%</td> <td>(Compound annual growth rate July 2011 to June 2017 was 5.7%)</td> </tr> <tr> <td>Fruit and vegetables</td> <td>7.8%</td> <td>(Compound annual growth rate July 2011 to June 2017 was 5.9%)</td> </tr> <tr> <td>Fruit</td> <td>6.0%</td> <td>(Compound annual growth rate July 2011 to June 2017 was 5.8%)</td> </tr> <tr> <td>Vegetables</td> <td>9.3%</td> <td>(Compound annual growth rate July 2011 to June 2017 was 6.0%)</td> </tr> <tr> <td>Dried fruit and nuts</td> <td>3.6%</td> <td>(Compound annual growth rate July 2011 to June 2017 was 4.5%)</td> </tr> </tbody> </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 for the Australian market.</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> <p>Australian exports of fresh horticultural produce to Asia have increased 9% between 2015/16 and 2016/17 to be worth \$1.58 billion dollars. As a result, exports to Asia have increased their share of total horticultural exports from 68% to 77%.</p> <p>Total fresh horticultural exports decreased \$68 million (3%) from 2015/16 to 2016/17, being the first decrease in five years. This decrease was largely due to reduced almond and cherry export trade values.</p> <p>Industries that saw a strong positive return over one year were:</p> <ul style="list-style-type: none"> » Citrus (fresh or dried) = 12% » Berries = 27% » Macadamias = 19% » Carrots, turnips and other edible roots = 12% <p><i>* Source: IHS Global Trade Atlas including fresh fruit, vegetables, nuts and nursery for years ending 30 June.</i></p>			Total fresh fruit/veg/dried fruit and nuts	7.3%	(Compound annual growth rate July 2011 to June 2017 was 5.7%)	Fruit and vegetables	7.8%	(Compound annual growth rate July 2011 to June 2017 was 5.9%)	Fruit	6.0%	(Compound annual growth rate July 2011 to June 2017 was 5.8%)	Vegetables	9.3%	(Compound annual growth rate July 2011 to June 2017 was 6.0%)	Dried fruit and nuts	3.6%	(Compound annual growth rate July 2011 to June 2017 was 4.5%)
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Investment priorities

INVESTMENT PRIORITY: Lead strategically to enhance the development of the Australian horticulture industry through operational excellence	How we are delivering on 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 » 300 email campaigns sent » To 4000 contacts » 24 R&D levy funded industry communications programs, supported by Hort Innovation » 97 advisory panel meetings » >300 face to face interactions <p>Through consultation with each industry, Hort Innovation has developed industry strategic investment plans (SIP) to guide the allocation of investment funds over the next five years (2017-2021).</p> <p>The vegetables is in draft and is under validation.</p> <p>The SIPs identified priority investment areas aligned with the five Hort Innovation investment priorities. Each SIP included an independent assessment of the likely impact associated with the proposed R&D, extension and marketing investments.</p> <p>The SIP impact assessments used cost benefit analysis (CBA) to assess the risk adjusted net benefits over a fifteen-year period.</p> <p>The likely impact (as indicated by benefit cost ratio) of SIP investment (per cluster) from the independent assessment:</p> <ul style="list-style-type: none"> » Temperate fruit 5.7 » Tropical fruit 5.1 » Nuts 6.6 » Berries 3.0 » Lifestyle and mushroom 5.5 » Vegetables 5.1 (this is a draft benefit cost ratio as the vegetable SIP is yet to be completed). N.B. this includes potatoes, onion and vegetable.

INVESTMENT PRIORITY: Support industry Efficiency and Sustainability	How we are delivering on 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 (RD,M&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>Achieved with 100% approval rate for all minor use permit applications assessed.</p> <p>There are 410 permits currently issued across horticulture industries. This is 197 for vegetable permits and 213 for all other horticultural industries. This has been reduced from 500 over the last couple of years through consolidation of permits and moving permits to label registrations.</p> <hr/> <ul style="list-style-type: none"> » Straight renewals with no data required – 76 applications submitted and 73 issued and three pending with the APVMA » Emergency Use Permit applications – one application submitted and one Emergency Use Permit issued. » New permit applications or submitting data to renew existing permits or to make any changes to existing permits – 24 applications submitted with 8 permits issued and 16 pending. <hr/> <p>A number of investments are contributing to the achievement of four per cent increase in green space in Australian urban environments by 2018 – from generating new knowledge to management and implementation of the nursery marketing program.</p> <ul style="list-style-type: none"> » GC15002 – Which plant where, when and why? Is a database for growing urban green space in partnership with Macquarie University. The project started in April 2016 and is due for completion in August 2021. It is known as the Which Plant Where program www.whichplantwhere.com.au » GC15000 – Developing cost benefit analysis tools and business case methodology to promote the case for urban green space in partnership with CSIRO, this project started in May 2017. » GC15005 – Greener Cities, Healthier Lives. This project aims to measure the wider societal benefits and is being undertaken in partnership with University of Wollongong. The project started 30 June 2016 and is due for completion June 2021. » GC15001 – Expanding the living architecture industry in Australia in partnership with University of Technology Sydney. The project commenced in April 2016 and is due for completion by the end of the calendar year. <p>Nursery marketing program – 2020 Vision, which is about getting 20 percent more green space in urban areas by 2020. There have been two national benchmarks of tree canopy coverage undertaken by the Institute of Sustainable Futures (ISF) at the University of Technology.</p> <ol style="list-style-type: none"> 1. Where are all the trees? 2014 2. Where should all the trees go? 2017.

Investment priorities

INVESTMENT PRIORITY:
Improve productivity of the supply chain through innovative technologies

How we are contributing to the investment priority

Hort Innovation action: Discover, develop and deploy innovative technologies to increase international and domestic competitive advantage and profitability for growers.

Cross-sectoral investment themes

- » Novel technologies (RD&E)

Key performance indicators

- » N/A

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.

The Robot for Intelligent Perception and Precision Application (RIPPA™) is one example of a significant investment by the vegetable industry. The RIPPA™ is the result of three projects funded by Hort Innovation using the vegetable levy including the two that are currently underway, to support its commercialisation and eventual adoption by industry. The investment was \$10.1m with total estimated benefits of 42.3 million (4.17 benefit cost ratio).



Managing investments

How Hort Innovation is managing IP for the benefit of growers

An Intellectual Property Policy and Management Framework has been developed and implemented to facilitate identification, use and management of intellectual property (IP) that Hort Innovation acquires, creates, licenses, disseminates and commercialises.

When IP is identified as concepts progress through the innovation process, formal registrations and contractual arrangements ensure Hort Innovation can secure the right to operate and protect the commercial value of this IP for the benefit of members and the Australian horticulture industry. 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 2016/17, Hort Innovation updated existing, or registered new, all intellectual property (IP) arising from investments. Hort Innovation is working with Dallas Gibb of TechMAC, who provides 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 to be used to fund further investments for the benefit of industry.

Royalties by Industry 2016/17	
INDUSTRY	TOTAL
Apple and pear	\$550
Strawberry	\$66,274.81
Dried grape	\$571.47
Potato	\$2,558.89
Summerfruit	\$2,175.61
Table grape	\$764.44
GRAND TOTAL	\$72,895.22

Managing investments

Continuous improvement through monitoring and evaluation

Payment and ongoing project performance is managed through Hort Innovation's contract management function and monitoring and evaluation (M&E) framework.

The Hort Innovation *Organisational Evaluation Framework* was updated with the release of the Hort Innovation Strategic Plan and published in December 2016. Hort Innovation invests Strategic Levy Investment and Frontiers funds that achieve specific outcomes across the Hort Innovation investment priorities and 11 cross-sectoral investment themes.

All industry Strategic Investment Plans that were published in 2016/17 incorporated M&E planning. This included an indicative logic for each SIP, mapping a series of expected consequences of SIP investment and how this investment would contribute to broader Hort Innovation goals. Key performance indicators and data sources to demonstrate progress against the SIP were also provided. An independent assessment of the potential economic impacts from SIP investment was undertaken for each industry using a static equilibrium model showing first round impacts on production volume and values.

The outcome of individual impact assessments is provided in each published SIP and expenditure on these ex-ante evaluations was approximately \$150,000. The likely impact (as indicated by average benefit cost ratio) of SIP investment from the independent assessment was 5.4. The SIP impact assessment process provides Hort Innovation with a consistent, transparent and objective tool to support investment decision making.

Individual R&D and marketing investments contribute to the achievement of the end-of-SIP outcomes (for Strategic Levy Investments). A *Project M&E planning guide* and template was drafted in 2016/17 to support the implementation of Hort Innovation's *Organisational Evaluation Framework* at the R&D 'project' investment level. Its specific purpose is to guide delivery partners in developing an M&E plan for projects they are delivering. Project M&E planning is customised to the needs, size and requirements of each individual project.

The results of project M&E will be reported in project milestone reports and final reports, an input to evaluation at the SIP/Fund level. All R&D projects have regular milestone reporting requirements, with any project with life of project (LOP) value greater than \$800,000 requiring a mid-term evaluation. These mid-term evaluations focus on continuous improvement and Hort Innovation's Key Evaluation Questions relevant at the project level. Recommendations of independent evaluators are assessed and actioned by the Hort Innovation R&D team.

Statutory levy receipts by industry

Levy receipts by industry 2016/17

Industry Name	R&D (\$)	Marketing (\$)	Total (\$)
Almond	1,551,775		1,551,775
Apple & Pear	2,145,659	3,299,840	5,400,715
Avocado	2,265,908	3,358,597	5,624,505
Banana	2,233,759	4,755,847	6,989,606
Cherry	374,527	283,018	657,544
Chestnut	35,509	37,540	73,050
Citrus	2,147,957	405,746	2,553,703
Custard Apple	60,131	28,940	89,071
Dried Grape	170,735	84,361	255,095
Dried Prune	30,935		30,935
Dried Treefruit	7,407		7,407
Lychee	102,429	46,559	148,988
Macadamia	1,358,657	2,538,168	3,896,825
Mango	477,468	617,066	1,094,534
Melons	278,787		278,787
Mushroom	1,283,656	3,850,967	5,134,623
Nursery	1,266,379	921,003	2,187,383
Olive	267,232		267,232
Onion	686,670	230,929	917,599
Papaya	183,686	183,666	367,352
Passionfruit	121,064	121,063	242,127
Persimmon	76,161	50,774	126,935
Pineapple	197,367	95,291	292,658
Potato – Unprocessed	611,012		611,012
Potato – Value Added	385,789		385,789
Rubus	477,647	95,529	573,177
Strawberry	1,011,348		1,011,348
Summer Fruit	497,362	406,933	904,295
Sweet Potato	447,906	917,813	1,365,720
Table Grape	622,911	622,909	1,245,820
Turf	464,931	116,233	581,164
Vegetable	9,251,880		9,251,880
TOTAL STATUTORY LEVIES	31,094,644	23,068,794	54,163,438
Pistachio – Voluntary Levy	37,911		37,911
TOTAL LEVY RECEIPTS	31,132,555	23,068,794	54,201,349

Total R&D and marketing program expenditure

Expenditure by Industry 2016/17

Industry Name	R&D (\$)	Marketing (\$)	Total (\$)
Across Industry*	1,312,879		1,312,879
Transformational Fund	2,142,047		2,142,047
Almond	2,514,049		2,514,049
Apple & Pear	3,279,485	2,851,098	6,130,584
Avocado	2,982,854	2,552,498	5,535,352
Banana	3,590,311	3,609,447	7,199,759
Blueberry	9,200		9,200
Strawberry	1,125,496		1,125,496
Canning Fruit	0		–
Chestnut	137,574	51,076	188,650
Citrus	2,683,530	131,225	2,814,755
Custard Apple	93,122	31,279	124,401
Cherry	649,274	88,477	737,751
Dried Grape	335,122	243,810	578,933
Dried Prune	125,439		125,439
Dried Treefruit	3,233		3,233
Cut Flower	0		–
Lychee	98,619	49,943	148,562
Macadamia	2,257,079	2,582,089	4,839,169
Mango	916,369	577,638	1,494,007
Mushroom	989,095	3,615,486	4,604,582
Nashi	1,071		1,071
Nuts for Life	0	131,120	131,120
Nuts General	0		–
Nursery	2,115,974	905,884	3,021,857
Olive	273,191		273,191
Pecan	0		–
Passionfruit	236,117	101,840	337,958
Pineapple	235,541	65,489	301,030

* Across industry and transformational funds expenditure relate to legacy projects.

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Expenditure by Industry 2016/17 (continued)

Industry Name	R&D (\$)	Marketing (\$)	Total (\$)
Poppy	0		–
Papaya	163,548	136,061	299,609
Persimmon	122,617	34,708	157,325
Pistachio	6,516		6,516
Potato – Unprocessed	1,127,724		1,127,724
Potato – Value Added	340,134		340,134
Sweet Potato	2,352	281,168	283,520
Pyrethrum	5,329		5,329
Rubus	168,998	66,825	235,823
Summer Fruit	1,033,554	136,609	1,170,162
Table Grape	1,372,373	165,792	1,538,164
Processing Tomato	0		–
Turf	596,978	105,633	702,611
Vegetable	23,568,639		23,568,639
Melons	3,100		3,100
Onion	778,441	300,855	1,079,296
Fresh Tomato	0		–
Walnut	0		–
Legacy VC	13,258,835		13,258,835
<i>Asian Markets</i>	902,537		902,537
<i>Advanced Production Systems</i>	4,794		4,794
<i>Fruit Fly Fund</i>	980,263		980,263
<i>Green Cities</i>	2,302,376		2,302,376
<i>Health, Nutrition and Food Safety</i>	596,423		596,423
<i>Leadership and People Development</i>	827,612		827,612
<i>R&D Co-investment</i>	4,617,928		4,617,928
<i>Pollination</i>	2,568,390		2,568,390
Levy Collection Cost	1,092,530	525,990	1,618,520
TOTAL	84,548,665	19,342,040	103,890,705

New investments for 2016/17

Project code	Project name	Key service provider	2016/17 spend (\$)
AH16000	Plant Biosecurity RD&E	Plant Health Australia Limited	31,370
AI16990	Trade strategy	Hort Innovation	541,671.73
AL16000	Australian almond industry communications program	Almond Board of Australia (ABA)	100,520
AL16001	Australian almond industry innovation and adoption program	Almond Board of Australia (ABA)	190,029.21
AL16002	Almond industry minor use program	Hort Innovation	350
AL16003	Almond industry statistics and data collection 2017–2019	Almond Board of Australia (ABA)	55,520
AL16004	Development of high health status mother plantings for new Australian almond varieties	Almond Board of Australia (ABA)	73,637.85
AL16700	Australian almond industry conferences and field days	Almond Board of Australia (ABA)	44,999.96
AL16701	Almond study tour	Almond Board of Australia (ABA)	40,000
AM15000	Now! In Season	The Dept of Economic Development Jobs, Transport & Resources	500,000
AM15007	Australia Fresh	Almond Board of Australia (ABA)	67,000
AM16001	Asian market intelligence and data insights	Hort Innovation	6,894.26
AM16002	Asia Fruit Logistica 2016/17 (Hong Kong)	Hort Innovation	481,901.53
AM16003	Fruit & Vegetable Fair – FVF (Beijing)	Hort Innovation	86,027.03
AM16004	World of Perishables – WOP (Dubai)	Hort Innovation	118,478.72
AM16006	National Farmers Federation (NFF)	National Farmers Federation	12,708
AP14025	Prevar 3: New pome fruit products	Prevar Limited	1,314,933
AP16002	Apple and pear crop estimate	AgFirst HB Ltd	61,040
AP16003	Agri-technology investment opportunity in the apple and pear industry – a business case	TechMac Pty Ltd	49,000
AP16004	Variety evaluation and tree certification services for the apple and pear industry*	Australian Pome Fruit Improvement Program Ltd.	90,000
AV15009	Supply chain quality improvement – reducing the incidence of bruising	The Department of Agriculture and Fisheries (DAF)	105,164
AV15011	Supply chain quality improvement – retail and consumer education	Applied Horticultural Research Pty Ltd	368,823

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New investments for 2016/17 (continued)

Project code	Project name	Key service provider	2016/17 spend (\$)
AV15012	Pest status and management of six-spotted mite (<i>Eotetranychus sexmaculatus</i>) in WA avocado orchards	Western Australian Agriculture Authority (WAAA)	42,700
AV16000	Impact of Mexican avocado imports for the Australian avocado industry	P2P Business Solutions	46,320
AV16004	Avocado program review and consumer insights*	Review Partners	37,900
AV16005	Maximising yield and reducing seasonal variation	CSIRO	414,136
AV16006	Avocado industry and market data capture and analysis	Avocados Australia Limited (AAL)	212,593
AV16011	Avocado industry export review*	McKinna Et Al	38,562.73
AV16012	Avocados consumer study – Nielsen	The Nielsen Company (Australia) Pty Ltd	31,485
BA15001	Review of the Biosecurity Plan for the Banana Industry*	Plant Health Australia Limited	9,604
BA15005	The Australian banana industry communications program	Australian Banana Growers Council Inc	425,421
BA15007	National banana bunchy top virus program – phase 3 – NSW	The Trustee for The Lagom Trading Trust	492,179.05
BA16001	Improved plant protection	The Department of Agriculture and Fisheries (DAF)	1,541,231.24
BA16002	Banana campaign monitoring and evaluation – Edentify*	Edentify	29,862
BA16004	Midterm review of national banana bunchy top program – phase 3*	Murdoch University	34,100
BA16005	Strengthening the banana industry diagnostic capacity	The University of Queensland	233,258
BA16006	Consumer preference study – monitoring and evaluation for bananas*	Added Value Pty Ltd	37,000
BA16700	Banana Industry Congress 2017	Australian Banana Growers Council Inc	72,000
BB16000	Midterm review of BB15003: Disinfestation of blueberries against Mediterranean fruit fly (Medfly) for market access to Japan*	Donbrad Pty Ltd – T/A Ashmere Consulting	9,200
BS15005	Improved management of charcoal rot of strawberry	The Department of Agriculture and Fisheries (DAF)	150,000
BS16000	Strawberry ad-hoc consumer research	The Nielsen Company (Australia) Pty Ltd	8,250
BS16001	Strawberry industry minor use program	Hort Innovation	350
CF15000	Canning peach breeding and evaluation program – stage 7b	SPC Ardmona Operations Limited	70,000
CH16000	Communication and adoption program for the Australian chestnut industry	Chestnuts Australia Incorporated	60,000

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New investments for 2016/17 (continued)

Project code	Project name	Key service provider	2016/17 spend (\$)
CH16001	Chestnut industry minor use program	Hort Innovation	700
CT15010	Postharvest science program	NSW Dept of Primary Industries	22,716
CT15017	Building a genetic foundation for Australia's citrus future	The Department of Agriculture and Fisheries (DAF)	100,000
CT16000	Citrus industry minor use program	Hort Innovation	350
CT16700	Citrus Technical Forums	Citrus Australia Limited	51,996
CU16000	Custard apple industry minor use program	Hort Innovation	4,050
CU16001	Custard apple communication and extension program	Custard Apples Australia Inc	6,000
CY15002	Cherry communications program	Coretext Pty Ltd	128,496.16
CY16000	Thrips species in NSW cherries and the timing of associated ring russet injury	NSW Dept of Primary Industries	30,135
CY16003	Cherry support contracts	Cherry Growers of Australia Inc	15,000
CY16005	Cherry industry minor use program	Hort Innovation	350
CY16008	Review host status of cherries for codling moth	Applied Horticultural Research Pty Ltd	18,800
CY16010	Cherry industry biosecurity planning review*	Plant Health Australia Limited	21,690
CY16011	Implementing brown sugar flotation (BSF) for assuring freedom of fruit from Qfly	Applied Horticultural Research Pty Ltd	22,163
CY16012	Developing market access to the US for cherries based on irradiation and methyl bromide	NSW Dept of Primary Industries	1,000
DP15002	Innovation and adoption program for the Australian prune industry	Ann Furner	61,875
DP16700	2016 IPA Congress Tour	Australian Prune Industry Association	12,000
GC15001	Expanding the living architecture industry in Australia	University of Technology, Sydney	10,000
GC15004	Measuring Australia's green space assets	University of Technology, Sydney	81,931
GC16000	Investigating the influence of green infrastructure on demountable building performance	Queensland University of Technology	8,890.28
HG16000	Review of HG14033 – SITplus: raising Qfly Sterile Insect Technique to world standard*	Fruit Fly Systems Applied Technologies	47,079.19
HN16001	Consumer insights into nuts	Colmar Brunton	40,000
LP15000	Horticulture Nuffield Scholarship 2016	Nuffield Australia Farming Scholars	127,200
LP16000	Leadership training for women in Australian horticulture	Workplace Training and Advisory Aust Pty Ltd	54,709.42
LP16002	Churchill Fellowship	The Winston Churchill Memorial Trust	48,000

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New investments for 2016/17 (continued)

Project code	Project name	Key service provider	2016/17 spend (\$)
LY16000	Lychee industry minor use program	Hort Innovation	1,750
LY16001	Agrilink Manual	I GRAPHIX	4,722
LY16002	Treatment for mites on lychee fruit after irradiation for improved market access	The Department of Agriculture and Fisheries (DAF)	26,616
MC15014	An IPM program for the Australian macadamia industry	Biocontrol Australia P/L	1,561.43
MC16000	Innovative rootstocks for the future Australian macadamia orchards	The Department of Agriculture and Fisheries (DAF)	31,143
MC16001	Macadamia harvest improvement review	Colere Group Pty Ltd	48,840
MC16003	Coordinator for the IPM program for the Australian macadamia industry	Daniel John Ryan	35,126.77
MC16004	IPM program for the macadamia industry – NSW DPI	NSW Dept of Primary Industries	82,104.62
MC16006	IPM program for the macadamia industry – IPM Technologies	IPM Technologies Pty Ltd	29,840
MC16007	IPM program for the macadamia industry – SCU	University Of The Sunshine Coast	10,000
MC16008	IPM program for the macadamia industry – BioResources	BioResources Pty Ltd	28,000
MC16013	Macadamia industry Gross Value of Production data collection	Australian Bureau of Statistics	20,000
MC16700	Contribution to the 2nd International Macadamia Research Symposium 2017	The University of Queensland	15,000
MG16001	Mango industry conference 2017	Australian Mango Industry Association Ltd	48,000
MG16002	Fruit maturity grower extension service	Northern Territory Farmers Association Inc	86,565
MG16003	Monitoring mangoes through the supply chain to the US – 2	Department of Primary Industry & Fisheries, NT	40,901
MG16005	Consumer preference study*	Sprout Research	17,255
MT13002	Protecting pollination for the Australian horticultural industry stage 3	RIRDC	98,958
MT15031	Australian dried fruit communications program	Dried Fruits Australia Inc	114,480
MT16002	Green Industry Growing Leaders Program	Right Mind International Pty Ltd	40,000
MT16003	Women's leadership forum	Hort Innovation	9,086.02
MT16004	Control, eradication and preparedness for vegetable leaf miner	Cesar Pty Ltd	151,812
MT16005	Enhanced National Bee Pest Surveillance Program 2016–2021	Plant Health Australia Limited	1,036,500
MT16006	Update of the Hi-Link model of Australian horticultural industries	Centre for International Economics	51,300

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New investments for 2016/17 (continued)

Project code	Project name	Key service provider	2016/17 spend (\$)
MT16008	Consumption of juiced fruit and vegetables data analytics	CSIRO	220,000
MT16009	An IPM extension program for the potato and onion industries	IPM Technologies Pty Ltd	53,296.69
MT16010	Horticultural trade data 2017-2019	IHS Global Pte Ltd	58,556.71
MT16011	Horticulture trade intelligence reporting 2017-2019	Euromonitor International (Australia) Pty Ltd	60,231
MT16012	Gulfood 2017	Hort Innovation	48,548
MT16014	Passionfruit and pineapple consumer research	Fifty Five 5 Pty Ltd	28,500
MT16016	Monitoring psyllids in Australian potato and vegetable crops	University of Tasmania	48,000
MT16018	A program to help manage the tomato potato psyllid incursion	AUSVEG Ltd	128,452.17
MU16000	Food safety and quality assurance services	Freshcare Ltd	26,000
MU16001	Crisis management (AMSAFE) review	Control Risks Group Pty Ltd	24,704
MU16002	Mushroom industry minor use program	Hort Innovation	1,400
NL14000	Nuts For Life parent program	Australian Nut Industry Council Inc	221,666
NY16002	NY16002 – 2020 Vision training/capacity building program	Republic of Everyone Pty Ltd	44,214.95
NY16004	Nursery statistics and research	Nursery & Garden Industry Australia Ltd (NGIA)	36,000
NY16005	Where should all the trees go? An investigation of the impact of tree canopy coverage on socio-economic status	RMIT University	157,656
NY16007	Integrating plant life into rating tools	Edge Environment Pty Ltd	79,379
NY16008	Healthy Homes Index	Circul8 Communicate Pty Ltd	145,728
NY16999	Pre-procurement and scoping expenses – nursery	Greenlife Solutions	700
OL16000	Olive industry minor use program	Hort Innovation	1,050
OL16001	Australian olive industry benchmarking program	RM Consulting Group Pty Ltd	5,000
OL16002	Development of market for EVOO in the food service sector	Bannertyne House Trust	14,500
OL16003	Desktop review for future investment in olive oil quality improvement	Global F.S. Pty Ltd	9,600
OL16004	Olive food service program	The Australian Nutrition Foundation Victorian Division	45,000
OL16005	Testing of water and oil quality for the olive industry	Boundart Bend Olives Pty Ltd – T/A Modern Olives	6,500
PF15000	National passionfruit breeding program	Southern Cross Plant Science	178,635.23
PF16000	Passionfruit industry minor use program	Hort Innovation	350
PH16001	Increasing yield and quality in tropical horticulture with better pollination, fruit retention and nutrient distribution	University Of The Sunshine Coast	726,823.77

Continued next page

New investments for 2016/17 (continued)

Project code	Project name	Key service provider	2016/17 spend (\$)
PI16000	Pineapple industry minor use program	Hort Innovation	3,900
PP16000	Papaya industry minor use program	Hort Innovation	1,050
PR16000	Persimmon industry minor use program	Hort Innovation	350
PR16001	Persimmon industry extension and communication program	Persimmon Industry Australia Incorporated	18,853.75
PS16910	Pistachios SIAP meetings	Nurture House (NSW) Pty Ltd – T/A de Vos Consulting	6,516.11
PT15008	Extension of the PreDicta™ Pt potato diagnostic service	South Australian Research and Development Institute (SARDI)	151,052
PT16001	Impact of ground water quality on management of centre pivot grown potato crops	Serve-Ag Pty Ltd	66,609
PT16002	Exploring Spongospora suppressive soils in potato production	The New Zealand Institute for Plant and Food Research Ltd	84,000
PT16003	Navigating the wealth of soil health information and identification of opportunities	University of Tasmania	83,852
PT16004	Review of the national biosecurity plan for the potato industry and development of a biosecurity manual for potato producers	Plant Health Australia Limited	19,692
PT16006	Incursion response funding (PT)	The New Zealand Institute for Plant and Food Research Ltd	31,322.32
RB15002	Raspberry and blackberries consumer research	Edentify Pty Ltd	14,063
RB16000	Rubus industry minor use program	Hort Innovation	2,450
SF16000	China export readiness and entry	Summerfruit Australia Limited	221,818
SF16001	Summerfruit industry minor use program	Hort Innovation	350
ST15025	Data generation grant	Bayer CropScience Pty Ltd	25,990
ST15029	Crop protection replacement for diuron in pineapple industry	Bayer CropScience Pty Ltd	66,010
ST16000	ABA – Advanced production systems for the temperate nut crops	Almond Board of Australia (ABA)	186,746
ST16001	DEDJTR – Advanced production systems for the temperate nut crops	The Dept of Economic Development Jobs, Transport & Resources	323,927
ST16002	NSW DPI – Advanced production systems for the temperate nut crops	NSW Dept of Primary Industries, an office of Dept of Industry	111,716
ST16003	SARDI – Advanced production systems for the temperate nut crops	South Australian Research and Development Institute (SARDI)	640,275
ST16004	Optimising nutrient management for improved productivity and fruit quality in mangoes	Department of Primary Industry & Fisheries, NT	130,402
ST16005	Improved nitrogen use efficiency to increase productivity and profitability in cherries	University of Tasmania	105,951.74

Continued next page

New investments for 2016/17 (continued)

Project code	Project name	Key service provider	2016/17 spend (\$)
ST16006	2016 generation of data in horticulture crops	Eurofins Agrisearch	670,666
ST16008	Proposed AgVet collaborative forum plant industry investment	RIRDC	26,243
TG15008	Australian table grape industry communications	Australian Table Grape Association	327,891.84
TG16000	Table grape industry minor use program	Hort Innovation	350
TG16001	Attendance at the Italian 2017 Table Grape Conference	Australian Table Grape Association	74,160
TG16003	Digital technologies for dynamic management of disease, stress and yield	University of Queensland	34,513
TU16000	An environmental assessment of the Australian turf industry	Cumming Infotech Research Pty Ltd	54,000
TU16001	Turf industry statistics and research 2016/17	Western Research Institute Ltd	41,770
VG15038	Investigating novel glass technologies and photovoltaics in protected cropping	Swinburne University of Technology	519,249
VG15039	Precision seeding benefits for processing pea production	University of Tasmania	77,132
VG15042	Regional capacity building to grow vegetable businesses – NSW (Local Land Services)	Greater Sydney Local Land Services	455,419.09
VG15044	Regional capacity building to grow vegetable businesses – NT (NT Farmers)	Northern Territory Farmers Association Inc	130,897.52
VG15054	Sensor irrigation technology	The Yield Technology Solutions Pty Ltd	560,000
VG15061	Sensitivity study – impact of increasing exports on the domestic vegetable market	Deloitte Access Economics Pty Ltd	137,116.36
VG15062	The effects of using anhydrous ammonia to supply nitrogen to vegetable crops	Applied Horticultural Research Pty Ltd	29,200
VG15064	Improved management of pumpkin brown etch	Applied Horticultural Research Pty Ltd	174,240
VG15065	Review of the National Biosecurity Plan for the Vegetable Industry*	Plant Health Australia Limited	54,957
VG15066	Improved knowledge of factors contributing to carrot crown rot	Peracto Pty Ltd	30,000
VG15067	Development of a vegetable education resource – stage 2	CSIRO	328,000
VG15069	Vegetable consumer alignment specialist (VCAS) support role	Kitchener Partners Pty Ltd atf Kitchener Family Trust	21,768.66
VG15070	A strategic approach to weed management for the Australian vegetable industry	University of New England	260,242
VG15071	Understanding consumer triggers and barriers to consumption of Australian indigenous vegetables and Asian vegetables	Colmar Brunton	251,700
VG15072	Vegetable consumer alignment specialist (VCAS)	Hort Innovation	167,514.43

Continued next page

New investments for 2016/17 (continued)

Project code	Project name	Key service provider	2016/17 spend (\$)
VG15073	Characterisation of a carlavirus of French bean	The Department of Agriculture and Fisheries (DAF)	112,301
VG15074	Export development of Australian vegetables to Japan	The Department of Agriculture and Fisheries (DAF)	320,000
VG15076	Creating value from edible vegetable waste	CSIRO	595,278.96
VG15077	Financial performance of Australian vegetable farms 2016-2017 to 2018-2019	Aust Bureau of Agricultural & Resource Economics & Sciences	399,996
VG16004	Reduce regulatory costs in the protected cropping sector	Osborn Consulting Engineers Pty Ltd	389,951
VG16005	Probisafe – development of new biocontrol agents to inhibit pathogens on vegetables	UniQuest Pty Limited	397,893
VG16007	Environmental scan on food safety certification for exporters	Kitchener Partners Pty Ltd atf Kitchener Family Trust	42,984.33
VG16008	Gap analysis of vegetable consumer data*	Strategic Project Partners Pty Ltd	77,626
VG16009	Precision systems in vegetables	The Department of Agriculture and Fisheries (DAF)	1145,000
VG16010	New breeding technologies and opportunities for Australian vegetable industry – pulse check	Murdoch University	60,000
VG16011	Improving processing vegetable yields	University of Tasmania	173,112
VG16014	Review of vegetable digital assets	HHD Group Pt Ltd	94,034
VG16015	Impact assessment of vegetable levy funded projects 2012-2017*	Consulting and Implementation Services	251,720
VG16016	Attitudes driving juice purchases	Horizon Research Corporation Pty Ltd	137,290
VG16018	Educational opportunities around the perceptions and aversions to vegetables through digital media	Edible Adventures Productions Pty Ltd	534,651.72
VG16019	Removing barriers of food safety certification for vegetable exporters through GLOBALG.A.P. co-certification	Freshcare Ltd	60,219.06
VG16020	Vegetable industry minor use program	Hort Innovation	11,800
VG16021	Outstanding research tasks in consumer research for sweetpotatoes	Bannertyne House Trust	29,730
VG16022	Transformational Solutions to challenges and issues facing the Australian vegetable industry	Invention Development Fund I, LLC	244.54
VG16023	PHD leadership	Eric Perez	3,000
VG16024	Economic assessment for protected cropping vegetables in Northern Australia	The Department of Agriculture and Fisheries (DAF)	30,457.33

Continued next page

New investments for 2016/17 (continued)

Project code	Project name	Key service provider	2016/17 spend (\$)
VG16025	Increase consumption and sales by developing community awareness and benefits of vegetables	Deakin University	66,281.12
VG16026	Addressing vegetable consumption through foodservice organisations (chefs, TAFES and other training institutions)	Workshop Australia Pty Ltd	116,620
VG16027	Vegetable trend forecasting and analysis	Workshop Australia Pty Ltd	48,808
VG16028	In field evaluation of vegetable seed viability using non destructive techniques	The University of Queensland	60,468
VG16031	Vegetable industry education and training initiative (sub-projects to VG15028)	Various	34,931.73
VG16035	Training growers to enhance their consumer engagement	Workshop Australia Pty Ltd	86,536
VG16059	Retailer alignment regarding the use of manures in vegetables	Kitchener Partners	188,418
VG16060	Vegetable agrichemical pest management needs and priorities	AUSVEG Ltd	131,519.5
VG16061	Vegetable industry export program	AUSVEG Ltd	2,415,410.09
VG16063	The EnviroVeg Program 2017-2022	Growcom Australia	359,191
VG16066	Mid-term review of the vegetable and potato communication projects*	Clear Horizon Consulting Pty Ltd	7,996
VG16067	Impact of pesticides on beneficial arthropods of importance in Australian vegetable production	IPM Technologies Pty Ltd	86,709
VG16070	Research and operational support to trial plant responses to innovative glass technology in protected cropping	University of Western Sydney	159,071
VG16076	Incursion response funding (VG)	The New Zealand Institute for Plant and Food Research Ltd	32,264.68
VG16079	China insights data for the Australia vegetable industry	AgInfinity	5,625
VG16087	Minor use permit management for vegetable industry	Hort Innovation	21,100.01
VM16000	Melon industry minor use permits	Hort Innovation	350
VN15001	Review of the Onion Industry Biosecurity Plan*	Plant Health Australia Limited	44,692
VN16000	Onion industry minor use program	Hort Innovation	350
VN16001	International onion researcher delegation	Onions Australia	18,654.68

Continued next page

New investments for 2016/17 (continued)**FURTHER PROJECTS CONTRACTED IN 2016/17, BUT WITH NO SPEND DURING THIS PERIOD**

Project code	Project name	Key service provider
AH14014	Nuffield scholarship	Nuffield Australia Farming Scholars
AM15002	Serviced supply chains	The Department of Agriculture and Fisheries (DAF)
AM15004	Asian market development	Various
AM16008	Collective position for the trade programs: Australia Fresh and Now! In Season	Strategy Creative
AP15015	Apple and pear industry leadership initiative	Marcus Oldham College
CY16004	Export readiness and market access	Cherry Growers of Australia Inc
GC15000	Developing the business case for green cities	CSIRO
MC16005	IPM program for the macadamia Industry – DAF	The Department of Agriculture and Fisheries (DAF)
MU16004	Marsh Lawson Research Centre	The University of Sydney
OL16007	Investigating olive oil quality improvement through filtration	NSW Department of Primary Industries
OL16008	Olive processing water treatment options to improve olive oil	NSW Department of Primary Industries
OL16011	Crisis management plan for the olive industry	Biologic Pty Ltd
PH16004	Securing pollination for more productive agriculture	Rural Industries R&D Corporation (RIRDC)
VG16083	Gap analysis for the next generation of protected cropping in vegetables	ecoXchange Pty Ltd T/A Colo Consulting

* New R&D projects marked with an asterisk represent projects supporting the review and evaluation of investment activities.

Marketing suppliers

Top 25 marketing suppliers

No.	Account	Company Name	Total (\$)
1	IKONC00	Ikon Communication Pty Ltd	8,964,904
2	EUROR00	Havas Worldwide Japan KK	1,423,204
3	DICON00	Direct 2 Consumer	1,253,624
4	BICOM00	Bite Communications	912,676
5	REOEV00	Republic of Everyone	844,660
6	ELECO00	Eleven Communication	436,338
7	NETBA00	Netball Australia Ltd	332,000
8	REDAG00	The Red Agency	303,951
9	WORKS00	Workshop Australia Pty Ltd	299,140
10	HALLW00	The Hallway	278,047
11	AUSMS00	Australia Macadamia Society Ltd	264,971
12	MFOOD00	My Food Book	261,012
13	DEPAR00	Dept of Economic Development, Jobs, Transport	255,000
14	ALTIO00	Altios Australia Pty Ltd	212,750
15	NTTLO00	Notimetolose Print Management	211,732
16	AUSDF00	Dried Fruit Australia Inc.	205,812
17	MACHE00	Ma Cher (Aust) Pty Ltd	195,800
18	TRWEL00	Treena Welch Pty Ltd	194,349
19	GOFUT00	Go Future Media	142,500
20	FELCR00	Ink Spiller	108,585
21	FIFTY00	Fifty Five 5 Pty Ltd	67,385
22	TERRA01	Terrapin Estates Pty Ltd	58,990
23	TFOOD01	The Food Studio	54,880
24	SONDE00	Sonder Communications Pty Ltd	51,611
25	CROSS01	Southern Cross Austereo Pty Ltd	51,520
			17,385,441

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

Financial Report

for the year ended
30 June 2017

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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 2017.

The Directors of the Company who held office during the year 1 July 2016 to 30 June 2017 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 IC: 24 February 2017 only (substitute)
Mark Napper (Deputy Chair)	Re-appointed 27 November 2015	ARC (Chair): Full Year RAC 25 November 2016 – 30 June 2017
Prof Robert Clark	Re-appointed 25 November 2016	IC: Full Year; Chair from 25 November 2016 RAC: Full Year
David Cliffe	Retired 25 November 2016	IC (Chair): 1 July 2016 – 24 November 2016
Dr Mary Corbett	Appointed (casual vacancy) 15 June 2017	IC: 15 June 2017 – 30 June 2017
Susan Finger	Elected 27 November 2015	ARC: Full Year
Richard Hamley	Appointed 27 November 2015 / Ceased 21 April 2017	ARC: 1 July 2016 – 24 November 2016 IC: 25 November 2016 – 21 April 2017
Paul Harker	Elected 25 November 2016	ARC: 25 November 2016 – 30 June 2017
David Moon	Retired 25 November 2016	RAC: 1 July 2016 – 24 November 2016
Stephen Lynch	Elected 27 November 2015	IC: Full Year
Jenny Margetts	Elected 25 November 2016	IC: 25 November 2016 – 30 June 2017
Peter Wauchope	Re-appointed 25 November 2016	

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

Directors' Meeting Attendance: 1 July 2016 – 30 June 2017

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)	10	10	6	6	4	4	1	1
Mark Napper (Deputy Chair)	11	11	6	6	2	2		
Prof Robert Clark	10	10			4	4	11	11
David Cliffe	4	4					5	5
Dr Mary Corbett	0	0					0	0
Susan Finger	11	11	6	6				
Richard Hamley	7	9	2	3			2	4
Paul Harker	6	6	2	3				
Stephen Lynch	11	11					10	11
Jenny Margetts	6	6					6	6
David Moon	4	4			2	2		
Peter Wauchope	8	10						

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

SALLY HOLMES COMPANY SECRETARY

Ms Holmes is both Company Secretary and General Counsel for the Company.

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 3 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.

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, 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, the Queensland Government's Horticultural Development Committee, 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 current the deputy chairman, and 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 sales and consulting 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 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.



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 15 June 2017 to fill a casual vacancy until the date of the 2017 Annual General Meeting of the company. 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, a joint venture between Dairy Australia and the Victorian Government and has completed tenures as Chair of the Cotton Research & Development Corporation, Chair of the West Moreton Hospital and Health Services and a Board member of Wound Management Innovation CRC. She was previously 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 is a partner in a family owned business based in the Yarra Valley, Victoria, growing and storing apples. She 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. She 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.

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 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), 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 16 countries across Asia, the Middle East and Indian Ocean territories. He is also Chair of the Hort Innovation national Trade Assessments Panel.



VALE RICHARD HAMLEY

Mr Hamley was appointed a Director of the Company on 27 November 2015 and served as a Director from that date until he sadly passed away in April 2017, following a long illness. During his time on the Board, Mr Hamley also served as a member of both the Audit & Risk Committee (27 November 2015 – 24 November 2016) and the Investment Committee (25 November 2016 – April 2017).

Mr Hamley was a very valued member of the Board and of the horticulture industry as a whole, with over 30 years in corporate horticulture and fresh produce including agronomy, agricultural research and development, crop production, category management and operations management, both in Australia and South Africa. He also served the Australian horticulture industry over time through involvement with a variety of industry-related Boards and Steering Committees, and industry bodies.

Mr Hamley will be fondly remembered by the Board and staff of Hort Innovation for his excellent contributions to the business of the Company, and his drive to see its Members and the wider Australian horticultural industry thrive.

MEMBERS

Hort Innovation is owned by 2095 members, 94.08% of whom are Australian horticultural growers and the remaining 5.92% carry 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
- » Risk Management Policy and Framework
- » Risk Appetite Statement
- » Fraud Control Plan

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 other 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 November 2018). 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** (formerly pool 1). 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** (formerly Pool 2) 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, 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 2016/17.

REVIEW OF OPERATING RESULTS

The operating surplus for the year ended 30 June 2017 was \$4,359,669 (period ended 30 June 2016: \$9,271,615).

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 page 98 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 fourteenth day of September 2017 in Sydney



Mark Napper
Deputy Chair

Dated this fourteenth day of September 2017 in Sydney

Statement of Comprehensive Income

for the year ended 30 June 2017

Horticulture Innovation Australia Limited
ABN 71 602 100 149

	Note	Year ended 30 June 2017	Year ended 30 June 2016
		\$	\$
CONTINUING OPERATIONS			
Sale of goods	3a	400	20,704
Other income	3b	123,268,228	120,591,333
REVENUE		123,268,628	120,612,037
Occupancy expenses		(720,550)	(696,813)
Administrative expenses		(13,182,462)	(14,304,600)
Research and development programs		(84,548,665)	(78,172,778)
Marketing programs		(19,342,040)	(16,986,536)
Other expenses		(1,115,242)	(1,179,695)
EXPENSES		(118,908,959)	(111,340,422)
NET SURPLUS FOR THE YEAR	12	4,359,669	9,271,615
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,359,669	9,271,615

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

Statement of Financial Position

as at 30 June 2017

Horticulture Innovation Australia Limited
ABN 71 602 100 149

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5a	51,760,842	39,459,022
Trade and other receivables	6	12,476,001	22,163,290
Prepayments	7	196,502	224,729
TOTAL CURRENT ASSETS		64,433,345	61,847,041
NON-CURRENT ASSETS			
Plant and equipment	8	753,935	1,029,355
Intangibles	9	1,533,007	1,310,361
TOTAL NON-CURRENT ASSETS		2,286,942	2,339,716
TOTAL ASSETS		66,720,287	64,186,757
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	1,082,483	2,959,188
Provisions	11	1,100,354	992,252
TOTAL CURRENT LIABILITIES		2,182,837	3,951,440
NON-CURRENT LIABILITIES			
Provisions	11	316,344	373,880
TOTAL NON-CURRENT LIABILITIES		316,344	373,880
TOTAL LIABILITIES		2,499,181	4,325,320
NET ASSETS		64,221,106	59,861,437
FUNDS			
Funds – Corporate		3,355,048	3,246,222
Transitional Reserve		–	32,570
Systems Upgrade		1,169,048	1,541,121
Total Corporate Funds		4,524,096	4,819,913
FUNDS – R&D			
Unspent R&D Levies		23,283,411	24,880,568
Levy Industry Strategic Reserve		5,000,000	5,000,000
Non Levy Reserves		14,031,915	9,486,004
Total Designated Funds – R&D		42,315,326	39,366,572
FUNDS – MARKETING			
Unspent Marketing Levies		13,381,684	11,674,952
Levy Industry Strategic Reserve		4,000,000	4,000,000
Total Designated Funds – Marketing		17,381,684	15,674,952
TOTAL FUNDS	12	60,221,106	55,861,437

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 2017

Horticulture Innovation Australia Limited
ABN 71 602 100 149

	Note	Year ended 30 June 2017	Year ended 30 June 2016
		\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		440	309,369
Other income		240,371	1,933,946
Levies received		60,993,813	55,851,801
Receipts from Commonwealth Co-Contribution funds		54,056,805	47,320,558
Receipts from co-investment		28,004,664	26,465,042
Payments to suppliers and employees		(15,187,034)	(18,286,322)
Payments to Research & Development providers		(94,737,615)	(84,915,453)
Marketing program payments		(21,596,678)	(18,539,741)
Interest received		1,268,540	1,295,277
Net cash flows generated by (used in) operating activities		13,043,306	11,434,477
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(117,233)	(334,677)
Purchase of intangibles		(624,253)	(398,244)
Net cash flows (used in) investing activities		(741,486)	(732,921)
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash flows (used in) financing activities		—	—
Net increase/(decrease) in cash and cash equivalents		12,301,820	10,701,556
Cash and cash equivalents at the beginning of the year/at acquisition		39,459,022	28,757,466
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5(a)	51,760,842	39,459,022

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 2017

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 2015		32,250,924	11,925,764	3,456,695	2,392,000	564,439	50,589,822
Surplus/(Deficit) for the year		7,115,648	3,749,188	(1,593,221)	–	–	9,271,615
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income for the year		7,115,648	3,749,188	(1,593,221)	–	–	9,271,615
Transfer from corporate reserve to systems upgrade and transitional reserve		–	–	1,382,748	(850,879)	(531,869)	–
Balance as at 30 June 2016	12	39,366,572	15,674,952	3,246,222	1,541,121	32,570	59,861,437
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	12	42,315,326	17,381,684	3,355,048	1,169,048	–	64,221,106

Notes to the Financial Statements

for the year ended 30 June 2017

Horticulture Innovation Australia Limited
ABN 71 602 100 149

NOTE 1: CORPORATE INFORMATION

The financial report of Horticulture Innovation Australia Limited (the "Company") for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on the 14th September 2017.

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 for the year 1 July 2016 to 30 June 2017, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements provide comparative information in respect of the previous year.

The financial report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption. The financial report is presented in Australian Dollars.

(b) Statement of Compliance

The financial report is a general purpose financial report for the year 1 July 2016 to 30 June 2017, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The Company is a not-for-profit entity which is not publicly accountable. Therefore the consolidated financial statements for the Group 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 2017. 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 2017

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 ie., 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 2017

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 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.

Revenue from the rendering of a services

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Levies and Revenue Service of 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

A corporate cost recovery is applied to all R&D and Marketing projects. For projects contracted during the 2016/17 year a corporate cost recovery of either 11.5% 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

	2017	2016
	\$	\$
NOTE 3: REVENUE		
REVENUE FROM CONTINUING OPERATIONS		
(a) Sales of Goods		
– Export License Fees	–	20,000
– Other	400	704
	400	20,704
(b) Other Income		
<i>R&D Income</i>		
– proceeds from levies	31,132,555	29,673,888
– revenues from Commonwealth Co-investment funds	45,530,247	43,705,327
– co-investment	21,875,432	23,235,466
– collective industry funds	147,103	–
– royalty income	145,219	135,498
– interest received	859,777	843,419
– other income	4,211	3,015
	99,694,544	97,596,613
<i>Marketing Income</i>		
– proceeds from levies	23,068,794	22,145,626
– marketing program income	61,615	246,067
– interest received	364,450	393,174
– subsidies and grants	–	113,936
	23,494,859	22,898,803
<i>Other</i>		
– corporate interest received	64,330	70,063
– rental income	14,495	25,045
– other corporate income	–	809
	78,825	95,917
Sub-total Other Income	123,268,228	120,591,333
Total Revenue	123,268,628	120,612,037
Total Interest received	1,288,557	1,306,656

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	2016
	\$	\$
NOTE 4: EXPENSES		
Included within expenses are the following significant amounts:		
Rental expense on operating leases	20,746	15,108
Wages & salaries	8,057,916	7,897,119
Superannuation	712,701	729,431
Levy collection costs	1,618,520	1,237,640
Depreciation	395,147	405,618
Amortisation	401,607	72,654
Impairment of intangible assets	–	802,270

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	500
Cash at bank	7,260,542	13,458,522
Short term deposits	44,500,000	26,000,000
	51,760,842	39,459,022

NOTE 6: TRADE AND OTHER RECEIVABLES

Current

Trade receivables	39,622	3,981,310
Other receivables	1,790,933	2,372,502
Accrued income	10,645,446	15,809,478
	12,476,001	22,163,290

NOTE 7: OTHER ASSETS

Current

Prepayments	196,502	224,729
	196,502	224,729

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	2016
	\$	\$
NOTE 8: PLANT AND EQUIPMENT		
Office equipment		
At cost	93,645	90,958
Less accumulated depreciation	(90,639)	(80,758)
Carrying amount at the end of the year	3,006	10,200
Leasehold improvements		
At cost	1,178,528	1,160,438
Less accumulated depreciation	(657,808)	(432,358)
Carrying amount at the end of the year	520,720	728,080
Hardware		
At cost	603,164	578,097
Less accumulated depreciation	(401,072)	(323,083)
Carrying amount at the end of the year	202,092	255,014
Furniture, fixtures and fittings		
At cost	114,316	114,081
Less accumulated depreciation	(86,199)	(78,020)
Carrying amount at the end of the year	28,117	36,061
Total carrying amount at the end of the year	753,935	1,029,355

a) Movements in carrying amounts

Movement in the carrying amounts for each class of plant and equipment from 1 July 2016 to 30 June 2017.

	Office Equipment	Leasehold Improvements	Furniture, fixtures & fittings
	\$	\$	\$
2017			
Balance as at 1 July 2016	10,200	728,080	36,061
Additions	2,687	18,090	236
Disposals	–	–	–
Depreciation expense	(9,881)	(225,450)	(8,180)
Carrying amount at end of the year	3,006	520,720	28,117
	Hardware	Total	
	\$	\$	
Balance as at 1 July 2016	255,014	1,029,355	
Additions	98,714	119,727	
Disposals	–	–	
Depreciation expense	(151,636)	(395,147)	
Carrying amount at end of the year	202,092	753,935	

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

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	Assets under Construction	Total
	\$	\$	\$	\$
2017				
Software				
At Cost	1,754,291	455,915	–	2,210,206
Less accumulated amortisation	(420,681)	(256,518)	–	(677,199)
Carrying amount at end of the year	1,333,610	199,397	–	1,533,007
Balance at the beginning of the year	1,134,200	18,395	157,766	1,310,361
Assets transferred	157,766	–	(157,766)	–
Additions	413,717	210,536	–	624,253
Amortisation expense	(372,073)	(29,534)	–	(401,607)
Carrying amount at end of the year	1,333,610	199,397	–	1,533,007

	2017	2016
	\$	\$
NOTE 10: TRADE AND OTHER PAYABLES		
Current		
Other payables	1,082,483	2,959,188
	1,082,483	2,959,188

(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	286,911	214,536
Long service leave – non current	193,633	251,169
Annual leave	654,533	625,015
Employee oncosts	158,910	152,701
Make good provision	122,711	122,711
Total	1,416,698	1,366,132
Carrying amount at the end of the year – Current	1,100,354	992,252
Carrying amount at the end of the year – Non-current	316,344	373,880
	No.	No.
(a) Number of employees at year end (Full time equivalent)	79.6	74.4

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	2016
	\$	\$
NOTE 12: RETAINED SURPLUS		
Balance at the beginning of the year	59,861,437	50,589,822
Net surplus for the year	4,359,669	9,271,615
Other comprehensive income	–	–
Retained surplus at the end of the year	64,221,106	59,861,437
Reconciliation of Net surplus for the year:		
Corporate net surplus	(295,817)	(1,593,221)
R&D net surplus	2,948,754	7,115,648
Marketing net surplus	1,706,732	3,749,188
Net surplus	4,359,669	9,271,615

The retained surplus at 30 June 2017 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 2017 the entity has recognised corporate revenue, including corporate recoveries, income and interest of \$14,722,437. Corporate expenditure during this period amounted to \$15,018,254 resulting in a corporate deficit for the year of \$295,817.

The corporate retained surplus amounts to \$3,355,048 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 and \$564,439 for business transition was set aside. As at 30 June 2017 \$1,169,048 of the business systems reserve was yet to be utilised, while the transitional reserve has now been fully utilised.

	2017	2016
	\$	\$
NOTE 13: COMMITMENTS		
(a) Operating lease commitments		
Future minimum payables under non-cancellable operating leases as at 30 June 2017 are as follows:		
– within one year	689,247	778,019
– after one year but not more than five years	677,245	1,156,939
	1,366,492	1,934,958

The Company has entered into commercial leases on its premises. There were five leases in effect at balance date, the remaining life of each being between 1 and 25 months. There are also two agreements in place for the rental of office equipment, the remaining life of each being between 11 and 12 months.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

2017
\$

2016
\$

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	60,312,770	56,713,414
– after one year but not more than five years	116,945,276	91,903,513
– after more than five years	2,628,210	–
	179,886,256	148,616,927
Bank Guarantee Facility	400,000	400,000

NOTE 15: DIRECTOR AND KEY MANAGEMENT PERSONNEL REMUNERATION

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

30 JUNE 2016	SHORT TERM		POST	TERMINATION	TOTAL
	Salaries & fees	Cash Bonus/ Other benefits	EMPLOYMENT	BENEFITS	
			Superannuation/ Insurance	ETPs/Leave entitlements	\$
Directors	482,863	–	35,998	–	518,861
Key Management Personnel	1,538,504	142,944	183,442	–	1,864,890
TOTAL	2,021,367	142,944	219,440	–	2,383,751

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 2016/17 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 2017

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 (appointed 25 November 2016)
- » Jenny Margetts (appointed 25 November 2016)
- » Mary Corbett (appointed 15 June 2017)
- » Richard Hamley (ceased 21 April 2017)
- » David Moon (resigned 25 November 2016)
- » David Cliffe (resigned 25 November 2016)

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.

Jenny Margetts is an Owner/Director of P2P Business Solutions Pty Ltd. During the reporting year (prior to her appointment as a Director) Horticulture Innovation Australia Ltd funded projects worth \$46,320 with P2P Business Solutions Pty Ltd.

Paul Harker is an Executive at Woolworths Ltd. A co-investment contribution of \$8,000 was receivable from Woolworths Ltd at balance date.

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 true and fair view of the Company's financial position as at 30 June 2017 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 fourteenth day of September 2017 in Sydney



Mark Napper
Director

Dated this fourteenth day of September 2017 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 2017, 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 *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

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 auditor independence requirements of the *Corporations Act 2001* and 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 *Corporations Act 2001* 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

A stylized, handwritten-style logo for Ernst & Young, featuring the letters 'E', 'Y', and 'Y' in a cursive script.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Daniel Cunningham'.

Daniel Cunningham

Partner

Sydney

14 September 2017

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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 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* 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
14 September 2017

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Hort Innovation

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