

Annual Report

2018/19



Download your industry's separate Fund Annual Report from www.horticulture.com.au/annual-report-portal for complete information on levy investments specific to your industry during 2018/19.

Horticulture Innovation Australia Limited Annual Report 2018/19

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The biggest year yet for Hort Innovation

The 2018/19 financial year was a record-breaker for Hort Innovation as Australian horticulture's grower-owned, not-for-profit research and development corporation – meaning great things for growers and others involved in the sector.

Across the year we invested more than \$122 million in levies, Australian Government contributions and co-investment dollars on behalf of the sector. This was our highest level of investment expenditure to date, and close to \$12 million more than last year. The money was used to support strong initiatives across research and development, extension and communication, marketing, trade and more – you'll find just a small selection of this work in the pages that follow, but can always find the full extent of our activities at www.horticulture.com.au.

Importantly, the strength of Hort Innovation's funding sources grew throughout 2018/19. Reflecting a positive year for horticulture on the whole, **there was some \$56.8 million collected in levies by the Australian Government** and passed on to us for investment, in addition to voluntary levies collected through various collective industry fund arrangements. During the year we also **increased the level of funding available from co-investors**, particularly through our Hort Frontiers strategic partnership initiative, with more than \$44 million worth of projects being funded outside of our strategic levy fund programs. We were also proud to deliver extra value for the sector by securing **additional government funding through competitive grants**, including those under the Australian

Government's Rural R&D for Profit program, Improved Access to AgVet Chemicals initiative, and Agricultural Competitiveness White Paper.

Hort Innovation managed more than 600 active R&D project investments during the year, all working towards outcomes, recommendations and resources to help horticulture businesses grow. Twenty four of our levy industries also had **dedicated marketing programs** to drive awareness and consumption domestically, and internationally where relevant. Meanwhile, our Taste Australia program continued to showcase fresh, clean and green Aussie produce in key Asian markets throughout the year, as just one element of our **trade and market development work for the sector**.

Strengthening connections was a key focus for 2018/19. We relished the opportunity to engage face-to-face and online with as many growers and other horticulture stakeholders as possible, including through the development of the new Hort Innovation Strategy 2019-2023, which you can read more about on p32. We also announced plans to evolve the company into 2019/20 with the establishment of a new Extension & Adoption function – which means you'll soon be seeing us more than ever before.

 **2018/19 by the numbers**
609

R&D project investments*

\$57.8 million

in strategic levy R&D expenditure

\$20.3 million

in strategic levy marketing expenditure

24

levy marketing programs

\$44 millionin Hort Frontiers and non-levy expenditure[^]**\$6.7 million**

worth of investments involving grant funding as part of non-levy expenditure

* These are project investments that were active during the year (new, ongoing or completed), noting that other investments also existed during 2018/19 that have not been counted here as 'projects'

[^] Via their Strategic Investment Advisory Panels, some levy industries have chosen to become co-investors in Hort Frontiers projects, as reflected in this figure

During the year we also put an emphasis on continuing to build and strengthen our relationships with horticulture's industry representative bodies, ensuring we are working effectively together to support the industries we serve. See p28 for more on the Statements of Commitment that are helping achieve this.

And finally, let's not forget that we also delivered the new **Hort Innovation website** in December 2018. Visiting www.horticulture.com.au means you can now quickly and easily connect with us, connect with all of our investments, and search for and access all kinds of information and resources, from project updates and reports to fact sheets, podcasts, videos and more.

With a big year behind us, our attention now turns to 2019/20. We anticipate another impactful year ahead, with Hort Innovation continuing to deliver strong investments to support the productivity and profitability of the sector. We look forward to having you together with us on the journey.



“Collaboration is key to the success of Hort Innovation and our investments on behalf of horticulture. During 2018/19, the Hort Innovation Board and the company as a whole continued to strengthen ties, including with the leadership of industry

bodies, with our fellow RDCs, with all of our funding and delivery partners, with the Australian Government, and, of course, with growers.”

Selwyn Snell
Hort Innovation Chair



“In my first year as CEO it was fantastic to get out on the road and meet with growers across the country. Everything we do at Hort Innovation is about allowing those working in the horticulture sector to realise the benefits of the company's RD&E, marketing

and trade work, as together we grow the future of Australian horticulture.”

Matt Brand
Hort Innovation CEO

Highlights of 2018/19



Highlights of 2018/19

What a year! What follows is just a small snapshot of Hort Innovation's activities and achievements for the horticulture sector across a jam-packed 2018/19.

Of course, with 37 industries, seven Hort Frontiers investment areas, a dedicated trade focus and a host of other new and ongoing work, there was plenty more going on.

To learn more about the full scope of our work, visit www.horticulture.com.au. To learn more about specific activities in each of our industry-specific strategic levy funds during 2018/19, download your relevant Fund Annual Report at www.horticulture.com.au/annual-report-portal.



New year, new horizons

The previous 2017/18 financial year was a busy one, with Hort Innovation investing \$110 million into strong initiatives for the horticulture sector – and as 2018/19 began, our sights were set even higher. The year started off with a bang, with Hort Innovation contracting some 70 new projects during its first half alone. By the end of the year we had achieved a record-breaking level of investment expenditure, with more than \$122 million invested across strategic levy R&D, marketing, trade, Hort Frontiers and other initiatives.

Checking in on Hort Frontiers

As part of Hort Innovation’s continuous improvement process, during July broad industry consultation took place around our Hort Frontiers strategic partnership initiative, to get general feedback as well as to assess the progress and obtain input on the strategic direction of each Hort Frontiers fund. This consultation led into the drafting of new Strategic Investment Plans (SIPs) for each of the funds, a process which began later in the year and carried into 2019/20 in order to set out detailed themes, priorities and desired outcomes. See p23 for more on the SIP progress, and visit www.horticulture.com.au/hort-frontiers.



July 2018

Making things ‘Better Together’

Hort Innovation’s Better Together program was getting into full swing at the start of 2018/19 and continued throughout the year. The initiative is just one way we’re committed to bolstering relationships with industry representative bodies and our communication program delivery partners. It involves the supply of current investment information and Hort Innovation news to these networks, to in turn get key messages and resources into the hands of growers through all possible channels. Read more on p28.



Harvest to Home brings data and insights to more industries

Harvest to Home (www.harvesttohome.net.au) sees Hort Innovation collaborating with Nielsen to bring regular consumer behavioural data and insight reporting to industries contributing through strategic levy investment. In August, work was underway to launch new Harvest to Home online dashboards for a host of industries, to join those already running for vegetable, onion and sweetpotato. By October, new industry dashboards included those for almond, apple and pear, avocado, banana, cherry, citrus, lychee, macadamia, mango, mushroom, papaya, pineapple, raspberry and blackberry, strawberry, summerfruit and table grape.

Harvest to Home is delivered through the multi-industry investments *Consumer behavioural and retail data for fresh produce* (MT17015) and *Vegetable cluster consumer insights program* (MT17017).

HARVEST TO HOME



Matt Brand joins Hort Innovation as CEO

Matt Brand started in his role as Hort Innovation's new CEO in early September, with his appointment having been announced by our Board at the end of 2017/18. Matt joined the company following a long-term role as the CEO of NSW Farmers. At the time of his announcement, Hort Innovation Chairman Selwyn Snell noted that Matt had "a solid track record of strong agricultural organisational leadership and driving a strategic change agenda" – attributes that made him "an excellent choice to lead Hort Innovation into the next phase of its exciting future." Read more at www.bit.ly/new-hort-ceo.

August 2018

Industry benchmarking delivers valuable information

Just one of our benchmarking projects for horticulture industries, the Hort Innovation Macadamia Fund investment *Benchmarking the macadamia industry 2015-18* (MC15005) delivered its *Macadamia industry benchmark report 2009-2017* in August.

Close to 80 per cent of surveyed growers reported changing (or planning to change) their production practices as a result of this project's reports and resources, which as well as detailed benchmarking information included productivity case studies and articles, available from www.bit.ly/mc15005. Later in 2018/19, new project *Benchmarking the macadamia industry 2019-2021* (MC18002) was established to continue this work.

September 2018

Taste Australia sees biggest trade delegation to date

Taste Australia is the whole-of-horticulture brand used by Hort Innovation and participating industries to help increase the profile, sale and consumption of premium Australian



horticulture products in key export markets. The Taste Australia program (www.bit.ly/taste-australia) involves international trade show participation, in-market retail activities and other market development work.

In 2018/19, the trade show activity kicked off in September at Asia Fruit Logistica in Hong Kong, which you can watch more about in our video at www.bit.ly/2018-afl. The event saw the Australian horticulture industry's biggest trade delegation yet, with more than 200 producers and industry representatives attending. Further events that Taste Australia showcased at during the year included China Fruit and Vegetable Fair in Beijing, World of Perishables and Gulfood in Dubai, and Foodex in Tokyo.

Multi-million tree genomics project underway

In October, a \$13.3 million joint research project was getting underway to break down the genetic code of five leading tree crop varieties: almond, avocado, citrus, mango and macadamia. The work of the *National tree genomics project (AS17000)* is set to lead to a 'genomic toolkit' for tree breeders and researchers to better understand how genes control traits that are valuable to Australian growers – such as tree size, yield, disease resistance, and tree maturity. Read more at www.bit.ly/tree-genomics.

This project was the first investment to be contracted under Hort Innovation's Hort Frontiers Advanced Production Systems Fund. Just inside 2019/20, the first draft sequencing of the Hass avocado genome was published (www.bit.ly/hass-genome) as the result of its work.



Ongoing food safety work

As an example of just one of Hort Innovation's projects to support clean, safe and healthy practices within horticulture production, throughout 2018/19 the Hort Innovation Melon Fund project *Food safety, training, extension and capacity for the melon industry (VM17002)* continued to assist the melon industry in adopting best practice across the supply chain. It involved workshops, one-on-one food safety consultations and training, and the development of key practical resources for industry including a Best Practice Guide and Food Safety Toolbox. With an initial focus on rockmelons, in June 2019 a second phase of the project was established to also include watermelon businesses.

October 2018

November 2018



New investment to help tackle Queensland fruit fly

Contracted in October was a new project adding to the suite of important investments working to develop, produce and make use of sterile Queensland fruit flies through the Hort Frontiers Fruit Fly Fund and broader SITplus initiative. The sterile insect technique (SIT) approach is working towards the large-scale release of factory-reared sterile male flies – flies that are developed to be fit and attractive to wild female flies, to effectively stop the wild population from breeding.



New Hort Innovation website – access to more information than ever

December saw the launch of the new Hort Innovation website at www.horticulture.com.au. The site makes more information available than ever before about Hort Innovation’s investments, their progress and their outcomes and outputs, with a focus on quick and easy self-serve functionality. Visitors can search for and filter by topics or projects of interest, or visit our industry-specific grower pages to browse current and past investments. At the time of writing, more than 900 projects were detailed on the site, close to 500 final research reports were available for direct download, and hundreds of resources were searchable. An overview video of the site and how to use it can be found at www.bit.ly/website-how-to.

New Australian Standard released following nursery R&D work

In just one example of our investments leading to positive change for industry and the wider community, during December, Standards Australia released a revised Australian Standard concerning tree stock for landscape use (AS2303:2018), reflecting improved criteria for tree production and selection. This was off the back of research in the Hort Innovation Nursery Fund investment *Evaluation of nursery tree stock balance parameters* (NY15001), which looked at how species differences and climatic conditions in different Australian production regions can affect the root-to-shoot balance in tree stock. Learn more at www.bit.ly/ny15001.

December 2018

Launch event for Australian avocados into Japan

Western Australian avocados were granted access into Japan in mid-2018. With the export processes begun in June 2018, in December a diplomatic launch event was held in Tokyo with Australian and Japanese government representatives, leading Japanese importers and retailers, and Australian avocado industry representatives. The event was an opportunity to build and maintain trade relationships, and to drive preference for and provide education around Australian avocados with key decision makers in the region. It was facilitated with funding through the Hort Innovation Avocado Fund, and is just one example of market development activities supported by Hort Innovation throughout the year.



January 2019

Industry consultation begins for new Hort Innovation strategy

In January, Hort Innovation began a series of 20 regional workshops to gather vital feedback from growers and other horticulture participants, as part of the development of the new Hort Innovation Strategy 2019-2023. Between January and May, we travelled across the country and spoke to more than 350 people face to face, while consulting online as well. Read more on p32, and head to www.horticulture.com.au/strategy-2019-2023 to download the resulting strategy document, which contains a summary of all key feedback received. Thank you to everyone who took part!



Hort Innovation welcomes two new industries

Two new industry funds were formally established in February: the Hort Innovation Blueberry Fund (a new collective industry fund arrangement) and the Hort Innovation Nashi Fund (through which historic R&D levy funds will now be invested). You can learn more on our grower pages at www.horticulture.com.au/growers.

Targeting Australia’s most threatening plant disease

Xylella fastidiosa is an exotic and potentially devastating bacteria that impedes the movement of rising sap in plants. While it hasn’t yet appeared in Australia it has proven catastrophic overseas and, were it to enter the country, it could threaten more than 350 commercial, ornamental and native plant species. In February, a national coordinator was appointed to lead a three-year program to improve Australia’s readiness for any potential incursion of the disease – a joint initiative between Hort Innovation and Wine Australia through the Plant Biosecurity Research Initiative (see p31). Visit www.bit.ly/xylella-coordinator to read about the coordinator’s appointment. This is just one example of Hort Innovation’s biosecurity and plant health work during the year.

February 2019

Impact assessment work – a new, yearly process

In February, Hort Innovation embarked on new work with independent consultants to evaluate the impact of our R&D investments. The results revealed a range of economic, social and environmental benefits from a selected sample of projects across our R&D portfolio, as well as an average benefit-cost ratio of three to one. Learn about the process and findings in detail from p39.

In addition to looking across all of Hort Innovation’s R&D investments, there was an additional impact assessment component looking at investments specific to four strategic levy funds: the Hort Innovation Apple and Pear, Avocado, Mushroom and Table Grape Funds. More information can be found from the relevant grower pages at www.horticulture.com.au/growers.

2019 Masterclass in Horticultural Business kicks off

An initiative of the Hort Frontiers Leadership Fund, the Masterclass in Horticultural Business is like a ‘mini MBA’ to help foster new innovators and leaders in the Australian horticulture industry. The 2019 course began in February, with strategic levy funds supporting scholarships for levy payers in the apple and pear, nursery and vegetable industries. To be notified of future scholarship opportunities for the Masterclass and other industry courses, tours and events, sign up to free Hort Innovation communications at www.horticulture.com.au/sign-up.



The latest Australian Horticulture Statistics Handbook is released

Hort Innovation's annual *Australian Horticulture Statistics Handbook* offers the most comprehensive and contemporary data available on all sectors of the Australian horticulture industry in one easy-to-read spot. It features data and insights relating to production, international trade, processing volumes, and fresh market distribution for 75 different horticultural categories. The edition for the year ending 30 June 2018 was released in March, with the latest edition always available from www.horticulture.com.au/horticulture-statistics-handbook.

Tropical collaboration gets consumer attention in store

From late March through April, persimmons and custard apples came together for their first joint in-store sampling campaign to drive consumer awareness and occasionality, run through Hort Innovation's marketing programs for the industries. In Coles and Woolworths stores across Sydney and Melbourne, close to 11,000 samples of the fruits were handed out along with brochures featuring key facts and tips. It was also an opportunity to source refreshed shopper insights. Collaborations such as this represent an exciting way forward in pooling efforts and realising combined and maximised benefits across industries.



For details of all industry marketing programs for 2018/19, check out our Fund Annual Reports at www.horticulture.com.au/annual-report-portal.

March 2019

PBRI hits \$27 million in investments ...and counting

In March, it was announced that more than \$27 million had been invested through the Plant Biosecurity Research Initiative (PBRI) in its first 18 months. The PBRI is a collaboration between Australia's seven plant-focused Rural RDCs, Plant Health Australia, the Department of Agriculture and other contributors, and is about coordinating plant biosecurity RD&E funding and efforts. Discover more on p31 and at www.pbri.com.au.

PLANT BIOSECURITY RESEARCH INITIATIVE

More AgVet grant funding secured for horticulture industries

Hort Innovation was successful in securing nine grants awarded through the Australian Government's Improved Access to AgVet Chemicals initiative (now known as the Access to Industry Priority Uses of AgVet Chemicals program). Out of up to \$2 million available across the country's RDCs in 2018/19, Hort Innovation received close to \$930,000, with the funding being used for data generation activities that will ultimately support label registration and minor use permit applications made to the Australian Pesticides and Veterinary Medicines Authority (APVMA). Over four rounds of funding to date, Hort Innovation has been awarded a total of 88 grants of 146 awarded to various RDCs, to the value of some \$4.32 million.



Research findings put a focus on turf in the housing market

During April, the results of a Hort Innovation Turf Fund project garnered media attention. The work found that, according to a national survey, living turf can increase a property's value by more than 20 per cent – based on the Australian median house dwelling price, that equates to a boost of about \$110,000. You can read more at www.bit.ly/turf-value-boost.

April 2019

Our first Statement of Commitment signed

As part of developing and maintaining strong, cooperative and clear relationships with horticulture's



industry representative bodies, Hort Innovation developed a Statement of Commitment to Mutual Purpose and Respect document during 2018/19. The document is designed to allow the company to come together with individual industry bodies that look after statutory or voluntary levy industries, to mutually define, acknowledge and cement agreed roles, responsibilities, shared objectives and engagement expectations. In April, the first Statement of Commitment was signed between Hort Innovation and Avocados Australia, with the Almond Board of Australia, Australian Macadamia Society and Australian Banana Growers' Council also signing a Statement of Commitment with us shortly thereafter. See www.horticulture.com.au/statements-of-commitment for more.

High-tech biosecurity surveillance supported by grant funding

Grant-funded initiatives are just one of the ways Hort Innovation provides additional value for and back to Australia's horticulture industries. Contracted in May, the project *Remote sensing for biosecurity surveillance in urban and peri-urban environments* (ST18000) is one such initiative, being funded through Hort Innovation using a grant awarded under the Australian Government's Agricultural Competitiveness White Paper. The project is investigating the potential for remote sensing technologies to be used in mapping the location of horticulture biosecurity threats within urban and urban outskirt areas – with an initial focus on detecting plants that are potential hosts of citrus canker.



Inaugural National Banana Day champions industry

Under the Hort Innovation Banana Fund marketing program, the first-ever National Banana Day took place on May 1. The national initiative for Australian Bananas was about championing the banana industry in a day of celebration, while showcasing the health benefits of the fruit. There were lead-up activities and an official launch with media held at the iconic Big Banana in Coffs Harbour, New South Wales. Read more in the Hort Innovation Banana Fund Annual Report, downloadable from www.horticulture.com.au/annual-report-portal.

May 2019

Marketer of the Year Award acknowledges Hort Innovation

In May, finalists for the 2019 PMA-Produce Plus Marketer of the Year Award were announced and included Hort Innovation Marketing Manager Olivia Grey. Olivia was nominated for her work on the Hailstorm Heroes campaign – an initiative of the Hort Innovation Apple and Pear Fund's marketing program urging the community to support growers by purchasing fruit slightly marked during hailstorms. Olivia and Hailstorm Heroes went on to win the award in June. Read more on the nomination at www.bit.ly/marketing-nomination.



New executive appointments at Hort Innovation

Towards the end of 2018/19, Hort Innovation's structure began evolving to set us up to deliver strongly on the Hort Innovation 2019-2023 strategy. Announced in June for formal introduction in July was our newly created Extension & Adoption function, led by Anthony Kachenko as General Manager, to get practical investment outcomes, resources and knowledge directly to growers out in the regions. In June, individual executive positions were also appointed to lead our Research & Development and Marketing & Trade functions, which were formerly combined under one executive position. Alison Anderson and Justine Coates took up General Manager positions for these functions respectively. Lisa Street also began as new General Manager for Hort Innovation's People & Culture function in June, while Sally Holmes changed portfolios to become General Manager of our Stakeholder Engagement function.



Securing our pollination future

In June, new multi-industry work was contracted by Hort Innovation to allow the first importation of desirable honey bee germplasm into Australia, through the new Post-Entry Quarantine facility at Mickleham in Victoria. The germplasm will ultimately be used to help establish genetics in Australia's honey bee population that provide tolerance to the potentially devastating Varroa mite and its associated viruses. Find out more about the project *Development and implementation of protocols to enable importation of improved honey bee genetics to Australia* (MT18019) at www.bit.ly/mt18019.

June 2019

2019/20

Coming together with industry at Hort Connections

In supporting the Hort Connections 2019 conference and trade show, held in Melbourne across 24-26 June, Hort Innovation seized the opportunity to connect with growers and other industry participants. We had an action-packed stand delivering everything from 'Brain Date' sessions with Hort Innovation research, marketing and trade staff, to an interactive knowledge hub with take-home resources, and of course plenty of food and drink. This included cauliflower lattes, borne from research into value-adding and waste recovery through Hort Innovation Vegetable Fund project *Creating value from edible vegetable waste* (VG15076).



At Hort Connections we launched our new *Growing Matters* podcast series (www.horticulture.com.au/podcasts) and also hosted panel sessions on trade and marketing. You can watch the marketing session at www.bit.ly/2019-consumer-panel, and watch our general overview of Hort Connections at www.bit.ly/2019-hort-connections.

More collaboration through the Rural R&D for Profit program

In June, Hort Innovation secured two of 10 grants available to Australia's 15 Rurals RDCs in round four of the Australian Government's Rural R&D for Profit program. This will see us collaborating with a host of partners to deliver new research into technology-based crop monitoring tools, and into pollination within protected cropping environments, in addition to the projects we are already leading on or contributing to from previous rounds of grants. For more on our involvement in the Rural R&D for Profit program, see p30.



Making it happen

**How we're set up
to deliver**

Who is Hort Innovation?

What we do

Hort Innovation is the grower-owned, not-for-profit research and development corporation (RDC) for Australia's horticulture sector. We work with the sector to invest levy, co-investment and Australian Government dollars into initiatives spanning research and development, extension and communication, trade, marketing and more.

We're part of the nation's network of 15 Rural RDCs (more on this on p30), and currently look after 37 horticulture industries that have statutory or voluntary levies to invest. This increased from 35 industries in 2017/18, with the Hort Innovation Blueberry and Nashi Funds established during 2018/19.

Hort Innovation also has the whole-of-horticulture Hort Frontiers strategic partnership initiative, which currently has seven key investment areas. Our Hort Frontiers activity is focused on collaborative, cross-industry work to address longer-term, complex issues and opportunities identified as critical for the future of Australian horticulture.

37

The number of horticulture industries that Hort Innovation currently invests on behalf of

7

The number of Hort Innovation's Hort Frontiers strategic partnerships funds, which include the...

- » Advanced Production Systems Fund
 - » Asian Markets Fund
 - » Fruit Fly Fund
 - » Green Cities Fund
 - » Health, Nutrition & Food Safety Fund
 - » Leadership Fund
 - » Pollination Fund
-



Our agreement with the government

Hort Innovation is governed by a Funding Agreement with the Australian Government, which allows for the transfer and subsequent investment of levies and government contributions (more on this in our funding and investment information on p21).

The full Funding Agreement document can be found on our website at www.horticulture.com.au/governing-documents. During 2018/19, the agreement underwent a variation. This was to extend its original four-year term out from May 2019 until December 2019, to allow the government and

Hort Innovation to work on the agreement's next iteration. The details of this variation are also on the website.

A note about our Funding Agreement in relation to agri-political activity:

Importantly, Hort Innovation is not an industry representative body (IRB)

– though we do work closely with them. This distinction is key. Under our Funding Agreement, the company is not able to engage in any form of agri-political activity, with this instead remaining in the domain of many of horticulture's IRBs.

Our Constitution

Hort Innovation is guided by a Constitution. This document outlines the company's broad priorities as Australian horticulture's RDC, which are to:

- » Provide leadership to, and to promote the development of, the Australian horticulture sector
- » Increase the productivity, farm-gate profitability and global competitiveness of the horticulture industries by:
 - The strategic allocation and investment of levies, Australian Government contributions, producer contributions (also known as 'voluntary levies') and monies received from investors in research, development, extension and marketing funds, programs and services

- Providing information, services and products related to research, development, extension and marketing activities or outcomes
- » Support capacity building by maintaining a diverse range of research, development, extension and marketing services providers
- » Promote and further the interests of Australian horticulture industries overseas in relation to export, sale, distribution and consumption in countries other than Australia
- » Be accountable to levy payers, producer contribution payers, investors and the Australian

Government for the company's use of levies, producer contributions and payments from investors

- » Engage in any other activities for the benefit of members, levy payers, producer contribution payers, Australian horticulture industries, co-investors and the Australian community generally
- » To do all such things as are incidental, convenient or conducive to the attainment of all or any of the above.

Our full Constitution document can be found online at www.horticulture.com.au/governing-documents.

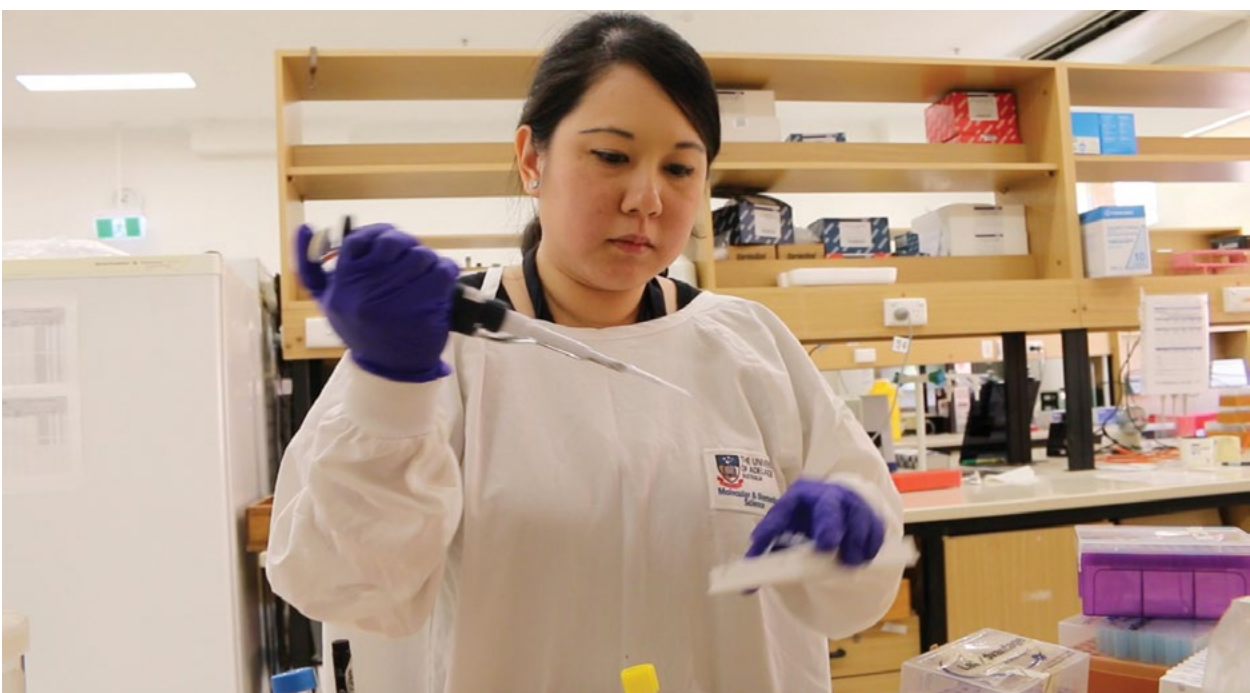
How our funding works

Funding and investing in 2018/19

The work we do at Hort Innovation is primarily funded by grower levies, Australian Government contributions and co-investment dollars that we broker from a range of sources.

Additional funding streams can come into play too – for example, during 2018/19 Hort Innovation secured investment money to benefit industry through the government’s Rural R&D for Profit program and the Improved Access to AgVet Chemicals initiative, and also received grant funding provided under the government’s Agricultural Competitiveness White Paper.

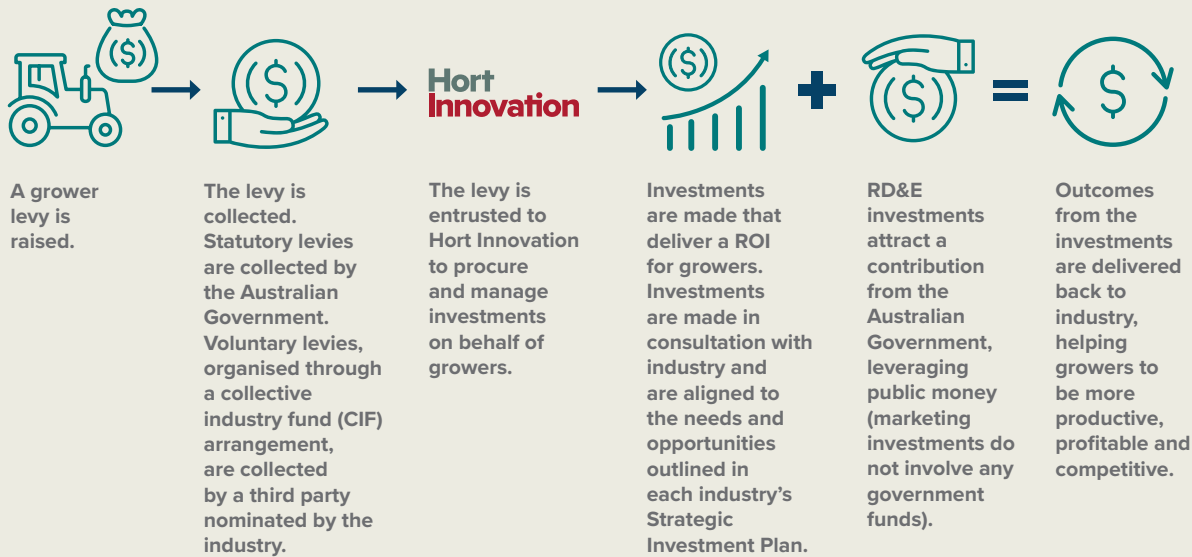
Depending on the funding source, the monies we receive are invested into a wide range of initiatives. We invest in single-industry projects, multi-industry and across-horticulture programs, cross-RDC collaborations, short-term and needs-based work, long-term strategic research and everything in between. Examples of these can be seen in our 2018/19 investment highlights from p6, but the full breadth of our investments can be seen any time on our website at www.horticulture.com.au.



Hort Innovation's funding models

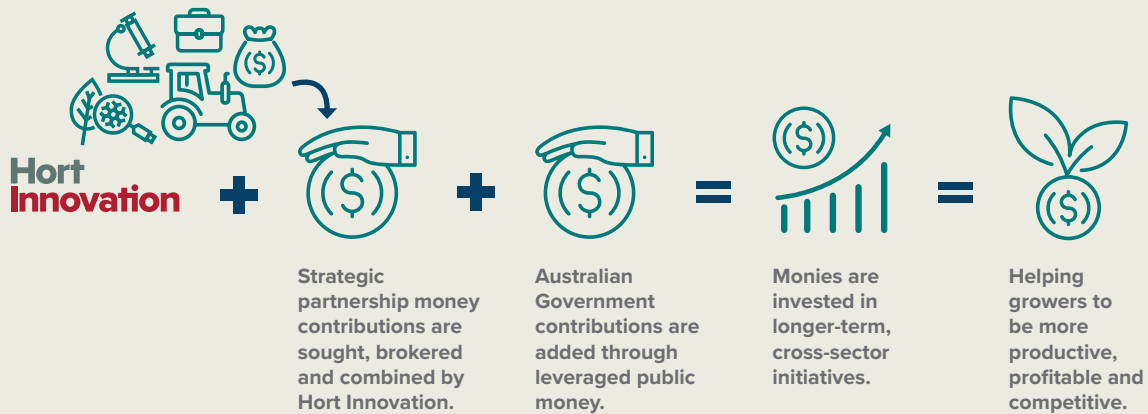
During 2018/19 Hort Innovation used two core funding and investment models: strategic levy investment and the Hort Frontiers strategic partnership initiative.

The strategic levy investment funding model



Hort Innovation
Strategic levy investment

The Hort Frontiers funding model



hort frontiers
Strategic partnership initiative

What guided our 2018/19 activities?

Hort Innovation's strategy

Hort Innovation is guided by a company strategy that outlines our overarching priorities, goals and key activities over a set term, with the document reviewed and revised along the way to ensure it remains current and closely aligned to the horticulture sector's needs.

The 2018/19 financial year was the final year operating under the company's 2016 to 2019 strategy. This was the strategy under which Hort Innovation undertook a significant evolution – a reinvigoration that established the company as you know it today. You'll find the top-level details of this foundation-laying strategy, including 2018/19 reporting against the key activities and investment priorities it set out, from p47.

With the sun setting on the existing strategy, the second half of 2018/19 saw the development of the Hort Innovation

Strategy 2019-2023, which represents a strong new way forward for the company and Australian horticulture as a whole. The delivery of the strategy was a significant undertaking between January and June 2019, involving a high level of industry consultation. You can read more about this on p32.

With the new strategy coming into effect at the beginning of 2019/20, the full strategy document and surrounding information can be found at www.horticulture.com.au/strategy-2019-2023.



Strategic Investment Plans

Hort Innovation's Strategic Investment Plans (SIPs) set out specific investment priorities and themes to guide investment activities at the industry and fund level.

In the levy investment space, the majority of the 37 horticulture industries looked after by Hort Innovation had an industry-specific SIP during 2018/19 to guide R&D and, where relevant, marketing investment decisions. Each SIP had previously been developed through close consultation with growers and other industry stakeholders, and can be found on the relevant grower page at www.horticulture.com.au/growers. Hort Innovation was working on any pending SIPs towards the end of the financial period, for finalisation and implementation in 2019/20.

In the Hort Frontiers space, each of the seven investment funds began life with a 'Co-investment Strategic Intent' document outlining its purpose, top-level investment themes and objectives. During 2018/19, work began to evolve these original intent documents into fully fledged SIPs with detailed themes, priorities and desired investment outcomes.

This Hort Frontiers SIP work was kick-started following broad industry consultation around the strategic partnership initiative, undertaken during July 2018 as part of Hort Innovation's continuous improvement process.

The Hort Frontiers Pollination Fund SIP was the first to be released in its draft form in June 2019, having been created with the input of the fund's Expert Advisory Panel (keep reading for more on 'EAPs'). Drafting of the remaining Hort Frontiers SIPs began in 2018/19 and continued into 2019/20, with releases anticipated during the first half of the new financial year.

Current intent documents and future SIPs for Hort Frontiers funds can be found on the fund pages at www.horticulture.com.au/hort-frontiers.

Contributing to a balanced portfolio

Our industry SIPs – and Hort Innovation's investment and advisory process overall – help ensure the company's industry funds have a balanced portfolio of investment. The seven Hort Frontiers funds further ensure a balance in strategic and longer-term investments across all of Hort Innovation's activities for the horticulture sector.

Industry consultation – our formal advice mechanisms

Hort Innovation makes investment decisions with advice from industry in order to achieve the best outcomes.

During 2018/19 we had a number of formal advice-gathering mechanisms in place to help ensure the right investments were being made at the right time and in the right areas, in line with identified priorities. These included:

» **Strategic Investment Advisory Panels (SIAPs) for levy investment funds.**

Our industry-specific SIAPs are made up of growers and other industry representatives who are there on behalf of industry, not their individual interests. They are selected through an expressions of interest process and must meet appropriate skills criteria. The SIAPs discuss investment ideas at consultation meetings, using their industry's SIP to guide them in providing advice to Hort Innovation on potential levy investments.

» **Expert Advisory Panels (EAPs) for Hort Frontiers funds.**

The Hort Frontiers funds have EAPs featuring a broad cross-section of panellists including growers, subject matter professionals and other specialist representatives, such as experts from government. These panels work with Hort Innovation in the same way as industry SIAPs.

» **Trade consultation panels.** There are three specialist trade panels that provide advice to Hort Innovation on a range of trade-related matters, export requirements and new market opportunities. These are the Trade Assessments Panel (TAP), Industry Trade Advisory Panel (iTAP) and Nut Industry Trade Advisory Panel (niTAP).

Advice mechanisms in action: 2018/19

| SIAPs | EAPs | Trade |
|---|-----------------------------|-------------------------|
| 38 panels* | 6 panels^ | 3 panels |
| 77 meetings (in person or teleconference) | 6 meetings | 3 meetings† |
| 329 panellists | >30 panellists | 27 panellists |

* There are more SIAPs than levy industries, as some industries with a marketing levy have both an R&D and a marketing SIAP, while others have one panel to discuss both

^ All Hort Frontiers funds have EAPs with the exception of the Fruit Fly Fund, which seeks advice through an alternative committee-based approach including the SITplus Technical Advisory Committee (TAC) and Stakeholder Advisory Committee (SAC), and also has involvement with the National Fruit Fly Council

† The niTAP did not convene during 2018/19

Australian Government priorities

Ultimately, everything Hort Innovation does for and on behalf of the Australian horticulture sector aligns with relevant priorities set by the Australian Government.

Australia's Rural RDCs were established by the government to support RD&E efforts across agriculture and other primary industries. As an RDC, this close relationship with the Australian Government means that Hort Innovation's investment activities must align not only to industry and fund-specific priorities and themes within horticulture (as per our company strategy and SIPs), but back up to an overarching set of national priorities and themes.

The Australian Government's Rural RD&E Priorities were cemented in 2016, having been published as part of the Agricultural Competitiveness White Paper in 2015. There are four of them:

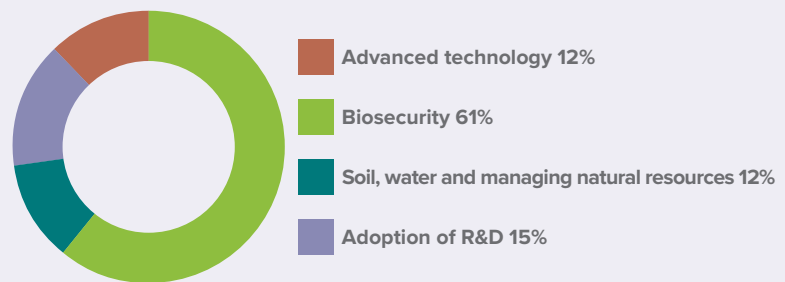
- » Advanced technology
- » Biosecurity
- » Soil, water and managing natural resources
- » Adoption of R&D.

The Rural RD&E Priorities are in turn aligned to the government's National Science and Research Priorities, announced in 2015. There are several of these priorities, with three of relevance to horticulture:

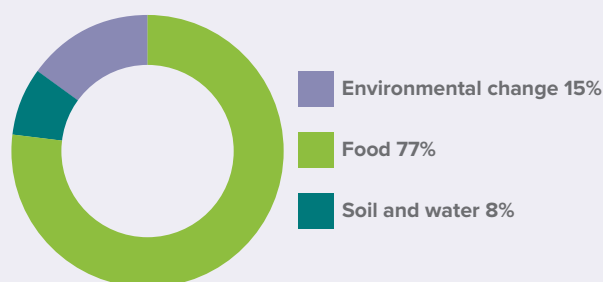
- » Environmental change
- » Food
- » Soil and water.

How Hort Innovation investments tracked against government priorities in 2018/19

Hort Innovation investment alignment to Rural RD&E Priorities



Hort Innovation investment alignment to National Science and Research Priorities



In addition to these key sets of priorities, Hort Innovation's work can also be aligned to other national priorities, directions and feedback that may be communicated to us by the Australian Government from time to time.



Who we worked with in 2018/19

Collaboration is key

A collaborative approach is essential to the operation and success of Hort Innovation and its investments on behalf of Australian horticulture. From government to growers, right across the sector and into related industries and areas, we're committed to building and maintaining close working relationships.

In 2018/19 as in all years, this whole-of-industry partnership approach saw Hort Innovation working with the below, to name a few:

- » **Horticulture representative bodies**, such as industry representative bodies and Voice of Horticulture
- » **Regional and state-based grower groups** across the country
- » **Associations relevant to horticulture**, such as PMA Australia-New Zealand, Nuffield Australia and the Australasia-Pacific Extension Network
- » **Delivery partners and the wider research community**, such as state research agencies, CSIRO, the university sector and agriculture RD&E providers in private enterprise
- » **Supply chain participants and partners**, such as retail supermarkets and the Central Markets of Australia Association
- » **Trade partners**, such as Austrade and the Australian Horticultural Exporters' and Importers' Association
- » **Other industry agencies**, such as Plant Health Australia and the government's Cooperative Research Centre network
- » **The Rural RDC network**, which includes 14 other RDCs, through the official Council of Rural RDCs and other collaborative opportunities.

National Horticulture Research Network

During 2018/19, Hort Innovation remained a member of the National Horticulture Research Network (NHRN) together with horticulture R&D representatives from state and federal government and other relevant organisations. The NHRN is responsible for the development and implementation of the Horticulture RD&E Strategy under the National Primary Industries RD&E Framework.

The Horticulture RD&E Strategy has a number of research priorities, ranging from protected cropping and pollination through to market access and advanced production systems – all areas in which Hort Innovation has strong investment in, both through strategic levy funding and the Hort Frontiers strategic partnership initiative. These investments can be searched any time on our website at www.horticulture.com.au.

During 2018/19, NHRN members including Hort Innovation's representative worked on and approved the latest Horticulture RD&E Strategy 2019-2024, which will be made available at www.npirdef.org/strategies. Hort Innovation funding also continued to support the role of the NHRN Executive Officer during the period.

 **Collaboration spotlight**

Hort Innovation and industry representative bodies

Hort Innovation and IRBs have distinct but complementary roles to play when it comes to supporting Australia’s horticulture sector together.

Importantly, we hold a unique partnership in creating and facilitating the vital two-way flow of information with growers and other industry stakeholders. Here’s a sample of how we worked together in 2018/19.

Building Statements of Commitment

To ensure strong, cooperative and clear working relationships between Hort Innovation and IRBs, in 2018/19 we developed a Statement of Commitment to Mutual Purpose and Respect document. The document allows Hort Innovation and each horticulture IRB that looks after a statutory or voluntary levy industry to mutually define, acknowledge and cement our agreed roles, responsibilities, shared objectives and engagement expectations, so we can work effectively in the best interests of growers and the wider industry.

The Statement of Commitment initiative was recommended as part of Hort Innovation’s 2018 Independent Review of Performance. In 2018/19, four IRBs came together with us to develop and sign an industry-specific document:

- » Avocados Australia, signed April 2019
- » Almond Board of Australia, signed May 2019
- » Australian Macadamia Society, signed May 2019
- » Australian Banana Growers’ Council, signed June 2019.

Hort Innovation will continue outreach to all IRBs during 2019/20 to grow the number of bodies that

have committed along with us to a collaborative ongoing relationship. More information, including the draft Statement of Commitment and signed documents, can be found at www.horticulture.com.au/statements-of-commitment.

The Better Together initiative

Hort Innovation’s ‘Better Together’ initiative was introduced in late 2017/18 and was in full swing throughout 2018/19. It sees Hort Innovation providing IRBs notifications about newly contracted and completed investments in their strategic levy funds, to support them in communicating information on levy-funded projects and programs to their members and networks. It also involves the communication of Hort Frontiers and general Hort Innovation information of relevance to growers and other industry stakeholders.

While Better Together was initially established to assist IRBs and communication partners who deliver industry communication programs that are funded by R&D levies, it is extended to all IRBs who wish to be involved.

The Better Together initiative recognises the importance of the close relationship IRBs have with and within the industries they serve. It is one way Hort Innovation works closely with IRBs to put the right information in the hands of growers, in a manner and form that speaks to their needs and interests.

IRBs as delivery partners

Throughout 2018/19, many IRBs continued to act as delivery partners for Hort Innovation’s levy-funded investments. The industry bodies, for example, were strongly represented among the delivery partners for communication, event and extension programs.

To be selected as the delivery partner for a particular investment, IRBs must go through the same process as other potential service providers – this involves submitting a response to the project proposal distributed by Hort Innovation, and having that response evaluated against set criteria and other submissions by an evaluation panel. This is key to Hort Innovation’s fair and equitable procurement process, and ensures the best delivery partner is selected for the work. You can learn more at www.horticulture.com.au/innovation-concept-pipeline.

During 2018/19, some IRBs also had ongoing input into levy-funded projects and programs via participation in a range of project reference groups, steering committees and evaluation panels.

Involvement in consultation

As in previous years, in 2018/19 IRBs continued to be represented on Hort Innovation's industry Strategic Investment Advisory Panels, working with other panellists to contribute to the evaluation of potential investment opportunities based on industry needs (see p24 for more on these panels).

During 2018/19 Hort Innovation also held dedicated consultation sessions with IRBs as part of the development of the new Hort Innovation Strategy 2019-2023. Read on to learn more about the broad industry consultation around the strategy.

Outside of Hort Innovation's own advice-gathering mechanisms, we also brought together the skills and knowledge of a range of IRBs in order to advise and collaborate with Austrade ahead of 2018/19 trade events such as Asia Fruit Logistica and in general discussions around trade.



Key statistics with IRBs: 2018/19

4

Statements of Commitment signed

20

rounds of Better Together updates

19 of 23

levy-funded communication programs delivered by or with IRBs*

14 of 19

industries with levy-funded extension investments had IRBs leading some or all activities^

26

IRBs represented across industry SIAPs

* 23 industries had a communication program active during the year. Because some industries had both an old program ending and a new program beginning in 2018/19, the number of discrete programs was actually 32, with 26 of these delivered by or with IRBs.

^ There were some 50 extension-related investments in Hort Innovation's strategic levy funds in 2018/19, across 19 industries



 **Collaboration spotlight**

Hort Innovation and other RDCs

Hort Innovation works closely with our fellow Rural RDCs on cross-sectoral strategies, projects and other initiatives to address common opportunities and issues. This collaboration is central to the Australian Government's Rural RDC model for supporting primary industries, and allows us to share and support in the delivery of efficient and effective initiatives for growers and producers across the country. Here's a sample of how we worked together in 2018/19.

The Rural R&D for Profit program

The Australian Government's Rural R&D for Profit program boosts funding to the network of 15 Rural RDCs. It's a competitive grants program that began in 2015, with its four funding rounds now completed. When all Rural R&D for Profit initiatives have run their course, the program will have seen some \$157 million of grant investment through the RDCs.

Hort Innovation leads or supports a range nationally coordinated and collaborative R&D through the program.

In 2018/19, Hort Innovation applied for grant funding on behalf of horticulture and subsequently became the lead RDC on two new Rural R&D for Profit projects:

» *Novel technologies and practices for the optimisation of pollination within protected cropping environments*

» *Multi-scale monitoring tools for managing Australian tree crops – phase 2*

From this fourth and final round of projects, we also committed to supporting work led by the Grains Research and Development Corporation into boosting diagnostic capacity within plant production industries, which was to begin in 2019/20.



Other Rural R&D for Profit projects from previous rounds of funding that Hort Innovation led or supported during the financial year, including those ended during the period, include:

| LEAD RDC | PROJECT NAME |
|---|---|
| Hort Innovation | Improving plant pest management through cross industry deployment of smart sensors, diagnostics and forecasting |
| Hort Innovation | Multi-scale monitoring tools for managing Australian tree crops: Industry meets innovation |
| Hort Innovation | 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 |
| AgriFutures Australia | Securing pollination for more productive agriculture: Guidelines for effective pollinator management and stakeholder adoption |
| Cotton Research and Development Corporation | Accelerating precision agriculture to decision agriculture |
| Cotton Research and Development Corporation | More profit from nitrogen: Enhancing the nutrient use efficiency of intensive cropping and pasture systems |
| Wine Australia | Digital technologies for dynamic management of disease, stress and yield |

The Plant Biosecurity Research Initiative (PBRI)

To coordinate funding and efforts related to plant biosecurity RD&E, the PBRI is a partnership between Australia's seven plant-focused Rural RDCs, working collaboratively with Plant Heath Australia and the Department of Agriculture, plus industry, state and national biosecurity stakeholders.

Throughout 2018/19, Hort Innovation worked with our fellow plant RDCs and other PBRI partners in new and ongoing investments, including but not limited to:

- » **Projects to protect the horticulture and wine industries from Xylella**, an exotic bacterium that threatens more than 350 commercial, ornamental and native plant species in Australia. This included the appointment of a Xylella coordinator and a state-of-the-art diagnostic project.
- » **A national cross-industry surveillance project** to monitor and report on the presence of airborne

pests and diseases affecting horticulture, grains, cotton, sugar, wine and forest plantations.

- » **An investment into improving plant industries' access to new genetics** through faster and more accurate biosecurity screening using 'next generation sequencing'.
- » **A review of the biosecurity plan and manual for the viticulture industry** including both table and wine grapes.

In its first 18 months to March 2019, more than \$27 million was invested into the PBRI's RD&E projects, with further projects on the horizon. You can learn more about the PBRI at www.pbri.com.au.

Other work together

- » **Other projects.** In addition to projects related to the PBRI and Rural R&D for Profit program, Hort Innovation continues to realise collaborative investment opportunities with RDC partners, as appropriate. For example, in 2018/19 we continued

to invest in work with the Cotton Research and Development Corporation, exploring a unique topical protection agent to tackle pests of vegetable and cotton crops.

- » **Trade initiatives.** Hort Innovation continues to work on cross-RDC trade initiatives, include joint RDC Taste Australia activities (separate and different to Hort Innovation's horticulture-specific Taste Australia work). In 2018/19, for example, this included joining forces with Dairy Australia, Meat and Livestock Australia and Wine Australia for a March 2019 export-market networking and showcase opportunity in Singapore.
- » **The Council of RDCs.** The Council is an official way for the Rural RDCs to come together to discuss and work on opportunities and issues. Throughout 2018/19, Hort Innovation continued to take part in Council meetings and workshops, and participated in events including the evokeAG 2019 exhibition led by AgriFutures Australia.

 **Collaboration spotlight**

Hort Innovation and you

As a grower-owned RDC, no relationship is more important to Hort Innovation than the one we have with horticulture’s growers and other participants in the sector. We’re committed to connecting with growers as closely as possible – when it comes to both drawing information and advice in, and extending investment outcomes, resources, news and company matters out. During 2018/19, here are just some the ways we connected.

Collecting and acting on feedback

Formal advisory mechanisms with growers

As seen on p24, Hort Innovation collaborates closely with growers through our formal advisory mechanisms. During 2018/19, growers were strongly represented among the 320+ panellists on our industry-specific Strategic Investment Advisory Panels and participated across the Hort Frontiers Expert Advisory Panels, providing advice to Hort Innovation on investment opportunities and their alignment to industry needs and priorities. Details of active panellists remain published on the grower and Hort Frontiers pages at www.horticulture.com.au.

During 2018/19, expressions of interest were sought for joining specific advisory panels as required, with alerts circulated to contacts in Hort Innovation’s database and more broadly via other industry channels. Year-round, a general expression of interest form also remained open on the company’s website.

During the reporting period, Hort Innovation also sought formal input from growers and other industry participants

through project reference groups, steering committees and evaluation panels specific to individual investments.

Informal and ad-hoc feedback opportunities

Throughout 2018/19, as in every year, Hort Innovation continued to encourage growers to connect with us in the field, on the phone and via our website to share feedback, ask questions and seek knowledge. To facilitate such points of contact, our staff attended key industry conferences and events – from the whole-of-horticulture Hort Connections conference to industry-specific forums and field days – and our website continued to provide contact details and a dedicated feedback form (www.horticulture.com.au/get-in-touch). Key contacts for the company that are detailed on the website include our frontline staff who are dedicated strategic partners there to connect their specific portfolio of industries to Hort Innovation and vice versa.

Consultation on Hort Innovation’s new strategy

Working to secure grower and broad industry input into the new Hort Innovation Strategy 2019-2023 was a key focus for Hort Innovation in the second half of 2018/19.

Between January and May 2019, we held a series of events around Australia designed to engage with horticulture growers and other industry participants, particularly levy payers. Hort Innovation executives, Board members and staff travelled to some 20 regional locations in every state and territory, speaking to more than 350 people for input into the strategic planning process. An online consultation option was also available on our website from January until the end of April 2019, for growers unable to attend a consultation workshop in person.

When draft themes for the new company strategy were developed, they were opened up for further feedback via the website during late May and early June 2019.

Working so collaboratively with growers and other key horticulture participants was essential to the development of Hort Innovation’s next four-year strategy, ensuring that the goals and activities it sets out are closely aligned to the sector’s needs, issues and opportunities.

Full details on this industry collaboration and the final strategy document are available at www.horticulture.com.au/strategy-2019-2023.

Hort Innovation's key communication channels

The Hort Innovation website

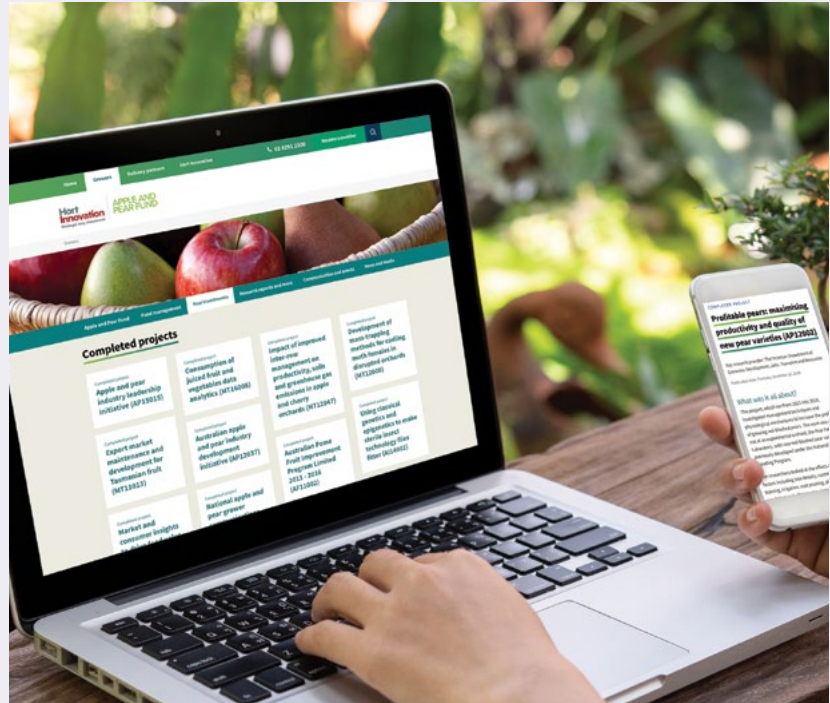
Hort Innovation's website was relaunched in December 2018 with strong new capabilities to allow growers to connect with the company, the investments we make on their behalf, and the tangible resources these investments deliver. The new site, www.horticulture.com.au, is designed to be a self-serve portal with a robust search function to allow visitors to find the information they need quickly and easily. All active levy and Hort Frontiers projects are detailed on the site, in addition to completed investments dating back to 2014 (with Hort Innovation working to extend this into earlier work throughout 2019/20).

For the first time ever, through the site growers can now directly download the final research reports produced by completed investments. At the time of writing, close to 500 reports had been uploaded to the site, both recent and historical. Hundreds of project resources such as fact sheets, guides and videos are also available in addition to project updates, key company information and essential contact details.

Importantly the site also facilitates collaboration with and input from the horticulture sector, with growers and other industry participants able to submit ideas for the research, marketing and trade initiatives they'd like to see, and to leave general feedback for Hort Innovation.

Other channels

» **Digital communications.** Throughout the reporting period, Hort Innovation continued to communicate regularly via our monthly *Growing Innovation* e-newsletter and industry-specific email alerts, sent to our database



of contacts including members and additional subscribers spanning growers, supply chain professionals, exporters and other people in the wider horticulture community. Signing up to these communications is free at www.horticulture.com.au/sign-up. During 2018/19 we also maintained a social media presence via Facebook, Twitter and LinkedIn to support two-way engagement with growers. A new podcast series, *Growing Matters*, was also released (www.horticulture.com.au/podcasts).

» **Levy-funded communication and extension programs.** During 2018/19, Hort Innovation continued to fund industry-specific communication and extension programs with industry R&D levies and Australian Government contributions – allowing growers and the wider industry to connect with activities, achievements and assets relating to their levies. Across the year, 23 industries had active communication programs and 19 had various extension investments, delivering information via websites, social media, print, and a wide range

of face-to-face channels. Details and links into these investments are always available from www.horticulture.com.au, via the relevant grower pages. Communication and extension investments are guided by the needs of growers, as identified in industry Strategic Investment Plans.

- » **Industry events.** To support the free flow of relevant information from investments to growers – and to allow growers to feed back to Hort Innovation – throughout the financial year we continued to sponsor, attend and present at relevant industry-specific and horticulture-wide events, from conferences and forums to field days and workshops.
- » **The media.** During 2018/19, Hort Innovation issued regular media releases to rural and other relevant media, helping to distribute investment news and information – plus other company updates – to growers, horticulture participants and the Australian public through resulting articles, radio interviews and TV spots.

Collaboration spotlight

Hort Innovation membership

Paying a horticulture levy doesn't automatically make a business a member of Hort Innovation, but membership is free and just one way growers can have a closer relationship with the company that they own.

Importantly, members can apply for voting entitlements ahead of each year's Annual General Meeting – giving them a direct say on the leadership of Hort Innovation and the rules governing the company. In November 2018, members voted on four resolutions that resulted in three language and reference changes within the company's Constitution, and elected three Directors to the Hort Innovation Board.

At the end of the 2018/19 period, Hort Innovation had 2386 members. A membership application form remains available at www.horticulture.com.au/sign-up.



Connecting with growers: 2018/19

| | | | |
|--|---|---|---|
| <p>37</p> <p>new grower pages full of information at www.horticulture.com.au</p> | <p>23</p> <p>industries with levy-funded communication programs*</p> | <p>20</p> <p>consultation events on the new company strategy</p> | <p>>100</p> <p>e-newsletters and email alerts sent</p> |
| <p>19</p> <p>industries with levy-funded extension activities (representing some 50 individual investments)</p> | <p>38</p> <p>SIAPs with growers involved</p> | <p>>21k</p> <p>followers across Hort Innovation social channels</p> | <p>100s</p> <p>of face-to-face interactions at industry events</p> |

* 23 industries had a communication program active during the year. Because some industries had both an old program ending and a new program beginning in 2018/19, the number of discrete programs was actually 32.

A photograph of two men standing in a vineyard. The man on the left has dark, curly hair and is wearing a dark blue button-down shirt. The man on the right has grey hair and a beard, wearing a dark blue sweater over a light blue collared shirt. They are both smiling and holding a large bunch of green grapes. The background is filled with lush green grapevines under bright sunlight.

**Connect
with us!**

**Sign up for Hort Innovation
communications at
www.horticulture.com.au/sign-up**



For 2018/19 – as always – Hort Innovation had rigorous processes and mechanisms in place to ensure the right investments were being made, and that they were delivering. What follows is in addition to, and in some aspects a part of, all of the activity alignment information provided from p22.

Hort Innovation's Program Framework

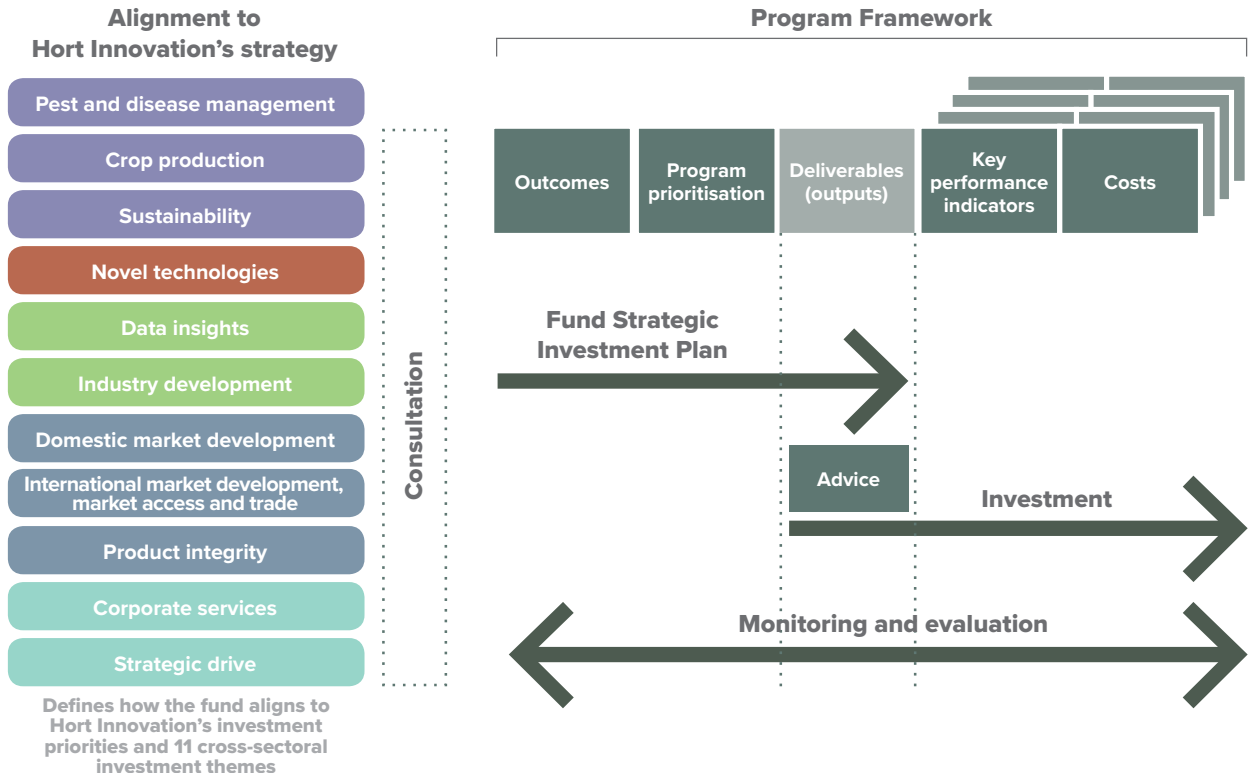
Hort Innovation's Program Framework links the company's overarching strategy and the priorities contained within it to the investment priorities of each strategic levy and Hort Frontiers fund, as identified through their Strategic Investment Plans (SIPs) or documents of Co-investment Strategic Intent.

The Framework is there to ensure there is proper planning in all investment programs, along with performance and cost monitoring and reporting. The diagram below shows what it involves. You can see that it's aligned to 11 cross-sectoral investment themes. During 2018/19, these were the broad investment areas identified in the existing but since-concluded 2016

to 2019 company strategy, in turn aligned to Australian Government priorities (see p25). Hort Innovation's SIPs have these overarching themes flowing through them, but identify specific priorities, outcomes and strategies at each industry or fund level.

In addition to the Program Framework, during 2018/19 Hort Innovation's

'program logic' model continued to be embedded in all investment decisions and into each program or project itself. Program logic is a thinking tool used to consider how outcomes can be achieved through investment, to guide and inform investment selection, and to monitor, evaluate and report on progress and achievements.



Monitoring and evaluation

Monitoring and evaluation (M&E) activities are an important focus for Hort Innovation.

M&E is how we ensure we maintain a responsible oversight of the activities and investments we fund on behalf of the horticulture sector, including checking that programs and projects are tracking well and delivering effectively and efficiently. Outcomes of M&E are used to refine and improve investment delivery where relevant.

Hort Innovation has an Evaluation Framework to help guide the company's M&E efforts. M&E implementation to date has covered all Hort Innovation corporate strategies. During 2018/19, these were to:

- » Communicate and listen to stakeholders
- » Deliver on investments
- » Develop our culture and leadership.

The key initiatives undertaken by Hort Innovation to implement the Evaluation Framework are listed below:

- » M&E plans produced for all investments, as appropriate
- » Ex-ante impact assessments undertaken for all industry SIPs – this type of assessment quantifies the impact of investments in terms of the net benefits anticipated from them

- » Indicative logic and M&E included in industry SIPs
- » Development of M&E information and tools for delivery partners
- » Alignment of investments to industry SIP outcomes and strategies
- » Ex-post impact assessments commissioned for R&D investments for the Hort Innovation Apple and Pear, Avocado, Mushroom and Table Grape Funds – this type of assessment quantifies the impact of completed investments in terms of the net benefits realised from the research outputs, with results found via the relevant grower pages at www.horticulture.com.au/growers
- » Ex-post impact assessments across a random sample of all Hort Innovation R&D investments that were completed in the 2017/18 financial year (see p39 for further information).

Hort Innovation's existing Evaluation Framework is available at www.horticulture.com.au/governing-documents.

At the time of writing, work was underway to update the framework to ensure that M&E efforts align with the new Hort Innovation Strategy 2019-2023 and the fresh strategic pillars it sets out for the company.

Impact assessments

During 2018/19, Hort Innovation engaged independent consultants to evaluate the impact of our R&D investments in the previous financial year, providing insights into the type and magnitude of impacts generated across the company's strategic levy programs.

The evaluation revealed a range of economic, social and environmental benefits being generated for horticulture growers, supply chain participants, and the community at large.

The undertaking of this work marked the beginning of a new, yearly process for the company.

How assessments were made

Because Hort Innovation invests in R&D across a host of industry-specific levy programs, projects that were completed in 2017/18 across all industry funds were available to be randomly sampled for the impact assessment. This ensured a representative list of projects was used as the basis for the evaluation.

Here's what happened:

1. A pool of projects was identified, with the criteria of being completed in the 2017/18 financial year and with a Hort Innovation managed investment value of at least \$80,000 – met by a total of 85 projects with a Hort Innovation investment value of \$50.4 million.
2. From this pool, a random sample of 15 projects was selected (listed on p43). Together, these 15 projects had a nominal Hort Innovation managed fund value of \$9.3 million (18.5 per cent of the overall investment value). Each project sampled also aligned with a unique R&D portfolio.
3. Each of the 15 projects was evaluated using a framework approach, looking at project objectives, activities, outputs and impacts. Some of the impacts identified were also valued in monetary terms.

The approach for evaluating the impacts was performed in line with impact assessment guidelines defined by the Council of Rural RDCs. The impact assessment consultants engaged with researchers, Hort Innovation staff and industry stakeholders to support the evaluations.

The results

Through the assessments, 86 impacts were subjectively identified as having been generated directly by the 15 randomly selected projects. The impacts themselves were grouped into 15 broad categories, as seen in the table below. Specific benefits ranged from yield and quality improvements for avocados to increased grower and supply chain partner capacity in export development and export mindset.

| ECONOMIC IMPACTS | SOCIAL IMPACTS | ENVIRONMENTAL IMPACTS |
|--|--|--|
| <p>Increased productivity and/or profitability for Australian horticulture crops (including through increased average yields, increased area grown, increased average value, increased average quality)</p> <p>Example relating to the investment <i>Profitable pears: Maximising productivity and quality of new pear varieties</i> (AP12002): Increased productivity and profitability for Australian pear producers was realised through the adoption of optimal orchard management systems and practices that increase average yield and fruit quality.</p> | <p>Increased knowledge and scientific/research capacity</p> <p>Example relating to the investment <i>Nursery industry statistics and research 2016/17</i> (NY16004): Capacity built in industry and researchers in the collection and interpretation of data.</p> | <p>Reduced chemical export off-farm</p> <p>Example relating to the investment <i>National strawberry varietal improvement program</i> (BS12021): Increased disease resistance of new strawberry varieties may have resulted in reduced chemical use and hence reduced the risk for any potential chemical export to the off-farm environment.</p> |
| <p>Increased supply of and/or demand for Australian horticulture products</p> <p>Example relating to the investment <i>National strawberry varietal improvement program</i> (BS12021): Increased demand for strawberries across Australia due to the improved characteristics of new varieties valued by consumers.</p> | <p>Productivity/profitability benefits having a flow-on effect to support improved regional community wellbeing</p> <p>Example relating to the investment <i>Supply chain quality improvement – cool chain best practice guidelines</i> (AV15010): The improved profitability of the avocado industry supply chains will increase or protect current positive benefit spill-overs to regional areas where avocados are produced and distributed.</p> | <p>Increased water use efficiency</p> <p>Example relating to the investment <i>Profitable pears: Maximising productivity and quality of new pear varieties</i> (AP12002): Improved environmental outcomes as a result of increased water use efficiency when growing and producing pears.</p> |
| <p>Reduced production and/or demand variability risks</p> <p>Example relating to the investment <i>Development of the Australian melon industry through communication and market focused activity</i> (VM12003): Reduced impact of biosecurity and food safety incidents for melons from improved coordination of industry mitigation practices and eradication or management responses.</p> | <p>Improved producer and/or consumer health, wellbeing or utility</p> <p>Example relating to the investment <i>Where should all the trees go? Investigating the impact of tree canopy coverage on socio-economic status and wellbeing in local government areas</i> (NY16005): Health and wellbeing improvement in some urban local government areas due to the identification of priority areas and associated actions for urban greening, compared to what otherwise would have been delivered by the 2020 Vision urban greening initiative without the project investment.</p> | <p>Avoided waste</p> <p>Example relating to the investment <i>Berry export strategy</i> (MT17001): Avoided berry waste associated with additional production, with berries likely to have been wasted in the absence of export market development.</p> |

| ECONOMIC IMPACTS | SOCIAL IMPACTS | ENVIRONMENTAL IMPACTS |
|---|---|--|
| <p>Maintained and/or improved market access (domestic or international)</p> <p>Example relating to the investment <i>New end-point treatment solutions to control fruit fly (2)</i> (VG13044): Contribution to maintained and/or improved market access for Australian capsicum producers/exporters, specifically in the New Zealand market.</p> | <p>Increased industry or other stakeholder capacity (for example, export capacity)</p> <p>Example relating to the investment <i>Berry export strategy</i> (MT17001): Increased grower and supply chain partner capacity in export development and export culture for strawberries, raspberries and blackberries.</p> | <p>Enhanced biodiversity</p> <p>Example relating to the investment <i>Where should all the trees go? Investigating the impact of tree canopy coverage on socio-economic status and wellbeing in local government areas</i> (NY16005): Potential increase in the value of biodiversity in some local government areas through increased green space.</p> |
| <p>Decreased production or supply chain costs</p> <p>Example relating to the investment <i>Development of the Australian melon industry through communication and market focused activity</i> (VM12003): Increased adoption of beneficial management practices from training and other extension and awareness activities, resulting in reduced melon costs of production.</p> | | <p>Increased adoption of environment-friendly best management practices</p> <p>Example relating to the investment <i>Innovating new virus diagnostics and planting bed management in the Australian sweetpotato industry</i> (VG13004): With improved sweetpotato virus control, fewer chemicals will be needed for the control of insect virus vectors. This reduced usage means fewer chemicals on farm and a reduced potential for chemicals in the district environment, with positive impacts on biodiversity and water quality.</p> |
| <p>Increased efficiency of resource allocation, particularly for horticulture RD&E expenditure</p> <p>Example relating to the investment <i>Women's and Young Grower Industry Leadership and Development Missions 2016-2018</i> (VG15703): Better vegetable industry decisions – more integrated, efficient and profitable supply chains and better allocation of public RD&E resources. Also, increased capacity of industry – outside of Hort Innovation – when it comes to industry leadership and advising on public policy.</p> | | |



What about monetary impact and value?

Where suitable data was available, the impacts were also valued to provide a quantitative assessment of the project via a cost-benefit analysis in monetary terms.

The cost-benefit analysis was projected over a 30-year timeframe following the project's conclusion, recognising that benefits from an investment may continue to be realised following its immediate conclusion. Costs and benefits were discounted to a present value (in 2018/19 terms) using a five per cent discount rate to reflect the time value of money.

The results demonstrated that across the 15 sampled projects, an average benefit-cost ratio of three to one was achieved, generating a total net present value of \$41.8 million over 30 years. The Hort-Innovation-only (levy fund) investment component of this generated a net present value of \$22.1 million and a benefit-cost ratio of 2.9 to one. Although some impacts were valued, other benefits weren't quantifiable (such as the benefit of positive impacts on regional communities from enhanced grower incomes, or broader supply chain efficiencies). As such, these results give a conservative estimate of the true benefits that would be realised for growers, supply chain participants and the broader public.

Glossary of economic terms

The following economic terms have been used in the table on p43, illustrating the cost-benefit analysis results by project sampled:

- » **Present value of benefits:** The discounted value of benefits to 2018/19 terms.
- » **Present value of costs:** The discounted value of investment costs to 2018/19 terms.
- » **Net present value:** The discounted value of the benefits of an investment, less the discounted value of the costs – that is, present value of benefits minus present value of costs.
- » **Benefit-cost ratio:** The ratio of the present value of investment benefits to the present value of investment costs.

Want more?

Full details of this impact assessment initiative and individual project assessments can be found on the Hort Innovation website at www.horticulture.com.au/mt18011. You'll also find details of separate impact assessments undertaken specific to the Hort Innovation Apple and Pear, Avocado, Mushroom and Table Grape Funds via the relevant grower pages at www.horticulture.com.au/growers.

Results by project sampled

| PROJECT CODE | PROJECT NAME | R&D PORTFOLIO | PRESENT VALUE OF BENEFITS (\$M) | PRESENT VALUE OF COSTS (\$M) | NET PRESENT VALUE (\$M) | BENEFIT-COST RATIO |
|--------------|--|---|---------------------------------|------------------------------|-------------------------|--------------------|
| AP12002 | Profitable pears: Maximising productivity and quality of new pear varieties | Crop production | 6.22 | 3.56 | 2.66 | 1.75 |
| AV14000 | Achieving more consistent yields of quality fruit in the Australian avocado industry | Technology transfer and adoption | 5.78 | 1.58 | 4.19 | 3.65 |
| AV15010 | Supply chain quality improvement – cool chain best practice guidelines | Supply chain | 2.23 | 0.62 | 1.61 | 3.59 |
| BS12021 | National strawberry varietal improvement program | Breeding | 24.87 | 7.02 | 17.85 | 3.54 |
| MT17001 | Berry export strategy | Export trade | 0.21 | 0.15 | 0.06 | 1.39 |
| MU14000 | Communication and education of mushroom nutrition research to health professionals (phase 2) | Human nutrition | 2.80 | 1.08 | 1.72 | 2.59 |
| MU16005 | Food safety for the Australian mushroom industry | Product integrity | 0.51 | 0.18 | 0.34 | 2.89 |
| NY16004 | Nursery industry statistics and research 2016/17 | Industry analysis | 0.89 | 0.23 | 0.66 | 3.82 |
| NY16005 | Where should all the trees go? Investigating the impact of tree canopy coverage on socio-economic status and wellbeing in local government areas | Emerging technologies | 0.67 | 0.21 | 0.46 | 3.17 |
| VG13004 | Innovating new virus diagnostics and planting bed management in the Australian sweetpotato industry | Plant health: pathology/ virology / nematodes | 9.70 | 2.77 | 6.60 | 3.50 |
| VG13044 | New end-point treatment solutions to control fruit fly (2) | Biosecurity and market access R&D | 1.65 | 1.02 | 0.63 | 1.62 |
| VG15703 | Women's and Young Grower Industry Leadership and Development Missions 2016-2018 | Study tours | 3.13 | 1.46 | 1.67 | 2.15 |
| VG16025 | Increasing consumption by developing community awareness and benefits of vegetables | Vegetable industry development | 0.12 | 0.11 | 0.01 | 1.08 |
| VG16026 | Addressing vegetable consumption through foodservice organisations (chefs, TAFEs and other training institutions) | Industry market research | 0.67 | 0.35 | 0.32 | 1.90 |
| VM12003 | Development of the Australian melon industry through communication and market focused activity | Industry communications | 3.47 | 0.85 | 2.62 | 4.09 |

What happens when IP is created?

During 2018/19, Hort Innovation’s Intellectual Property Policy and Management Framework continued to facilitate the identification, use and management of intellectual property (IP) acquired, created, licensed, disseminated and commercialised by the company.

Under the framework, whenever IP is identified in concepts and investments progressing through Hort Innovation, formal registrations and contractual arrangements are put in place to ensure we can secure the right to operate and protect the commercial value of this IP for the benefit of the Australian horticulture sector. Hort Innovation also acts to maximise the dissemination and adoption of R&D outputs and other materials in which IP subsists.

In 2018/19, Hort Innovation maintained an active IP Register of all IP arising from investments. We also worked to establish an improved IP management system, Inteum Web, towards the end of the financial year. Inteum Web will be implemented during 2019/20.

What about royalties?

Wherever IP attracts a royalty, that income is given back to the levy fund from which it was originally derived, for further investment.

Royalties by industry in 2018/19

| INDUSTRY | AMOUNT (\$) |
|----------------|----------------|
| Apple and pear | 2,200 |
| Dried grape | 621 |
| Macadamia | 2,998 |
| Pineapple | 8,171 |
| Strawberry | 314,623 |
| Table grape | 1,672 |
| TOTAL | 330,285 |



Visit us online

Stop by www.horticulture.com.au for details on current and past investments, to download final research reports, and to access project outputs such as fact sheets, videos and more.



Delivering on our corporate strategies in 2018/19



Strategic pillars

Reporting against 2018/19's three strategic pillars

Pillars of 'strategic intent' are set out in Hort Innovation's company strategy as indicators of our key focus areas and desired outcomes for horticulture.

This annual report takes a look back at our activities and achievements across 2018/19, as aligned to the company's 2016 to 2019 strategy and the 2018/19 annual operating plan that sat under it. With the new Hort Innovation Strategy 2019-2023 introduced at the beginning of 2019/20, the company's current strategic pillars, outcomes and goals can be found at www.horticulture.com.au/strategy-2019-2023.

1 Strategic pillar one

Communicate and listen to stakeholders

2 Strategic pillar two

Deliver on investments

3 Strategic pillar three

Develop our culture and leadership



Pillar one of the Hort Innovation 2016-2019 strategy:

Communicate and listen to stakeholders

Broad activities under pillar one

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

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

Advisory mechanism: Implement and manage a successful fit-for-purpose advisory mechanism, panels and processes to seek advice and inform investments in RD&E and marketing.

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

Membership: Manage membership application processes including allocating voting rights and managing processes at the Annual General Meeting (AGM).

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

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

Some of our 2018/19 financial year actions and achievements at a glance

- » **Hort Innovation's digital channels enhanced**, including through the launch of the new www.horticulture.com.au website in December 2018 via new technology (Episerver). The site has dedicated areas for growers/horticulture participants, delivery partners and those seeking corporate information about the company. It represents the supply of more information than ever, allowing Hort Innovation to reach more levy payers more often (when, where and how suits them) and with outputs of highest relevancy. It includes streamlined, searchable access to final research reports and resources produced off the back of investments. A governance section has also been added to the corporate section of the site, providing access to all relevant governance-related documents.
- » **Development of dynamic methods to deliver complex information**, with Hort Innovation delivering a large number of videos for use across a number of digital channels and beginning the trial of a new podcast platform in the financial period.
- » **Work with other stakeholders to expand the reach of Hort Innovation communication efforts**, which included the continued delivery of the Better Together initiative and work towards Statements of Commitment



with industry representative bodies that look after statutory or voluntary levy industries (also a key initiative for providing clarity around respective roles, responsibilities and engagement channels) – see p28 for more on both of these. Hort Innovation also continued management of levy-funded industry communication and extension programs during the period.

- » **Face-to-face communication opportunities developed and seized, including at the regional level.** During 2018/19, there was continued alignment to industry-coordinated events that saw speaking, participation and support from all levels of Hort Innovation. Hort Innovation executive team members and key staff were also involved in the company's regional strategy consultation workshops in early 2019, and there was also a program of attendance of executive staff at numerous Strategic Investment Advisory Panel (SIAP) meetings. During the period, Hort Innovation progressed the development of sponsorship arrangement processes and guidelines, to secure participation in and support for relevant industry conferences and events.
- » **Continued work towards enhancing the public opinion of Hort Innovation,** including through engagement and strategic partnerships with the media – there were regular media releases delivered during 2018/19, including

those direct from Hort Innovation plus additional partner media releases, and the continued implementation of a revised media spokesperson strategy.

- » **Continued collection and, where appropriate, action on feedback,** with Hort Innovation continuing to receive and respond to written feedback provided via our online feedback form and email channels (details at www.horticulture.com.au), as well as via one-to-one relationships and other face-to-face opportunities.
- » **Continuous improvement in advisory mechanisms.** During the reporting period, Hort Innovation continued to ensure representation in SIAPs and other advisory panels was skills and merit-based, and that two-way feedback mechanisms existed with panellists and Chairs. A survey was also undertaken with Hort Innovation's SIAP panellists to attain feedback and identify areas for improvement.
- » **Availability and transparency of advisory related information ensured,** with fund management information added to the new Hort Innovation website and the regular uploading of SIAP meeting notes for a broad audience. A feedback loop back to SIAPs was also maintained. During 2018/19, a review of the minute-taking and meeting summary production process was undertaken, with improvements to be realised in 2019/20. There was also effort to empower SIAPs to provide information

and feedback back to industry, with updated confidentiality agreements between Hort Innovation and panellists in place and discussions having been held to encourage SIAPs to share outcomes of meetings.

- » **Membership channels and processes maintained,** with membership sign-up prominently featured on the new Hort Innovation website, in addition to a 'keep me informed' option allowing growers and other contacts to simply sign up for Hort Innovation communications (www.horticulture.com.au/sign-up). Hort Innovation also continued to engage independent provider Link Market Services to manage and update a central membership database and to manage the allocation of voting entitlements ahead of the company's AGM.
- » **Implementation of new collaboration systems,** which during 2018/19 included preparation for the roll-out of Zoom (realised just inside 2019/20) as a new video conferencing tool for engaging across the business and for facilitating external meetings digitally.
- » **Review and improvement of Hort Innovation's CRM,** with new CRM platform Microsoft Dynamics selected and developed during 2018/19, with roll-out and enhancements taking place during 2019/20 in a phased approach. This will continue to support Hort Innovation's priority communication and stakeholder management activities.



Pillar two of the Hort Innovation 2016-2019 strategy:

Deliver on investments

Broad activities under pillar two

Strategic levy investment/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.

Hort Frontiers funds: Establish co-investment funds up to their capacity of investments and seed new co-investment in line with consultation based on market demand and investment capacity.

Strategic Investment Plans (SIPs): Implement and manage a process to establish and review SIPs for all funds.

Procurement process: Implement and manage a new procurement process for greater transparency and contestability to deliver improved value for money.

Evaluation Framework: Implement a monitoring and evaluation framework at all levels of investment (project, fund and corporation).

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.

Market access and trade: Build and manage a new function that engages with industry and overseas stakeholders and delivers tangible growth-to-export value.

Systems to support delivery of investments: Implement upgraded systems across finance, procurement and innovation workflow.

Some of our 2018/19 financial year actions and achievements at a glance

- » **Continued communication on the different characteristics, criteria and processes for investment and funding through strategic levy and Hort Frontiers models**, with continuous communications to stakeholders including via the new Hort Innovation website and annual reporting opportunities. The national roadshow undertaken as part of consultation on the new Hort Innovation Strategy 2019-2023 was also a fully utilised opportunity to communicate on and discuss these models with growers and the broader horticulture value chain, while SIAPs were also provided with more information on Hort Frontiers during the 2018/19 period.
- » **Development of information relating to the impact and return on investment of research projects**, which saw a range of impact assessments being undertaken during the financial year. See p39 for full details on ex-post impact assessments across Hort Innovation's portfolio of investments, and you'll soon be able to find the industry-specific results for the apple and pear, avocado, mushroom and table grape industries on each of the industries' grower pages at www.horticulture.com.au/growers.

The impact assessment process will be an ongoing activity for Hort Innovation, undertaken each year going forward under the new company strategy.

- » **Collaboration facilitated between industries, to open opportunities for efficiencies.** During 2018/19, Hort Innovation continued to look for opportunities to drive collaboration and efficiencies to address shared issues, opportunities and outcomes. As detailed earlier in this report, this included cross-sector and cross-RDC work such as that realised through the Plant Biosecurity Research Initiative and other multi-industry and across-industry investments, including Strategic Agrichemical Review Process initiatives, joint biosecurity projects and the like.
- » **Growth in non-government co-investment funding for Hort Frontiers,** with Hort Innovation continuing to seek and secure funds from a range of co-investors. During 2018/19, around 70 per cent of Hort Frontiers funding came from non-government sources.
- » **Development of SIPs for the seven Hort Frontiers funds commenced,** with consultation across Hort Frontiers Expert Advisory Panels completed during 2018/19 and drafting of all SIPs begun. The draft Pollination Fund SIP was delivered within the reporting period, with the remaining six to follow.
- » **Analysis of SIP investment alignment completed for levy funds,** to provide a picture of current investment weightings and potential gaps, and ultimately drive greater investment efficiency and responsiveness. This SIP investment analysis was completed by Hort Innovation's Data & Insights team, with the results to be published on the grower pages at www.horticulture.com.au/growers early in 2019/20, featuring the use of new data optimisation technology.
- » **Refinement and bolstering of Hort Innovation's procurement process undertaken** to improve efficiency and find agilities, with a new procurement process implemented for marketing during 2018/19 and the process for trade updated, with work ongoing under the new Hort Innovation Strategy 2019-2023.
- » **Upgraded procurement-related technology systems and increased data capture, management and reporting,** with new functionality and data models implemented within Hort Innovation's internal TechOne system and progress towards a web-based version of the platform.
- » **Continued implementation of the Evaluation Framework (p38) and its expansion,** ranging from the ex-post impact assessments made in the R&D program (see p39) to mid-term program evaluations included in marketing programs and work towards end-of-program evaluations as well.
- » **Trade activities and successes communicated,** with Hort Innovation putting a renewed focus on trade-focused media releases during 2018/19 (trade-related content accounted for around 30 per cent of Hort Innovation's direct releases during the year) and the 2019 Hort Connections conference utilised as a strong opportunity to communicate on trade. At the event, Hort Innovation led the delivery of an export panel discussion with global retailers/influencers and growers, and also hosted one-on-one 'Brain Dates' around trade across the event. Trade matters also continued to be discussed with SIAPs and industry trade panels throughout 2018/19.
- » **Export strategy work,** which included the release of the Berry Export Strategy 2028 to provide the strawberry and raspberry and blackberry industries with a strategic assessment of future opportunities for export market development from 2018 to 2028.
- » **Continued cross-industry and cross-RDC collaboration for a common positioning in export markets,** to enhance Australia's position as a supplier of premium, quality and safe products. This saw regular meetings with fellow RDCs including Dairy Australia, Meat and Livestock Australia and Wine Australia to pursue opportunities, and involved a successful combined event in Singapore in March 2019.
- » **Continued showcasing of Australian horticulture under the Taste Australia banner, led by Hort Innovation.** Trade events during 2018/19 included Asia Fruit Logistica in Hong Kong, China Fruit and Vegetable Fair in Beijing, World of Perishables and Gulfood in Dubai, and Foodex in Tokyo. Throughout the year, promotional activities also continued through Taste Australia's retail program, while a new Taste Australia R&D project was established to target key international retailers with training and educational resources for selecting, storing, handling and displaying Australian produce in store.
- » **Implementation and refinement of systems to support staff and business operations.** This included the roll-out of a new expense management system (Serko Expense), establishment of a new IP management system to be implemented in 2019/20 (Inteum Web), and the consolidation of infrastructure into a data centre during 2018/19.



Pillar three of the Hort Innovation 2016-2019 strategy:

Develop our culture and leadership

Broad activities under pillar three

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.

Innovation and brand: Develop guidelines and key messages for use internally on 'What it means to be part of horticulture and Hort Innovation'.

External leadership: Seek opportunities to invest in the capacity of industry leadership through our levy and co-investment funds, including industry awards and programs.

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.

Risk frameworks and internal audit: Manage the company's risk strategy and internal audit frameworks to support our teams and protect our performance.

Board and AGM: Support our Board with transparent reporting to ensure risks are managed and optimal decisions are made. Implement a compliant AGM and voting process to ensure eligible voting members can have their say on the leadership of Hort Innovation.

Some of our 2018/19 financial year actions and achievements at a glance

- » **Review of and work to realign the company structure** to ensure Hort Innovation's talent continues to be deployed efficiently and that the company continues to be set up to deliver. In addition to the introduction of new leadership with the commencement of new CEO Matt Brand, during 2018/19 the company's structure was reviewed as part of implementing recommendations from Hort Innovation's 2018 Independent Review of Performance and in line with the needs identified through development of the Hort Innovation 2019-2023 strategy. Elements planned for during 2018/19 and introduced at the beginning of 2019/20 included a new Extension & Adoption function and the appointment of individual executive functions for reinvigorated Research & Development and Marketing & Trade functions.
- » **Work to foster a high-performance culture**, which saw a host of activity and training during 2018/19. This included but wasn't limited to Hort Innovation teams completing StrengthsFinder assessments and workshops; leadership staff and initial teams undertaking Leadership Styles Inventory assessments and training; and the roll-out

of LinkedIn Learning as an online platform for staff to grow knowledge and develop relevant skills through self-paced learning and development across a wide variety of topics. During the year, Hort Innovation also continued to reinforce the company's 'GROW' values and reward for behavioural capabilities required for success through the Redii staff recognition platform (Thrive).

- » **Continued implementation of Hort Innovation's Diversity and Inclusion Framework**, and the extension of its principles to our interactions with industry. During 2018/19, Hort Innovation remained a proud member of the Diversity Council of Australia, and information relating to diversity and inclusion was added to our new website at www.horticulture.com.au/our-values.

- » **Ongoing participation in the RDC and wider research community**, as detailed in earlier sections of this report, such as on p30.

- » **Risk management and internal audit activities**, which during 2018/19 included progressing the implementation of a new internal audit plan to enhance the management of risk throughout all areas of operations, and continued reviews and reporting to the Hort Innovation Board and executive team to identify emerging risks.

- » **Delivery of the Hort Innovation 2018 AGM, which saw the election of new Directors to the company's Board.** At the November 2018 AGM, voting members of Hort Innovation elected three Directors to the company's board from a pool of seven candidates and, after the meeting, the Board made appointments/re-appointments for the positions

of Chair and Deputy Chair. In the lead-up to the AGM, through its Director Nomination Committee (which included a levy payer as part of a 2017 AGM resolution), Hort Innovation identified the Director candidates via a rigorous process with external firm Rimfire Resources.

- » **Board Director and executive staff engagement with industry**, which was facilitated through channels such as participation in the 2019 Hort Connections conference (the flagship conference for Australia's horticulture sector) and other industry events; Hort Innovation's 2018 AGM; the 20 regional consultation workshops held around the development of the new Hort Innovation Strategy 2019-2023; continuous engagement with industry representative bodies and their Boards; and meetings and engagement with other relevant bodies throughout the year.



Investment priorities

Reporting against 2018/19's investment priorities

Under Hort Innovation's 2016 to 2019 company strategy, five key investment priorities were set out. What follows is 2018/19 reporting against the key performance indicators (KPIs) set for each of these priorities.

1

Grow the horticulture value chain capacity

3

Support industry efficiency and sustainability

5

Lead strategically to enhance the development of the Australian horticulture industry through operational excellence

2

Drive long-term domestic and export growth

4

Improve productivity of the supply chain through innovative technologies

 **Investment priority one:**

Grow the horticulture value chain capacity

KPI:

» 7.5 per cent increase in horticulture gross value of production (GVP) by 2018*

Related to cross-sectoral investment themes:

Data insights; Industry development

Contributing to the priority in 2018/19

During 2018/19, Hort Innovation continued to deliver R&D, marketing and trade investments to support overall industry growth.

The table below shows GVP information from 2018/19 ABARES estimates (data by estimated value of agricultural operations of \$40,000 or greater).

| SECTOR | ESTIMATED GVP 2018/19 (\$M) | CHANGE IN VALUE SINCE 2014/15 | COMPOUND ANNUAL GROWTH RATE (2014/15 – 2018/19) |
|--|-----------------------------------|----------------------------------|---|
| Fruit and nuts (excluding grapes) | 4,781 | 36% | 8% |
| Vegetables | 4,148 | 24% | 5% |
| Nursery, cut flowers and cultivated turf | 1,674 | 13% | 3% |
| Table and dried grapes | 526 | 53% | 11% |
| TOTAL | 11,129 | AVERAGE 28% | 6% |

Source: ABARES Agricultural Commodities June Quarter 2019

- » **Fruit and nuts (excluding grapes)** contributed close to an estimated \$4.8 billion to the total value of Australian agriculture in 2018/19, an increase of 36 per cent on nominal 2014/15 production values.
- » **Vegetables** contributed an estimated \$4.2 billion to the total value of Australian agriculture in 2018/19, up 24 per cent on nominal 2014/15 production values.
- » **Nursery, cut flowers and cultivated turf** contributed an estimated \$1.6 billion to the total value of Australian agriculture in 2018/19, up 13 per cent on nominal 2014/15 production values.
- » **Table and dried grapes** contributed an estimated \$526 million to the total value of Australian agriculture in 2018/19, an increase of 53 per cent on nominal 2014/15 production values.

* To note: 2018 was the year written into the strategy document for this and other investment priority KPIs. While the targets did not move, for the purposes of the Hort Innovation Annual Report 2018/19 we have extended reporting to cover contributions across the full 2018/19 period. Previous contributions to the 2018 target can be seen in the Hort Innovation Annual Report 2017/18 and other documents to date.

 **Investment priority two:**

Drive long-term domestic and export growth

KPIs:

- » 10 per cent increase in the value of horticulture exports by 2018
- » 7.5 per cent growth in the retail value of fresh fruit and vegetables by 2018
- » Five per cent growth in the retail volume of fresh fruit and vegetables by 2018

Related to cross-sectoral investment themes:

Domestic market development; Product integrity; International market development, market access and trade

Contributing to the priority in 2018/19

Growth in value of exports

During the financial year, Hort Innovation continued to support the export capabilities of horticulture industries and continued to deliver market intelligence and in-market activities.

Australian exports of horticulture produce (fresh and processed) to Asia increased 29 per cent between 2017/18 and 2018/19 to be worth \$2.34 billion – accounting for 79 per cent of the total share of export value.

Total horticulture exports (fresh and processed) increased by \$606.7 million (25.7 per cent) from 2017/18 to 2018/19, to reach a total value of \$2.97 billion – the highest value on record, and up from the previous record of \$2.36 billion achieved in 2017/18.

Since 2014/15, the total value of horticulture exports has increased by \$1.26 billion (79 per cent).

| SECTOR | EXPORT VALUE 2018/19 (\$M) | CHANGE IN VALUE SINCE 2014/15 | COMPOUND ANNUAL GROWTH RATE (2014/15 – 2018/19) |
|------------------------------|----------------------------------|----------------------------------|---|
| Fruit (fresh, dried, frozen) | 1,390 | 114% | 21% |
| Nuts | 1,044 | 48% | 10% |
| Vegetable | 321 | 77% | 15% |
| Processed | 198 | 23% | 5% |
| Nursery | 16 | 40% | 9% |
| TOTAL | 2,969 | AVERAGE 79% | 15% |

Source: IHS Global Trade Atlas (2019)

Products that saw a strong annual growth included:

- » **Avocados** at 69 per cent (to reach a value of \$20 million in 2018/19)
- » **Almonds** at 55 per cent (\$672 million)
- » **Table grapes** at 45 per cent (\$555 million)
- » **Peaches/nectarines** at 43 per cent (\$624 million)

Growth in domestic retail value and volume

The compound annual growth rate in household expenditure on fresh produce from July 2011 to June 2019 can be seen below:

| | |
|---|------|
| Total fresh fruit/vegetables/dried fruit and nuts | 4.5% |
| Fruit and vegetables | 4.6% |
| Fruit | 4.8% |
| Vegetables | 4.4% |
| Dried fruit and nuts | 3.3% |

The compound annual growth rate in household purchase volumes of fresh produce from July 2011 to June 2019 was:

| | |
|---|------|
| Total fresh fruit/vegetables/dried fruit and nuts | 1.7% |
| Fruit and vegetables | 1.7% |
| Fruit | 2.5% |
| Vegetables | 1.0% |
| Dried fruit and nuts | 1.8% |

Source: Nielsen Homescan for the 'total fresh fruit/vegetables/dried fruit and nuts' category (client defined) for 52 week period ending in June 2019 for the Australian market. Note that these figures do not include fresh produce bought and consumed outside of the home or through foodservice channels.

Hort Innovation's key investments that contributed to increasing household purchase and expenditure on fresh produce during 2018/19 were the strategic levy investment marketing programs, along with R&D projects focused on improved product quality, value-adding, education or increasing industry knowledge on consumer attitudes, perceptions and behaviours.

 **Investment priority three:**

Support industry efficiency and sustainability

KPIs:

- » Greater than 95 per cent approval rate for minor use permit applications
- » Four per cent increase in green space in Australian urban environments by 2018

Related to cross-sectoral investment themes:

Crop production; Pest and disease management; Sustainability

Contributing to the priority in 2018/19

Minor use permits

During 2018/19, Hort Innovation achieved a 100 per cent approval rate for minor use permit applications that were submitted to the Australian Pesticides and Veterinary Medicines Authority (APVMA) and assessed during the period.

We submitted 101 permit applications during the year – 74 of these were assessed and approved, with 27 remaining with the APVMA for assessment as of 30 June 2019. It's anticipated all of these pending permits will be issued by November 2019, as per the APVMA's statutory assessment timelines.

The types of permits applied for on behalf of industry are below:

- » Item 20 applications (permit renewals, with no supporting data required) – 56 applications submitted, 47 permits issued, nine pending

- » Item 21 applications (new permit requests, including data) – 19 applications submitted, eight permits issued, 11 pending
- » Item 21 applications (renewal/change of existing permits, supported by data) – 20 applications submitted, 13 permits issued, seven pending
- » Item 22 applications (emergency use permits) – six applications submitted, six permits issued.

Further, all permit applications submitted during 2017/18 but listed as pending at the end of that financial year (19 of them) were approved in 2018/19.

Currently there are more than 400 minor use permits issued across horticulture industries that have been coordinated under Hort Innovation's minor use programs and funded by R&D levies and Australian Government contributions (with some grant funding also used to support data generation as required). This total includes more than 190 vegetable permits, and 215 across other horticulture industries.

Green space

Investments under the Hort Frontiers Green Cities Fund continued to research and demonstrate the benefits of increased urban greening during 2018/19, bolstering ongoing efforts to drive an increase in green space. Some of the fund's projects active during the period (new, ongoing and completed) included:

- » *Which plant where, when and why database for growing urban green space* (GC15002)
- » *Greener cities, healthier lives: measuring the wider societal benefits* (GC15005)
- » *Measuring Australia's green space asset* (GC15004)
- » *Researching the benefits of demonstration green roofs across Australia* (GC16002)
- » *DIY laneway greening – simplifying vertical greening at a community level* (GC17002).

Details of the work of these projects, and that of earlier investments, can be found on the Hort Innovation website at www.horticulture.com.au/green-cities-fund.

As well as delivering research, several Green Cities projects have or are delivering tools and resources and other extension components to educate green space decision-makers.

Further, during 2018/19 Hort Innovation delivered media releases with Green Cities project partners to promote positive green space stories to the Australian public, helping to spread science-backed benefits of more urban greening. These news stories are also available on the Hort Innovation website.

In addition to Green Cities Fund investments, the Hort Innovation Nursery Fund's marketing program and its 2020 Vision initiative remained active during 2018/19, along with relevant investments in the fund's R&D program. Just some of this work included tours to bring the benefits

of green space to local councils, developers and communities; a new investment to help governments, businesses and others to engage communities around the benefits of trees and urban greening; new research to develop a budget tool allowing stakeholders to calculate the cost of successfully establishing trees in urban areas; and research into supporting communities to retain existing trees and plant new ones.

Meanwhile, new R&D investments for the Hort Innovation Turf Fund in 2018/19 fed into support for urban greening. These included work to support the use of living grass in fire-wise landscape design, and research to develop evidence of turf's role in making temperatures in urban areas cooler.

 **Investment priority four:**

Improve productivity of the supply chain through innovative technologies

KPIs: N/A

Related to cross-sectoral investment themes:

Novel technologies

Contributing to the priority in 2018/19

While there isn't a specific KPI against this investment priority, during 2018/19 Hort Innovation continued to make investments in innovative technologies to support the horticulture sector's productivity, profitability and competitiveness.

Just one example is the levy-funded project *Developing agri-tech solutions for the Australian apple industry* (AP16005) in the Hort Innovation Apple and Pear Fund. Contracted during 2018, it represents a new step in the age of 'digital agriculture' and autonomous operation. It's supporting the development of a new technological system that can perform autonomous flower density mapping and tree canopy measurement, which will be able to be used with spray equipment to provide decision support for variable rate autonomous spraying in apple crops.

Other work during 2018/19 included, but wasn't limited to:

- » Exploring technology solutions along the mushroom value chain through the project *Agri-technology investment opportunities in the mushroom industry* (MU18002)
- » Contracting of a new investment to further develop precision agriculture technologies and solutions for the avocado industry, through *Implementing precision agriculture solutions in Australian avocado production systems* (AV18002) – this work is building on work begun in the Rural R&D for Profit program's *Multi-scale monitoring tools for managing Australian tree crops* initiative (another key piece of work in this space)
- » Work to assist vegetable growers in adopting precision agriculture approaches through *Adoption of precision systems technology in vegetable production* (VG16009)
- » New high-tech biosecurity surveillance initiatives being developed and deployed through investments including *Implementation of RapidAIM: Real-time monitoring for the presence and location of fruit fly* (ST16009) and *Remote sensing for biosecurity surveillance in urban and peri-urban environments* (ST18000) – both of which are being funded through Hort Innovation using a grant provided under the Australian Government's Agricultural Competitiveness White Paper.

 Investment priority five:

Lead strategically to enhance the development of the Australian horticulture industry through operational excellence

KPIs:

- » 40 per cent increase in engagement with industry through Hort Innovation communications by 2018
- » All levy fund SIPs implemented by 2018

Related to cross-sectoral investment themes:

Corporate services; Strategic drive

Contributing to the priority in 2018/19

Engagement with industry

During 2018/19, Hort Innovation continued to have strong engagement with the Australian horticulture sector. As seen in detail from p32 and elsewhere in this report, some of the key figures around this for 2018/19 include:

- » New website (www.horticulture.com.au) launched with **37 industry-specific areas** for growers and other stakeholders to access more information about Hort Innovation, levy investment and other activities than ever before
- » More than **100 e-newsletters** and email alerts sent to Hort Innovation's 2380+ members and hundreds of other direct communication subscribers across the year
- » Regular social media content posted across Twitter, Facebook and LinkedIn, with some **21,000 people** following Hort Innovation in these channels
- » Funding of industry communication programs for **23 industries**, plus a significant number of extension programs and event sponsorships

- » **20 Hort Innovation strategy consultation events** held across the country, in addition to online feedback interactions
- » Facilitation, active participation and/or attendance at face-to-face industry events, ranging from Hort Innovation's alumni networking opportunities and industry field days to large-scale conferences such as Hort Connections – Hort Innovation staff had **hundreds of face-to-face interactions** across all kinds of opportunities
- » **86 Hort Innovation advisory panel meetings held.**

According to Hort Innovation's first Stakeholder Sentiment Survey, delivered in the previous financial year, the majority of people surveyed (83 per cent) indicated they had accessed Hort Innovation's communication products including our *Growing Innovation* newsletter, website and project update outputs, while close to half had face-to-face contact with Hort Innovation staff in some form within two years of the survey time. More information on the survey can be found at www.horticulture.com.au/stakeholder-sentiment-survey.

Strategic Investment Plans (SIPs)

By the end of 2018/19, SIPs had been developed for nearly all of Hort Innovation's statutory and voluntary levy funds. This meant that during the period, 32 of the 37 horticulture industries we look after had an implemented SIP, with the document being used by that industry's Strategic Investment Advisory Panel (SIAP) when providing advice to Hort Innovation on potential levy investments as required.

For the majority of the five SIPs not yet implemented by the end of 2018/19, development of the SIP document was largely completed by the end of the financial period, for finalisation and use during 2019/20. These SIPs generally related to newer levy funds and collective industry funds with voluntary levies already fully committed in projects and programs. One SIP, for the Hort Innovation Nashi Fund, was not yet developed as the fund was established in the initial months of 2019 and a SIAP had not been finalised by the end of the financial period.



The year in detail

Levy receipts for 2018/19

Levy receipts by industry 2018/19

| INDUSTRY | R&D (\$) | MARKETING (\$) | TOTAL (\$) |
|---|-------------------|-------------------|-------------------|
| STATUTORY LEVY FUNDS | | | |
| Almond | 1,657,032 | – | 1,657,032 |
| Apple and pear | 2,082,168 | 3,277,575 | 5,359,743 |
| Avocado | 2,675,402 | 4,073,929 | 6,749,331 |
| Banana | 2,007,817 | 4,276,423 | 6,284,241 |
| Cherry | 719,260 | 543,522 | 1,262,782 |
| Chestnut | 44,264 | 46,289 | 90,553 |
| Citrus | 2,397,766 | 391,203 | 2,788,968 |
| Custard apple | 63,589 | 30,556 | 94,145 |
| Dried grape | 182,372 | 98,206 | 280,577 |
| Dried tree fruit | 4,750 | – | 4,750 |
| Lychee | 118,921 | 54,240 | 173,161 |
| Macadamia | 1,196,934 | 2,236,046 | 3,432,979 |
| Mango | 577,719 | 770,291 | 1,348,010 |
| Melon | 868,922 | – | 868,922 |
| Mushroom | 1,279,335 | 3,532,830 | 4,812,165 |
| Nursery | 1,406,495 | 1,017,664 | 2,424,159 |
| Olive | 170,860 | – | 170,860 |
| Onion | 739,323 | 248,706 | 988,029 |
| Papaya | 147,294 | 147,875 | 295,169 |
| Passionfruit | 111,251 | 111,250 | 222,501 |
| Persimmon | 88,014 | 58,676 | 146,690 |
| Pineapple | 184,226 | 87,417 | 271,642 |
| Potato – fresh | 595,718 | – | 595,718 |
| Potato – processing | 432,840 | – | 432,840 |
| Prune | 27,241 | – | 27,241 |
| Raspberry and blackberry | 780,391 | 156,078 | 936,470 |
| Strawberry | 740,233 | – | 740,233 |
| Summerfruit | 546,429 | 446,861 | 993,290 |
| Sweetpotato | 414,071 | 853,754 | 1,267,824 |
| Table grape | 878,950 | 878,948 | 1,757,898 |
| Turf | 475,041 | 118,761 | 593,802 |
| Vegetable | 9,774,556 | – | 9,774,556 |
| TOTAL STATUTORY LEVIES | 33,389,183 | 23,457,098 | 56,846,282 |
| COLLECTIVE INDUSTRY FUNDS (VOLUNTARY LEVIES) | | | |
| Almond | 269,634 | – | 269,634 |
| Blueberry | 83,065 | – | 83,065 |
| Pistachio | 244,457 | – | 244,457 |
| Processing tomato | 27,068 | – | 27,068 |
| TOTAL VOLUNTARY LEVIES | 624,224 | | 624,224 |
| TOTAL RECEIPTS | 34,013,407 | 23,457,098 | 57,470,506 |

Total R&D and marketing program expenditure for 2018/19

Expenditure by fund 2018/19

| INDUSTRY | R&D (\$) | MARKETING (\$) | TOTAL (\$) |
|--------------------------|-----------|----------------|------------|
| Almond | 4,204,285 | – | 4,204,285 |
| Apple and pear | 4,767,548 | 2,403,735 | 7,171,283 |
| Avocado | 2,732,647 | 2,863,212 | 5,595,860 |
| Banana | 3,583,809 | 3,728,706 | 7,312,515 |
| Blueberry | 950 | – | 950 |
| Cherry | 826,514 | 65,503 | 892,017 |
| Chestnut | 47,505 | 38,944 | 86,449 |
| Citrus | 4,059,186 | 418,534 | 4,477,719 |
| Custard apple | 126,594 | 20,000 | 146,594 |
| Dried grape | 272,379 | 117,158 | 389,537 |
| Dried tree fruit | 1,176 | – | 1,176 |
| Lychee | 167,314 | 27,323 | 194,637 |
| Macadamia | 2,602,530 | 3,139,413 | 5,741,943 |
| Mango | 1,209,884 | 597,837 | 1,807,720 |
| Melon | 691,236 | – | 691,236 |
| Mushroom | 2,172,871 | 2,843,077 | 5,015,948 |
| Nursery | 3,014,817 | 861,508 | 3,876,325 |
| Olive | 852,225 | – | 852,225 |
| Onion | 787,980 | 111,975 | 899,955 |
| Papaya | 295,085 | 145,942 | 441,027 |
| Passionfruit | 195,307 | 101,024 | 296,332 |
| Persimmon | 127,136 | 20,298 | 147,434 |
| Pineapple | 330,189 | 80,298 | 410,488 |
| Pistachio | 212,189 | – | 212,189 |
| Potato – fresh | 1,165,212 | – | 1,165,212 |
| Potato – processing | 529,000 | – | 529,000 |
| Prune | 61,317 | – | 61,317 |
| Processing tomato | 178,109 | – | 178,109 |
| Pyrethrum | 125,360 | – | 125,360 |
| Raspberry and blackberry | 401,902 | 128,563 | 530,465 |
| Strawberry | 1,881,923 | – | 1,881,923 |

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Expenditure by fund 2018/19 (continued)

| INDUSTRY | R&D (\$) | MARKETING (\$) | TOTAL (\$) |
|---|--------------------|-------------------|--------------------|
| Summerfruit | 984,601 | 489,127 | 1,473,728 |
| Sweetpotato | 404,643 | 736,613 | 1,141,256 |
| Table grape | 1,603,083 | 931,185 | 2,534,267 |
| Turf | 881,469 | 77,525 | 958,994 |
| Vegetable | 18,400,008 | – | 18,400,008 |
| Legacy VC | 9,477,904 | – | 9,477,904 |
| Grant funding | 5,865,637 | – | 5,865,637 |
| Across industry and transformational fund | 1,985,981 | – | 1,985,981 |
| HORT FRONTIERS | | | |
| <i>Asian Markets Fund</i> | 4,911,171 | – | 4,911,171 |
| <i>Advanced Production Systems Fund</i> | 2,464,756 | – | 2,464,756 |
| <i>Fruit Fly Fund</i> | 3,386,192 | – | 3,386,192 |
| <i>Green Cities Fund</i> | 3,502,846 | – | 3,502,846 |
| <i>Health, Nutrition & Food Safety Fund</i> | 2,548,938 | – | 2,548,938 |
| <i>Leadership Fund</i> | 898,881 | – | 898,881 |
| <i>Pollination Fund</i> | 6,026,406 | – | 6,026,406 |
| Levy collection cost | 879,370 | 345,191 | 1,224,561 |
| TOTAL | 101,846,064 | 20,292,693 | 122,138,757 |

New R&D investments for 2018/19

| PROJECT CODE | PROJECT NAME | KEY SERVICE PROVIDER | 2018/19 SPEND (\$) |
|--------------|--|--|--------------------|
| AL16010 | Market development program – Europe* | Almond Board of Australia | 210,838 |
| AL17004 | Almond irrigation best practice management | South Australia Research and Development Institute (SARDI) | 72,900 |
| AL17005 | National almond breeding and evaluation program | The University of Adelaide | 234,201 |
| AP17001 | International industry analysis for DPA de-contamination, alternative treatments and review of current best practice | The University Of Melbourne | 39,818 |
| AP17002 | Export development for the apple and pear industry | Apple and Pear Australia Ltd (APAL) | 544,883 |
| AP18000 | National apple and pear industry communications program | Apple and Pear Australia Ltd (APAL) | 326,420 |
| AP18003 | Mid-term evaluation of AP15004^ | Inovact | 16,200 |
| AS17000 | National tree genomics project | The University of Queensland and Queensland University of Technology | 2,451,943 |
| AV17004 | Potential impact of Chilean and Peruvian avocado imports for the Australian avocado industry* | Coriolis Australia | 48,360 |
| AV17005 | Avocado industry development and extension | The Queensland Department of Agriculture and Fisheries | 133,339 |
| AV18000 | Implementing best practice of avocado fruit management and handling practices from farm to ripening | The Queensland Department of Agriculture and Fisheries | 59,376 |
| AV18002 | Implementing precision agriculture solutions in Australian avocado production systems | The University of New England | 200,000 |
| AV18003 | National avocado industry communications program | Avocados Australia | 207,306 |
| AV18004 | Communicating the nutrition and health benefits of avocados | Professional Nutrition Services | 27,500 |
| AV18005 | Independent mid-term evaluation of AV16006^ | RMCG | 29,785 |
| AV18006 | Avocado retail sampling | Applied Horticultural Research | 18,390 |
| AV18007 | Avocado sunblotch viroid survey | The University of Queensland | 103,710 |
| BA17002 | Banana industry R&D coordination | Australian Banana Growers' Council | 135,974 |
| BA17005 | Management of banana pests and diseases in North Queensland | Australian Banana Growers' Council | 120,480 |
| BA17006 | Development of molecular markers for Fusarium wilt resistance in banana | The University of Queensland | 50,000 |

Continued next page

New R&D investments for 2018/19 (continued)

| PROJECT CODE | PROJECT NAME | KEY SERVICE PROVIDER | 2018/19 SPEND (\$) |
|--------------|---|--|--------------------|
| BA18000 | Banana bunchy top virus project, phase 4 – national surveillance and education | Australian Banana Growers' Council | 245,739 |
| BA18002 | Short-term BBTv surveillance in NSW | Lagom Agriculture | 52,419 |
| BA18003 | Reverse trade mission activities | AUSVEG | 3,333 |
| BS17000 | National strawberry varietal improvement program* | The Queensland Department of Agriculture and Fisheries | 1,086,837 |
| CT17002 | Evaluation of new rootstocks for the Australian citrus industry 2017-2022* | NSW Department of Primary Industries | 244,724 |
| CT17007 | Improving diagnostics and biosecurity for graft-transmissible diseases in citrus | NSW Department of Primary Industries | 156,643 |
| CT17008 | Protecting Australia's citrus genetic material | Auscitrus | 82,843 |
| CT18000 | Citrus industry communications program | Citrus Australia | 201,200 |
| CT18001 | Citrus agrichemical and export MRL program | Citrus Australia | 119,112 |
| CT18002 | Citrus market development, market access and quality | Citrus Australia | 396,761 |
| CT18003 | First Detector Network: USA Huanglongbing and citrus canker | Citrus Australia | 4,674 |
| CY18000 | Mid-term technical review of CY16009^ | The Queensland Department of Agriculture and Fisheries | 9,220 |
| DP18000 | Communications and extension for the Australian prune industry | Australian Prune Industry Association | 17,808 |
| FF17000 | Sex selection genes from fruit fly species for use in SITplus | Macquarie University | 1,400,999 |
| FF17001 | Post factory pilot of SITplus fly production | Macquarie University | 1,373,104 |
| GC17002 | DIY laneway greening – simplifying vertical greening at a community level | University of Technology Sydney | 14,779 |
| HA18000 | National Fruit Fly Council – phase 3 | Plant Health Australia | 147,892 |
| HA18002 | Horticulture Statistics Handbook 2018-19 to 2020-21 | Freshlogic | 125,000 |
| LP16001 | Engaging leaders in the Australian horticulture industry* | Hargraves Institute | 53,506 |
| LP18000 | Emerging leaders in protected cropping | Western Sydney University | 320,000 |
| LY18000 | Mite and insect disinfestation of lychee fruit using high pressure water sprays | The Queensland Department of Agriculture and Fisheries | 35,052 |
| MC17005 | The effect of macadamia nuts on cardiometabolic risk factors and adiposity: a randomised intervention study | Loma Linda University | 181,869 |
| MC17006 | Macadamia regional variety trials series 4 | The Queensland Department of Agriculture and Fisheries | 77,432 |
| MC17007 | Generation of pesticide data – Sigastus weevil | Peracto | 47,504 |

Continued next page

New R&D investments for 2018/19 (continued)

| PROJECT CODE | PROJECT NAME | KEY SERVICE PROVIDER | 2018/19 SPEND (\$) |
|--------------|---|---|--------------------|
| MC18000 | Australian macadamia communication program | The Australian Macadamia Society | 125,102 |
| MC18001 | Reconnaissance and recommendations for mistletoe management in macadamia orchards | Charles Sturt University | 18,000 |
| MC18002 | Benchmarking the macadamia industry 2019-2021 | The Queensland Department of Agriculture and Fisheries | 38,592 |
| MC18003 | Macadamia crop forecasting 2020-2022 | The Queensland Department of Agriculture and Fisheries | 6,487 |
| MG17005 | Conditional non-host systems protocol for fruit fly in mangoes | The Queensland Department of Agriculture and Fisheries | 105,158 |
| MG17006 | Mango supply chain data collection – phase 4 | Australian Mango Industry Association | 22,500 |
| MG18000 | 12th Biennial Australian Mangoes Conference partnership | Australian Mango Industry Association | 40,000 |
| MT17006 | Xylella coordinator; Improving preparedness of the Australian horticultural sector to the threat potentially posed by <i>Xylella fastidiosa</i> (a severe biosecurity risk) | Wine Australia; The Victorian Department of Jobs, Precincts and Regions | 80,648 |
| MT17022 | 10th Australasian Soilborne Disease Symposium sponsorship* | Plevin and Associates | 10,000 |
| MT18001 | Foodservice syndicated market reports | Food Industry Foresight | 28,000 |
| MT18002 | Foodservice custom research reports | Food Industry Foresight | 73,510 |
| MT18004 | Review of the biosecurity plan for the berry sector | Plant Health Australia | 27,450 |
| MT18005 | Improving plant industry access to new genetics through faster and more accurate diagnostics using next generation sequencing | Queensland University of Technology | 150,000 |
| MT18007 | Melon and pineapple industry SARP report updates | Jeevan Khurana | 16,000 |
| MT18009 | Ex-post impact assessment, industry specific^ | AgEconPlus | 54,600 |
| MT18010 | Developing IPM-compatible controls for spotted winged drosophila (<i>Drosophila suzukii</i>); Exploring IPM-compatible methods for spotted winged drosophila in berry crops | IPM Technologies; Cesar | 30,496 |
| MT18011 | Ex-post impact assessment^ | AgEconPlus | 75,600 |
| MT18015 | Phenomenon extension project | Edible Adventures Productions | 302,012 |
| MT18017 | Taste Australia retail program | Produce Marketing Australia | 30,671 |
| MT18018 | Generation of data for pesticide permit applications in horticulture crops 2019/20 | Peracto | 116,747 |
| MT18019 | Development and implementation of protocols to enable importation of improved honey bee genetics to Australia | CSIRO | 100,000 |

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New R&D investments for 2018/19 (continued)

| PROJECT CODE | PROJECT NAME | KEY SERVICE PROVIDER | 2018/19 SPEND (\$) |
|--------------|--|--|--------------------|
| MU17001 | Mushroom industry conference partnership | Australian Mushroom Growers' Association | 80,000 |
| MU17002 | Educating health professionals about Australian mushrooms | Nutrition Research Australia | 392,300 |
| MU17004 | Optimising nitrogen transformations in mushroom production | The University of Sydney | 165,800 |
| MU17005 | Mushroom production waste streams – novel approaches to management and value creation | Xinova | 251,453 |
| MU17007 | Feasibility of compost substrate alternatives for mushroom production | Murrang Earth Sciences | 49,444 |
| MU17008 | Understanding and managing the impacts of climate change on Australian mushroom production | Applied Horticultural Research | 39,100 |
| MU18000 | Mushrooms foodservice farm tours | Straight To The Source | 81,361 |
| MU18001 | Mushroom industry communication program | Team Rowley | 70,950 |
| MU18002 | Agri-technology investment opportunities in the mushroom industry | KPMG | 628 |
| MU18004 | Mushroom consumer research | Fiftyfive5 | 88,343 |
| MU18005 | Mushroom conference support | Elevencom | 25,183 |
| MU18007 | Australian Mushrooms crisis and risk management | Porter Novelli | 24,079 |
| NY17002 | Review of nursery industry career pathways | RMCG | 67,500 |
| NY17006 | Global review and gap analysis of nursery industry research and development initiatives | RMCG | 69,394 |
| NY17008 | Nursery industry statistics 2016/17 to 2019/20 | Nursery & Garden Industry Australia (NGIA) | 266,204 |
| NY17009 | Improving pest management for the nursery industry | Nursery & Garden Industry Australia (NGIA) | 70,000 |
| NY18001 | Australian nursery industry communications program | Cox Inall Communications | 305,696 |
| NY18002 | Global review of incentive schemes for the retention and successful establishment of trees on private urban land | The University Of Melbourne | 25,000 |
| NY18003 | Budget tool to calculate the cost to successfully establish trees in the urban landscape | Alluvium Consulting | 60,785 |
| NY18004 | Mid-term review of NY15002 and NY15004^ | Clear Horizon Consulting | 44,225 |
| NY18005 | Industry extension and development of Plant Life Balance | Republic of Everyone | 20,729 |
| NY18006 | Understanding the attitudes to urban green space for government and business audiences | Republic of Everyone | 60,000 |

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New R&D investments for 2018/19 (continued)

| PROJECT CODE | PROJECT NAME | KEY SERVICE PROVIDER | 2018/19 SPEND (\$) |
|--------------|--|--|--------------------|
| NY18007 | National extension of a community engagement kit | Republic of Everyone | 106,210 |
| NY18008 | Nursery industry natural disaster risk mitigation and recovery plan | Nursery & Garden Industry Queensland | 72,500 |
| NY18009 | Alive and thriving phase 1 – indoor plant survival matrix | RMIT University | 40,540 |
| OL17003 | Australian olive industry sensory training | NSW Department of Primary Industries | 50,000 |
| OL17006 | Extending OliveCare to foster excellence in production of Australian olives | Australian Olive Association | 72,000 |
| OL18000 | Australian olive industry communications and extension program | Australian Olive Association | 131,360 |
| PF18000 | Technical review: national passionfruit breeding program^ | Tatlocks Consulting | 10,412 |
| PF18002 | Passionfruit postharvest best practice review | Applied Horticultural Research | 17,450 |
| PI17000 | National pineapple breeding and evaluation program | The Queensland Department of Agriculture and Fisheries | 102,594 |
| PI17001 | Pineapple integrated crop protection program | The Queensland Department of Agriculture and Fisheries | 109,758 |
| PP18000 | National papaya breeding and evaluation program | Griffith University | 110,599 |
| PP18001 | Papaya clean seed program | The Queensland Department of Agriculture and Fisheries | 78,163 |
| PP18002 | Technical review of the national papaya breeding and evaluation program^ | The Queensland Department of Agriculture and Fisheries | 8,064 |
| PS17003 | Pistachio productivity improvement program* | Pistachio Growers' Association | 121,851 |
| PT17002 | Program approach for pest and disease potato industry investments | RMCG | 62,763 |
| PT17003 | Mechanisms and manipulation of resistance to powdery scab in potato roots | University of Tasmania | 157,022 |
| PT18000 | Review of bacterial blackleg diseases and R&D gaps with a focus on the potato industry | Crop Doc Consulting | 33,650 |
| PT18001 | Nuffield scholarship for a horticulturalist from the potato industry | Nuffield Australia | 42,400 |
| PT18003 | Potato stakeholder needs analysis and extension strategy development | RMCG | 33,684 |
| PW17001 | Integrated pest management of nematodes in sweetpotatoes | The Queensland Department of Agriculture and Fisheries | 273,331 |
| PW18000 | Sweetpotato export data | AgInfinity | 2,500 |
| PW18001 | Investigation of skin hardening and splitting disorders in sweetpotatoes | The Queensland Department of Agriculture and Fisheries | 19,975 |
| RB18000 | Raspberry and blackberry consumer insights research | Fiftyfive5 | 48,150 |

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New R&D investments for 2018/19 (continued)

| PROJECT CODE | PROJECT NAME | KEY SERVICE PROVIDER | 2018/19 SPEND (\$) |
|--------------|---|--|--------------------|
| SF18000 | Low-dose methyl bromide fumigation of plums | The Queensland Department of Agriculture and Fisheries | 10,000 |
| ST18000 | Remote sensing for biosecurity surveillance in urban and peri-urban environments | University of New England | 85,000 |
| ST18001 | Generation of data for pesticide applications in horticulture crops | Peracto | 201,810 |
| ST19000 | Novel technologies and practises for the optimisation of pollination within protected cropping | This is the parent project of a Rural R&D for Profit initiative managed by Hort Innovation, with sub-projects to be contracted to key service providers in 2019/20 | 101 |
| TG18000 | Review of the biosecurity plan and manual for the viticulture industry | Wine Australia with Plant Health Australia | 29,178 |
| TG18001 | Building capacity in area wide integrated pest management for Qfly in table grapes | Alison MacGregor | 49,790 |
| TG18002 | Area wide integrated pest management support for Qfly in table grapes | The Australian Table Grape Association | 18,000 |
| TM17000 | Processing tomato industry capacity building | Australian Processing Tomato Research Council | 181,000 |
| TU17005 | Turf industry statistics 2017/18 to 2019/20 | Turf Australia | 73,416 |
| TU17006 | Economic, environmental, social and health impacts and benefits of the turfgrass and lawncare industries in Australia | Balmoral Group Australia | 34,594 |
| TU17008 | Conveying the benefits of living turf – a bushfire retardant | GHD | 18,562 |
| TU18000 | Conveying the benefits of living turf – mitigation of the urban heat island effect | Seed Consulting Services | 73,731 |
| TU18001 | The value of turf – real estate agent research | Bite Communications | 5,960 |
| VG16086 | Area wide management of vegetable diseases: viruses and bacteria* | The Queensland Department of Agriculture and Fisheries | 2,165,074 |
| VG18001 | Annual Vegetable Industry Seminar 2019 | AUSVEG | 404,800 |
| VG18002 | Vegetable industry leadership and development missions 2019 | AUSVEG | 138,157 |
| VG18005 | Independent mid-term evaluation of VG16063^ | GHD | 7,750 |
| VM18000 | Consumer insights for the Australian melon industry | Colmar Brunton and Nielsen | 78,968 |
| VM18002 | Risk and crisis management planning for the melon industry | Control Risks Group | 25,076 |
| VM18003 | Food safety training, extension and capacity for the melon industry – phase 2 | NSW Department of Primary Industries | 100,000 |
| VM18004 | Melon TAP application | Auspex Strategic Advisory | 6,000 |

Continued next page

New R&D investments for 2018/19 (continued)

| PROJECT CODE | PROJECT NAME | KEY SERVICE PROVIDER | 2018/19 SPEND (\$) |
|--------------|--|-----------------------------------|--------------------|
| VM18009 | Reverse trade mission activities | AUSVEG | 3,333 |
| VN18000 | Onions foodservice farm tour and education pilot | Straight To The Source | 4,500 |
| VN18001 | Australian onion consumer research | Fiftyfive5 | 45,000 |
| VN18002 | Australian onions nutritional literature review | Food Bytes | 31,210 |
| VN18003 | Australian onion industry communications program | Cox Inall Communications and RMCG | 79,684 |
| VN18007 | Reverse trade mission activities | AUSVEG | 3,333 |

* While contracted by Hort Innovation during the 2017/18 financial year, these flagged investments are included on this list of new investments as they had their first spend during 2018/19

^ These flagged investments relate to monitoring and evaluation – they have supported, or continue to support, the review and evaluation of other investments and their activities

To note: some of these may projects may have both begun and ended within the 2018/19 financial period

Further projects contracted in 2018/19, but with no spend during this period

| PROJECT CODE | PROJECT NAME | KEY SERVICE PROVIDER |
|--------------|--|---|
| FF18003 | SITplus: Port Augusta Qfly SIT factory pilot operation | University of Western Sydney, with Primary Industries and Regions South Australia (PIRSA) |
| MU17006 | Developing a database of bio-markers for compost quality control to maximise mushroom production yield | The University of Sydney |
| PH16002 | Managing flies for crop pollination | Western Australian Agriculture Authority |
| PW18003 | Australian sweetpotato consumer insights research | Eidentify |

Marketing suppliers in 2018/19

Top 25 marketing suppliers engaged in 2018/19 (based on total expenditure with suppliers)

| NO. | SUPPLIER | 2018/19 EXPENDITURE (\$) |
|--------------|---|--------------------------|
| 1 | Ikon Communication | 8,833,901 |
| 2 | Bite Communications | 1,580,895 |
| 3 | Bastion Effect | 987,682 |
| 4 | Direct 2 Consumer | 930,352 |
| 5 | Havas Worldwide Japan KK | 900,000 |
| 6 | Republic of Everyone | 821,326 |
| 7 | Australian Macadamia Society | 558,372 |
| 8 | Elevencom | 542,028 |
| 9 | This is BD | 336,846 |
| 10 | Altios Australia | 315,000 |
| 11 | Magnum & Co | 309,999 |
| 12 | Go Future Media | 261,740 |
| 13 | No Time To Lose Print Management | 195,624 |
| 14 | MyFoodBook | 164,130 |
| 15 | Galileo Kaleidoscope (GalKal) | 161,000 |
| 16 | Weber Shandwick | 154,440 |
| 17 | The Red Agency | 130,000 |
| 18 | Australian Trade and Investment Commission | 127,876 |
| 19 | Ink Spiller | 127,190 |
| 20 | Culinary in Bloom | 116,650 |
| 21 | Montague Fresh | 115,000 |
| 22 | Edentify | 110,799 |
| 23 | One Green Bean | 100,000 |
| 24 | The Victorian Department of Department of Jobs, Precincts and Regions | 98,449 |
| 25 | Cyclone Management | 95,000 |
| TOTAL | | 18,074,298 |

Many of these marketing suppliers were engaged across multiple industry marketing activities and programs across the year



See your levy in action

**Download your industry's separate
Fund Annual Report from our website at
www.horticulture.com.au/annual-report-portal
for complete information on levy investments
specific to your industry during 2018/19.**



Financial report

**For the year ended
30 June 2019**

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

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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 2019.

The Directors of the Company who held office during the year 1 July 2018 to 30 June 2019 are set out below. Directors were in office for the entire period unless otherwise stated.

| DIRECTORS | BOARD | SUB-COMMITTEES |
|---|----------------------------------|---|
| Selwyn Snell (Chair) | Re-appointed 25 November 2016 | RAC (Chair): Full Year ARC: Full Year |
| Mark Napper (Deputy Chair 1/7/18 – 23/11/18) | Retired on 23 November 2018 | ARC (Chair): 1/7/18 – 23/11/18 RAC: 1/7/18 – 23/11/18 |
| Julie Bird | Elected 23 November 2018 | IC: Commenced 23/11/18 |
| Prof Robert Clark AM | Re-appointed 25 November 2016 | IC (Chair): Full Year RAC: Full Year |
| Dr Mary Corbett (Deputy Chair 23/11/18 – 30/6/19) | Appointed 24 November 2017 | RAC: Full Year IC: 1/7/18 – 23/11/18 ARC: Commenced 23/11/18 |
| Susan Finger | Re-elected 23 November 2018 | ARC: Full Year |
| Paul Harker | Elected 25 November 2016 | ARC: Full Year RAC: Commenced 23/11/18 |
| Stephen Lynch | Re-elected 23 November 2018 | IC: Full Year |
| Jenny Margetts | Elected 25 November 2016 | IC: Full Year |
| Peter Wauchope | Retired on 31 May 2019 | |

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

SALLY HOLMES

COMPANY SECRETARY 2018/19

During 2018/19, Ms Holmes served as both Company Secretary and General Counsel for the Company, having worked at Hort Innovation leading the Governance and Risk team since March 2015.

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

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

At the beginning of the new 2019/20 financial year, Mr Matthew Waring joined Hort Innovation as the new Company Secretary, with Ms Holmes taking on a new role within the Company as General Manager Stakeholder Engagement.

Directors' meeting attendance: 1 July 2018 – 30 June 2019

| 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) | 12 | 12 | 5 | 5 | 3 | 3 | 1 | 1 |
| Mark Napper (Deputy Chair 1/7/18 – 23/11/18) | 4 | 4 | 3 | 3 | 1 | 1 | | |
| Julie Bird | 8 | 8 | | | | | 7 | 7 |
| Prof Robert Clark AM | 11 | 12 | | | 3 | 3 | 11 | 12 |
| Dr Mary Corbett (Deputy Chair 23/11/18 – 30/6/19) | 11 | 12 | 2 | 2 | 3 | 3 | 5 | 6 |
| Susan Finger | 12 | 12 | 5 | 5 | | | | |
| Paul Harker | 10 | 12 | 4 | 5 | 0 | 2 | | |
| Stephen Lynch | 12 | 12 | | | | | 12 | 12 |
| Jenny Margetts | 12 | 12 | | | | | 10 | 12 |
| Peter Wauchope | 5 | 10 | | | | | | |

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

Director Bios



SELWYN SNELL
CHAIR

Mr Snell was appointed as a Director of Hort Innovation at its registration and re-appointed on 25 November 2016. Mr Snell is currently the chairman, and has an extensive history as a chairman, director and senior executive with leading agribusiness and biotechnology enterprises in Australia and internationally. He is also currently Executive Chairman of Barawyn Pty Ltd, and a former CEO of Single Vision Australia Ltd, Managing Director of IAMA Ltd, BioProspect Ltd, Zeneca/Syngenta KK Ltd Japan and Crop Care Australasia Ltd. Mr Snell is the former Chair of the Council

of Rural Research and Development Corporations, Horticulture Australia Ltd, the Queensland Government's Horticultural Development Committee, Indigo Ltd and a former Non-Executive Director of Plant Health Australia Limited and the Australian Pesticides and Veterinary Medicines Authority 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 is a member of the Australian Institute of Company Directors.



DR MARY CORBETT
DEPUTY CHAIR
(from 23 November 2018)

Dr Corbett was appointed as 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, when she was reappointed for a period of three years. She was appointed Deputy Chair in 2018.

Dr Corbett has more than 23 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. She is currently a Director of DairyBio and DairyFeedbase, joint ventures of Dairy Australia, the Victorian Government and the Gardiner Foundation. She completed tenures as Chair of the Cotton Research & Development Corporation and Chair of the West Moreton Hospital and Health Services in 2016, and previously held positions as Board member of Wound

Management Innovation CRC, Deputy Chair of Southbank Institute of Technology, and Deputy Chair of the Australian Agriculture College Corporation.

Dr Corbett has significant experience when it comes to 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 Bachelor of Science in Applied Biology with Honours in Biochemistry, and a PhD in Clinical Physiology. She is also Adjunct Professor with the University of Queensland Faculty of Medicine.



JULIE BIRD

Ms Bird was elected as a Director of Hort Innovation on 23 November 2018. She has a broad background in the Australian horticulture industry, spanning various roles and commodities over the past 25 years, and is an experienced Non-Executive Director in the agribusiness sector.

Ms Bird is currently the owner and manager of retail floristry business Say It With Flowers and a Non-Executive Director of United Almonds Limited, an unlisted public company managing more than 1000 hectares of almond orchards in Victoria. Previously, she was a Non-Executive Director and Deputy Chair of Plant Health Australia, CEO of the Almond Board of Australia, and a Non-Executive Director of the Australian Nut Industry Council.

Ms Bird has also served as Independent Chair of the Apple and Pear Industry Advisory Committee and the South Australian Apiary Industry Advisory Group. She has previously worked in a management role with Quality Fruit Marketing, domestic and international marketers of stone fruit, and ran a management consultancy providing strategic planning and risk management services to agribusinesses.

Ms Bird has significant experience on Board committees including remuneration, finance, audit and risk. She has also been a member of various Board selection panels. Ms Bird has a Bachelor of Teaching degree, is a graduate of the Australian Institute of Company Directors, and has an MBA (Executive) qualification focused in marketing, finance, business strategy and leadership.



PROF ROBERT CLARK AM

Professor Clark was appointed as a Director of Hort Innovation at its registration and re-appointed on 25 November 2016. He is an Emeritus Professor at the University of Tasmania and 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; member of

the National Research and Development Council; 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).



SUSAN FINGER

Mrs Finger was appointed as a Director of Hort Innovation at its registration by the Minister for Agriculture and re-elected on 23 November 2018. She owns and manages two orchards in the Yarra Valley, Victoria, growing and storing apples for the domestic and export market.

Mrs Finger has a successful history in farmer and industry representative organisations. She 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.

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

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



PAUL HARKER

Mr Harker was elected as a Director of Hort Innovation on 25 November 2016. He 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 New South Wales.



STEPHEN LYNCH

Mr Lynch was elected as a Director of Hort Innovation on 27 November 2015 and re-elected on 23 November 2018. He has more than 35 years' experience in Australian and international agribusiness, with much of the last 20 years spent working in Australian horticulture.

Mr Lynch was previously a Director of the Almond Board of Australia (2003-2009), being chairman for three of those years, and was a Board member of the Australian Nut Industry Council. He 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 as a Director of Hort Innovation on 25 November 2016. She has more than 25 years' experience in agriculture, having worked in the cotton, sugar, wine and horticulture sectors. She has a background in agronomy and has previously held R&D and business management roles in both corporate and family businesses.

Since 2003, Ms Margetts has managed her own consulting business, which provides industry and business development advice and services to a range of clients, principally from the horticulture sector.

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



MARK NAPPER
NOW RETIRED FROM
THE BOARD

Mr Napper was appointed a Director of Hort Innovation at its registration. He was re-appointed on 27 November 2015 and was the deputy chairman from 1 July 2018 until retiring from the Board on 23 November 2018. Mr Napper chaired the Audit and Risk Committee from the beginning of his appointment, and also served on the Remuneration and Appointments Committee.

Mr Napper has 30-plus years' experience in Australian agribusiness. He owns a fruit orchard in Bangalow, New South Wales, and currently grows peaches, nectarines and custard apples, having previously grown avocados, mangoes and mandarins.

In addition to his farming interests, Mr Napper owns and operates a business advisory firm. Previous positions have included Managing Director of the Australian Horticultural Corporation from 1998 to 2001, Director of the Australian Mango Industry Association Ltd from 2008 to 2011, Director of Summerfruit Australia Ltd from 2012 to 2013, independent Director of AUSVEG Ltd from 2009 to 2013, and CEO and Director of Windsor Farm Foods Group Ltd from 2005 to 2011.

Mr Napper holds a Bachelor of Arts (Accounting) and a Master of Business Administration, and is a graduate of the Australian Institute of Company Directors.



PETER WAUCHOPE
NOW RETIRED FROM
THE BOARD

Mr Wauchope was appointed as a Director of Hort Innovation at its registration by the Minister for Agriculture, and was re-appointed on 25 November 2016. He retired as a Director on 31 May 2019.

Mr Wauchope comes from a horticulture background having grown up in the Manjimup district of Western Australia where his father still grows avocados. Mr Wauchope has over 30 years' experience in marketing Australian fresh produce overseas and in this time has travelled extensively throughout Asia, the Middle East, India, Europe and the USA, visiting customers and opening doors for Australian fresh produce.

Mr Wauchope served on the Ministerial Task Force to review the charges of the Horticulture Exports Program and was previously the national vegetable industry's representative on the Federal Office of Horticultural Market Access (OHMA) committee.

Mr Wauchope is currently the Chief Executive Officer of Center West Exports, a large vertically integrated carrot growing, packing and exporting operation that has regular customers in over 18 countries across Asia, the Middle East and Indian Ocean territories. During his time with Hort Innovation, he also served as Chair of the Hort Innovation national Trade Assessments Panel.

MEMBERS

As at 30 June 2019, Hort Innovation was owned by 2386 members, 92.5 per cent of whom are Australian horticultural growers, with the remaining 7.5 per cent carrying on another form of enterprise in the Australian horticulture industry supply chain.

WINDING UP

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

CORPORATE GOVERNANCE

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

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

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

A LENS ON GOVERNANCE IN DAY-TO-DAY OPERATIONS

Risk management

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

Major risk focus areas for 2018/19 included:

- » Updating the Strategic Risks
- » Updating the Risk Management Policy & Framework
- » Enhancing Strategic Risk reporting to the Executive and Board
- » Enhancing Fraud Risk Analysis
- » Maintaining Internal Audit capabilities and executing on the internal audit plan.

Business continuity

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

In 2018/19 this was achieved through the development of plans for:

- » Incident Management
- » Site specific Business Continuity.

Privacy

Hort Innovation continues to implement actions in working towards a privacy by design framework. This framework will not only ensure compliance with the Privacy Act 1988 (Cth) ("Privacy Act") but also ensure that privacy is built into the company's business processes and culture. This approach coupled with staff education will ensure a robust privacy framework. All privacy related documentation is either being reviewed, updated or drafted.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

OBJECTIVES AND PERFORMANCE GOALS

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

The Company's Strategic Plan released in 2016 set out the strategic purpose and operations of the Company until 30 June 2019, when it was superseded by the Company's new Hort Innovation Strategy 2019-2023. Pursuant to the 2016 Strategic Plan, the Company was committed to three pillars of strategic intent:

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

ENVIRONMENTAL REGULATION

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

INSURANCE OF OFFICERS

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

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia (EY), as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year 2018/19.

REVIEW OF OPERATING RESULTS

The operating surplus for the year ended 30 June 2019 was \$1,107,390 (period ended 30 June 2018: \$5,339,175).

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 p107 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 nineteenth day of September 2019
in North Sydney



Mary Corbett

Deputy Chair

Dated this nineteenth day of September 2019
in North Sydney

Statement of Comprehensive Income

for the year ended 30 June 2019

Horticulture Innovation Australia Limited
ABN 71 602 100 149

| | Note | Year ended 30 June 2019 \$ | Year ended 30 June 2018 \$ |
|--|------|----------------------------------|----------------------------------|
| CONTINUING OPERATIONS | | | |
| Sale of goods | 3a | 180 | 160 |
| Other income | 3b | 143,149,471 | 135,024,550 |
| REVENUE | | 143,149,651 | 135,024,710 |
| Occupancy expenses | | (806,786) | (777,373) |
| Administrative expenses | | (17,805,071) | (16,668,117) |
| Research and development programs | | (101,846,064) | (92,238,553) |
| Marketing programs | | (20,292,693) | (18,494,799) |
| Other expenses | | (1,291,647) | (1,506,693) |
| EXPENSES | | (142,042,261) | (129,685,535) |
| NET SURPLUS FOR THE YEAR | 12 | 1,107,390 | 5,339,175 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 1,107,390 | 5,339,175 |

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

Statement of Financial Position

as at 30 June 2019

Horticulture Innovation Australia Limited
ABN 71 602 100 149

| | Note | 2019 \$ | 2018 \$ |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5a | 48,706,559 | 54,967,298 |
| Trade and other receivables | 6 | 26,501,189 | 17,045,075 |
| Prepayments | 7 | 306,551 | 255,773 |
| TOTAL CURRENT ASSETS | | 75,514,299 | 72,268,146 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 8 | 859,773 | 475,552 |
| Intangibles | 9 | 916,302 | 1,260,520 |
| TOTAL NON-CURRENT ASSETS | | 1,776,075 | 1,736,072 |
| TOTAL ASSETS | | 77,290,374 | 74,004,218 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 5,153,051 | 2,986,041 |
| Provisions | 11 | 1,257,786 | 1,092,673 |
| TOTAL CURRENT LIABILITIES | | 6,410,837 | 4,078,714 |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 11 | 211,866 | 365,223 |
| TOTAL NON-CURRENT LIABILITIES | | 211,866 | 365,223 |
| TOTAL LIABILITIES | | 6,622,703 | 4,443,937 |
| NET ASSETS | | 70,667,671 | 69,560,281 |
| FUNDS | | | |
| Funds – Corporate | | 4,322,386 | 3,941,848 |
| Systems Upgrade | | 293,752 | 730,475 |
| Total Corporate Funds | | 4,616,138 | 4,672,323 |
| FUNDS – R&D | | | |
| Unspent R&D Levies | | 26,846,559 | 22,957,813 |
| Levy Industry Strategic Reserve | | 5,000,000 | 5,000,000 |
| Non Levy Reserves | | 14,759,733 | 17,009,191 |
| Total Designated Funds – R&D | | 46,606,292 | 44,967,004 |
| FUNDS – MARKETING | | | |
| Unspent Marketing Levies | | 15,445,241 | 15,920,954 |
| Levy Industry Strategic Reserve | | 4,000,000 | 4,000,000 |
| Total Designated Funds – Marketing | | 19,445,241 | 19,920,954 |
| TOTAL FUNDS | 12 | 70,667,671 | 69,560,281 |

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 2019

Horticulture Innovation Australia Limited
ABN 71 602 100 149

| | Note | 2019 \$ | 2018 \$ |
|---|------|--------------------|-------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | – | – |
| Other income | | (64,116) | (79,087) |
| Levies received | | 56,944,535 | 62,345,690 |
| Receipts from Commonwealth Co-Contribution funds | | 28,098,594 | 56,672,338 |
| Receipts from co-investment | | 49,258,851 | 24,009,292 |
| Payments to suppliers and employees | | (7,699,105) | (20,380,447) |
| Payments to Research & Development providers | | (110,569,080) | (99,864,399) |
| Marketing program payments | | (22,298,690) | (20,396,553) |
| Interest received | | 1,306,029 | 1,323,074 |
| Net cash flows generated by (used in) operating activities | | (5,022,982) | 3,629,908 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of plant and equipment | | (958,103) | (122,984) |
| Purchase of intangibles | | (279,654) | (300,468) |
| Net cash flows (used in) investing activities | | (1,237,757) | (423,452) |
| Net increase/(decrease) in cash and cash equivalents | | (6,260,739) | 3,206,456 |
| Cash and cash equivalents at the beginning of the year/at acquisition | | 54,967,298 | 51,760,842 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 5(a) | 48,706,559 | 54,967,298 |

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 2019

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 2017 | 42,315,326 | 17,381,684 | 3,355,048 | 1,169,048 | – | 64,221,106 |
| Surplus/(Deficit) for the year | 2,651,678 | 2,539,270 | 148,227 | – | – | 5,339,175 |
| Other comprehensive income | – | – | – | – | – | – |
| Total comprehensive income for the year | 2,651,678 | 2,539,270 | 148,227 | – | – | 5,339,175 |
| Transfer from corporate reserve to systems upgrade and transitional reserve | – | – | 438,573 | (438,573) | – | – |
| Balance as at 30 June 2018 | 44,967,004 | 19,920,954 | 3,941,848 | 730,475 | – | 69,560,281 |
| BALANCE AS AT 1 JULY 2018 | 44,967,004 | 19,920,954 | 3,941,848 | 730,475 | – | 69,560,281 |
| Surplus/(Deficit) for the year | 1,639,288 | (475,713) | (56,185) | – | – | 1,107,390 |
| Other comprehensive income | – | – | – | – | – | – |
| Total comprehensive income for the year | 1,639,288 | (475,713) | (56,185) | – | – | 1,107,390 |
| Transfer from corporate reserve to systems upgrade and transitional reserve | – | – | 436,723 | (436,723) | – | – |
| Balance as at 30 June 2019 | 46,606,292 | 19,445,241 | 4,322,386 | 293,752 | – | 70,667,671 |

Notes to the Financial Statements

NOTE 1: CORPORATE INFORMATION

The financial report of Horticulture Innovation Australia Limited (the "Company") for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on the 19th September 2019.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

(b) Statement of Compliance

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

New Accounting Standards and Interpretations

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The Company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 July 2018. There is no material impact for the Company with respect to the application of IFRS 9.

(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 2019

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 7 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

The classification and measurement requirements of IFRS9 did not have a significant impact on the Company. The company continued measuring at fair value all financial assets previously held at fair value under IAS 39.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Employee Benefits

(i) Wages and salaries and annual leave

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

(ii) Long service leave

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

(i) Income Tax

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

(j) Other Taxes

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

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

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

(k) Cash and Cash Equivalents

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

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

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

(l) Revenue and Contributions

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

Sale of Goods

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

Revenue from the Rendering of a Service

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

Interest Revenue

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R&D Co-Investment and Legacy Voluntary Contributions

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

Levy Receipts

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

Commonwealth Co-Investment 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.

Service Delivery

A service delivery cost is applied to all R&D and Marketing projects. Service delivery fees for Hort Frontiers amount to 15% while strategic levy investments attract a three tier service fee to cover base costs, shared costs and fund specific costs. Service delivery 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

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(o) Trade and Other Payables

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

(p) Significant Accounting Judgements, Estimates and Assumptions

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Make Good Provisions

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

(ii) Estimation of Useful Lives of Assets

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

| | 2019 \$ | 2018 \$ |
|--|--------------------|--------------------|
| NOTE 3: REVENUE | | |
| REVENUE FROM CONTINUING OPERATIONS | | |
| (a) Sales of Goods | | |
| – Other | 180 | 160 |
| | 180 | 160 |
| (b) Other Income | | |
| <i>R&D Income</i> | | |
| – proceeds from levies | 33,389,183 | 32,947,881 |
| – revenues from Commonwealth Co-investment funds | 54,504,931 | 51,291,844 |
| – co-investment | 29,336,915 | 24,754,783 |
| – collective industry funds | 624,224 | 494,762 |
| – royalty income | 330,285 | 306,541 |
| – interest received | 805,657 | 810,329 |
| – other income | 132,266 | 105,454 |
| | 119,123,461 | 110,711,594 |
| <i>Marketing Income</i> | | |
| – proceeds from levies | 23,457,098 | 23,747,417 |
| – marketing program income | 34,034 | 41,076 |
| – interest received | 410,912 | 417,261 |
| | 23,902,044 | 24,205,754 |
| <i>Other</i> | | |
| – corporate interest received | 107,808 | 91,779 |
| – rental income | 16,158 | 15,423 |
| | 123,966 | 107,202 |
| Sub-total Other Income | 143,149,471 | 135,024,550 |
| Total Revenue | 143,149,651 | 135,024,710 |
| Total Interest received | 1,324,377 | 1,319,369 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | 2019 \$ | 2018 \$ |
|---|------------|------------|
| NOTE 4: EXPENSES | | |
| Included within expenses are the following significant amounts: | | |
| Rental expense on operating leases | 17,771 | 19,204 |
| Wages & salaries | 10,613,544 | 10,542,865 |
| Superannuation | 922,359 | 923,364 |
| Levy collection costs | 1,224,561 | 1,235,316 |
| Depreciation | 529,218 | 401,045 |
| Amortisation | 623,872 | 572,955 |

| | | |
|--|-------------------|-------------------|
| NOTE 5: CASH AND CASH EQUIVALENTS | | |
| (a) Reconciliation of Statement of Cash Flows | | |
| Cash and cash equivalents at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows: | | |
| Cash on hand | 300 | 300 |
| Cash at bank | 7,681,799 | 7,966,998 |
| Short term deposits | 41,024,460 | 47,000,000 |
| | 48,706,559 | 54,967,298 |

| | | |
|--|-------------------|-------------------|
| NOTE 6: TRADE AND OTHER RECEIVABLES | | |
| Current | | |
| Trade receivables | 7,432,604 | 3,600,343 |
| Other receivables | 3,998,808 | 2,496,859 |
| Accrued income | 15,069,777 | 10,947,873 |
| | 26,501,189 | 17,045,075 |

| | | |
|-----------------------------|----------------|----------------|
| NOTE 7: OTHER ASSETS | | |
| Current | | |
| Prepayments | 306,551 | 255,773 |
| | 306,551 | 255,773 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

NOTE 8: PLANT AND EQUIPMENT

| | Office Equipment | Leasehold Improvements | Furniture, fixtures & fittings | Hardware | Total |
|--------------------------------------|---------------------|---------------------------|--------------------------------------|----------------|----------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2019 | | | | | |
| At Cost | 72,466 | 1,924,740 | 97,174 | 773,295 | 2,867,675 |
| Less accumulated depreciation | (62,721) | (1,285,138) | (71,168) | (588,875) | (2,007,902) |
| Carrying amount at end of the year | 9,745 | 639,602 | 26,006 | 184,420 | 859,773 |
| Balance at the beginning of the year | 19,300 | 314,733 | 37,512 | 104,007 | 475,552 |
| Additions | 6,560 | 721,956 | 4,746 | 187,743 | 921,005 |
| Disposals | (806) | (3,098) | (1,838) | (1,824) | (7,566) |
| Depreciation expense | (15,309) | (393,989) | (14,414) | (105,506) | (529,218) |
| Carrying amount at end of the year | 9,745 | 639,602 | 26,006 | 184,420 | 859,773 |

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 up to 7 years.

| | Project Management System | Software | Total |
|--------------------------------------|------------------------------|----------------|----------------|
| | \$ | \$ | \$ |
| 2019 | | | |
| Software | | | |
| At Cost | 1,831,334 | 684,128 | 2,515,462 |
| Less accumulated amortisation | (1,226,589) | (372,571) | (1,599,160) |
| Carrying amount at end of the year | 604,745 | 311,557 | 916,302 |
| Balance at the beginning of the year | 895,037 | 365,483 | 1,260,520 |
| Additions | 167,093 | 152,121 | 319,214 |
| Disposals | (20,662) | (18,898) | (39,560) |
| Amortisation expense | (436,723) | (187,149) | (623,872) |
| Carrying amount at end of the year | 604,745 | 311,557 | 916,302 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | 2019 \$ | 2018 \$ |
|--|------------------|------------------|
| NOTE 10: TRADE AND OTHER PAYABLES | | |
| Current | | |
| Other payables | 5,153,051 | 2,986,041 |
| | 5,153,051 | 2,986,041 |

(a) Fair value

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

| NOTE 11: PROVISIONS | | | | | |
|--|--|----------------------------|---------------------------|------------------------------|---------------------------|
| | Long Service Leave – Current \$ | Annual Leave \$ | Employee Oncosts \$ | Make Good Provision \$ | Total Current \$ |
| 2019 | | | | | |
| Balance as at 1 July 2018 | 232,880 | 695,823 | 163,970 | 122,711 | 1,215,384 |
| Accrued Provision | 67,995 | 827,658 | 121,101 | 97,289 | 1,114,043 |
| Amount Utilised | (91,091) | (848,945) | (131,605) | – | (1,071,641) |
| Carrying amount at 30 June 2019 | 209,784 | 674,536 | 153,466 | 220,000 | 1,257,786 |
| | Long Service Leave – Non Current \$ | Total Non-Current \$ | | | Total Provisions \$ |
| Balance as at 1 July 2018 | 242,512 | 242,512 | | | 1,457,896 |
| Accrued Provision | 18,740 | 18,740 | | | 1,132,783 |
| Amount Utilised | (49,386) | (49,386) | | | (1,121,027) |
| Carrying amount at 30 June 2019 | 211,866 | 211,866 | | | 1,469,652 |

| | 2019 No. | 2018 No. |
|--|-------------|-------------|
| (a) Number of employees at year end (Full time equivalent) | 75.7 | 80.4 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | 2019 \$ | 2018 \$ |
|--|-------------------|-------------------|
| NOTE 12: RETAINED SURPLUS | | |
| Balance at the beginning of the year | 69,560,281 | 64,221,106 |
| Net surplus for the year | 1,107,390 | 5,339,175 |
| Other comprehensive income | – | – |
| Retained surplus at the end of the year | 70,667,671 | 69,560,281 |

Reconciliation of Net surplus for the year:

| | | |
|-----------------------|------------------|------------------|
| Corporate net deficit | (56,185) | 148,227 |
| R&D net surplus | 1,639,288 | 2,651,678 |
| Marketing net deficit | (475,713) | 2,539,270 |
| Net surplus | 1,107,390 | 5,339,175 |

The retained surplus at 30 June 2019 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 2019 the entity has recognised corporate revenue, including corporate recoveries, income and interest of \$19,847,319. Corporate expenditure during this period amounted to \$19,903,504 resulting in a corporate deficit for the year of \$56,185.

The corporate retained surplus amounts to \$4,616,138 and is utilised to manage the operations of the Company, while the R&D and Marketing retained surplus represents industry funds received but not yet expended on the R&D and Marketing programs. In 2014-15 a reserve of \$2,392,000 for new business systems was set aside. As at 30 June 2019 \$293,752 of the systems upgrade reserve was yet to be utilised.

| | 2019 \$ | 2018 \$ |
|---|------------------|----------------|
| NOTE 13: COMMITMENTS | | |
| (a) Operating lease commitments | | |
| Future minimum payables under non-cancellable operating leases as at 30 June 2019 are as follows: | | |
| – within one year | 721,646 | 646,585 |
| – after one year but not more than five years | 2,917,686 | 78,853 |
| – later than five years | 1,690,497 | – |
| | 5,329,829 | 725,438 |

The Company has entered into commercial leases on its premises. There were four leases in effect at balance date, the remaining life of each being between 1 and 84 months. There is also one agreement in place for the rental of office equipment, the remaining life being 35 months.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

| | 2019 \$ | 2018 \$ |
|---|--------------------|--------------------|
| 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 | 117,502,684 | 76,245,013 |
| – after one year but not more than five years | 116,509,586 | 127,521,692 |
| – after more than five years | 6,775,808 | 1,585,752 |
| | 240,788,078 | 205,352,457 |
| Bank Guarantee Facility | 1,900,000 | 1,400,000 |

| NOTE 15: DIRECTOR AND KEY MANAGEMENT PERSONNEL REMUNERATION | | | | | |
|--|----------------------------|-----------------------------------|----------------------------------|--------------------------------|------------------|
| 30 JUNE 2019 | SHORT TERM | | POST EMPLOYMENT | TERMINATION BENEFITS | TOTAL |
| | Salaries & fees | Cash Bonus/ Other benefits | Superannuation/ Insurance | ETPs/Leave entitlements | |
| Directors | 521,824 | – | 25,793 | – | 547,617 |
| Key Management Personnel | 1,751,436 | 155,060 | 163,748 | 470,071 | 2,540,315 |
| TOTAL | 2,273,260 | 155,060 | 189,541 | 470,071 | 3,087,932 |
| 30 JUNE 2018 | SHORT TERM | | POST EMPLOYMENT | TERMINATION BENEFITS | TOTAL |
| | Salaries & fees | Cash Bonus/ Other benefits | Superannuation/ Insurance | ETPs/Leave entitlements | |
| Directors | 526,180 | – | 38,127 | – | 564,307 |
| Key Management Personnel | 1,895,825 | 95,852 | 175,169 | 320,362 | 2,487,208 |
| TOTAL | 2,422,005 | 95,852 | 213,296 | 320,362 | 3,051,515 |

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 2018-19 financial year. The balance of the executive's remuneration can be structured at the executive's discretion within the Company salary packaging 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 2019

NOTE 16: RELATED PARTY TRANSACTIONS

The Directors of the Company during the period were:

- » Selwyn Snell
- » Mark Napper (retired 23 November 2018)
- » Robert Clark
- » Peter Wauchope (retired 31 May 2019)
- » Susan Finger
- » Stephen Lynch
- » Paul Harker
- » Jenny Margetts
- » Mary Corbett
- » Julie Bird (elected 23 November 2018)

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

Paul Harker is an Executive at Woolworths Ltd. During the reporting year Horticulture Innovation Australia Ltd funded marketing activities worth \$58,240 with Woolworths Ltd.

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 7, 141 Walker St
North Sydney, NSW 2060

Directors' Declaration

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

In the opinion of the Directors:

- (a) The financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a fair and true view of the Company's financial position as at 30 June 2019 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 nineteenth day of September 2019 in North Sydney



Mary Corbett
Deputy Chair

Dated this nineteenth day of September 2019 in North Sydney



Ernst & Young
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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 2019, the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Opinion

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

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

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

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

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

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

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



Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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 Fund'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 Fund'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 Fund to cease to continue as a going concern.



- 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.

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

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Daniel Cunningham' in a cursive style.

Daniel Cunningham

Daniel Cunningham
Partner
Sydney
20 September 2019



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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 2019, I declare to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Daniel Cunningham'.

Daniel Cunningham
Partner
19 September 2019

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Hort Innovation

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