

Annual Report to Industry



Apple & Pear Australia Ltd



Australian Pome Fruit
Improvement Program Ltd



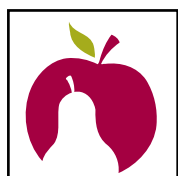
2004–2005

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Australian Pome Fruit Improvement Program Ltd



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ACN 077 345 174

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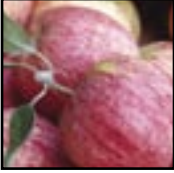
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Chairman's report



This, my last report as chairman of the APFIP Board, sees your company continuing to make substantial progress in meeting its stated vision.

Whilst moving along that path the Board continues to grapple with the major question of how APFIP can best serve the industry. I have great confidence in the company going forward and delivering on its vision during these difficult times within our industry.

The Board met on three occasions in the last year: at the 2004 Annual Conference in Adelaide, in Melbourne and in Bunbury (WA).

The company operates as a not-for-profit entity and is funded by a levy on apple sales which is matched by government. Horticulture Australia Limited (HAL) administers these funds and APFIP operates under HAL project APO0026. As at the end of June 2005, the company recorded a profit of \$69,306. Levy funds held at 31 May 2005 amounted to \$78,887 and these funds are available to be matched for R&D purposes.

The company's major emphasis over the last year has been to work with our commercial partners to develop superior planting material for our industry. The threats to our industry can be substantially reduced if growers move quickly towards international competitiveness. To do this requires the highest quality planting material and adoption of world's 'best practice' methodology.

Stuart Tustin in a paper delivered to the 2005 International Dwarf Fruit Tree Association's annual conference stated that: Improved nursery tree characteristics are part of an important conceptual shift—from 'planting trees' to 'planting a productive orchard canopy'.

APFIP will continue to facilitate this important conceptual shift. While the road to achieving this shift is not always smooth, I believe that with the support of our commercial partners great progress has, and will be made.

During the year the Board resolved to wind-down its production and repository site at Monash in South Australia. A more forgiving climate in Tasmania was chosen to continue APFIP's work.

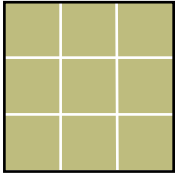
Evaluation continues to provide the basis for transfer of important variety information. Selected sites around Australia collect valuable information which, with the permission of the variety owners, will enable growers to plant new material with greater certainty in their area. The development of an on-line database has assisted in the collation of this information. This, together with the excellent flow of information that the APFIP team has embarked upon, will again better prepare growers in a tough national and international marketplace.

In conclusion I would like to thank my fellow Board members, Scott Price, Marcel Veens, Michael Stafford and Ian Bolitho for their input and support during the last year. The industry has chosen wisely with these directors and I wish them well in the years ahead. To the incoming chairman and the new Board member, Robert Green I hope that your tenure will be as stimulating and enjoyable as mine has been.

No business can flourish and provide the stimulus to our industry without strong executive support. Garry Langford and Greg Cramond have certainly provided leadership and professionalism for our industry. We are very fortunate to secure both these people who have worked with dedication and passion in advancing the Australian apple industry both nationally and internationally.

As we will be losing Tony Heward in the near future, the Board thanks him for his dedicated role as manager of the Monash site and wishes him well in the future.

I have certainly enjoyed my two terms on the Board of APFIP and am confident that I leave the company in good hands and with a bright future.



Members of the APFIP Board



Ralph Wilson—Chairman



Ian Bolitho



Marcel Veens



Michael Stafford



Robert Green



Scott Price



APFIP Staff



Garry Langford
National Coordinator



Greg Cramond
Evaluation Manager



National Coordinator's Report

Certification

We have had some highs and lows during the year with regard to certification.

In January this year we finally received approval of the certification trademark rules and subsequently were granted a certification trademark, which after three years was quite an achievement.

At the other end of the scale, we learned through DNA fingerprinting in May that the heat treated M9 we have been working with is not true to type. This will put back the introduction of certified M9 by a further two years. This is an extremely disappointing outcome. Further DNA testing was conducted after the initial testing in an effort to determine where the error had occurred. It seems that the trees produced from heat treatment may have been incorrect. We are completing a review of the process with Crop Health Services at Knoxfield to ensure we don't have a repeat of this situation.

The two varieties that were heat treated at the same time are true to type. Assessment of trueness to type is somewhat easier for varieties as the fruit is very obvious; rootstocks are slightly more difficult. In this case we have been working with three trees that were produced and tested negative for virus following heat treatment. One was chosen as the tree that looked most similar to M9 and both tissue culture and nurse rooting on seedling have been completed. Tissue cultured plants were distributed to our four approved nurseries last winter at their expense, which we now need to rectify.

The certified M26 that has been distributed to the nurseries for planting is true to type and there will be rootstocks produced next year that will be able to carry the certification trademark.

In consultation with the nurseries we are developing a way forward to establish certified M9 in our industry. NAKB™ M9 T 337 (APFIP has the exclusive license for Australia for this rootstock) the mostly widely used M9 clone in the world was released from quarantine last year and we immediately began conventional propagation of it on seedling.

It is planned that we will use the tissue cultured rootstocks that are not M9 as nurse roots by budding them with M9 T 337. This is not entirely satisfactory as it poses management problems going forward but effective rouging of the beds to remove the non-M9 shoots that might grow, should make this a reasonable outcome. M9 T 337 has been introduced to tissue culture but we don't have a firm production forecast to work with but we aim to establish beds on their own roots as rapidly as possible.

The APFIP Board maintains its commitment to certification and to facilitating the availability of certified rootstocks and varieties to the Australian industry. The operational budgets going forward are focused heavily on completing the introduction of certified M9 and ensuring the four nurseries do not suffer any financial disadvantage from this situation.

Rootstock production

As reported last year we are phasing out rootstock production at Monash and are in the process of moving the repository to a site in Tasmania. We have notified our landlord (Riverland Vine Improvement Committee) of our intentions. RVIC have made an offer for the shed at Monash that has been accepted, the machinery will be relocated to be used at the new repository site. In the future we will grow small volumes of certified rootstocks for sale to growers but more particularly as source material for new certified production beds for approved users of the certification trademark.

Tony Heward who has been the production manager at Monash since 1998 has found other employment so we may accelerate the closure of Monash given that there will be certified M26 available next year and the existing production beds of M26 are not certified. Tony has given APFIP great service and has been committed to the task and we wish him all the best in the future. Thanks Tony!





Evaluation

Greg Cramond has continued to develop the evaluation network and data recording systems. The first local variety displays have been held this season and we hope to expand these to all areas next year.

We continue to have a steady number of visits to the evaluation database via the APFIP website and expect this to grow as the number of varieties with information available increases. The number of selections in the evaluation sites has continued to grow with 15 more apples and 10 more pears added in the past year. We have setup two of the weather data loggers so that we can remotely download the weather data and plan to upgrade the other five stations to the same system during the year. This will ensure that we have up to date information available in the evaluation database.

Discussions have been ongoing with an Italian entity that has sought a license to use our evaluation system and database. As reported previously this will only proceed if it is financially rewarding for APFIP and will be on a license to use basis so if the fee wasn't paid, access would stop. We have also had contact from South Africa where there is interest in the APFIP system as well. Only time will tell if there is an opportunity to gain an income stream from licensing of the Evaluation system.

Greg Cramond was recently awarded a Churchill Fellowship to study pome fruit evaluation in Europe this coming September and October. This is a great opportunity for both Greg and APFIP and we wish him all the best and safe travels. The Churchill Fellowship covers the costs of travel and living expenses whilst completing the project. I have no doubt that Greg will pick up new ideas that we can incorporate into improving our evaluation network.

Diagnostic project

The diagnostic project (AP01030) that APFIP has invested in, along with HortResearch New Zealand, is coming to a close. There are two key outcomes. The first is the development of the capability to test for viroids in Australia. Prosser in the USA previously undertook this but they are no longer able to complete this task commercially.



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The other is the result of the survey that was undertaken across the growing regions of Australia. The project aim was to develop improved testing protocols for each of the exotic diseases identified as a quarantine risk to Australia. Given that we don't have fire blight in Australia the development of testing protocols for this disease was conducted in New Zealand.

The samples collected across the country were tested for fire blight as well as the other diseases and all tests were negative. I am sure that this will add weight to our argument that Australia is in fact free of fire blight.

The disappointing part of the survey was to find that all but four seedling samples included as controls, tested positive for at least one or more of the viruses of economic significance. This was proof positive of the extent of apple mosaic, apple chlorotic leaf spot, apple stem grooving and apple stem pitting viruses and the resulting impact on productivity.

Pears

During the year we succeeded in getting approval for the pear rootstock demonstration project that we proposed. The Australian pear industry is substantially based on plantings that use seedling rootstocks. Lack of reliability and poor cropping performance of a range of varieties using seedling rootstocks is affecting industry viability.

The HAL project AP04001 began in the winter of 2004 with establishment of a trial orchard at Ardmona in the Goulburn Valley, Victoria. This region accounts for more than 85% of Australia's pear production.

Five commercial rootstocks (Quince A, BP1, BM2000, DCA Fox 11 and Pyro Dwarf) will be tested against the industry standard D6 seedling. The varieties being used are Packham's Triumph, Williams and Corella with 100 trees of each on each rootstock. There are also two planting systems in the trial, a central leader and V type.



Two rootstocks (DCA Fox 11 and Pyro Dwarf) will not be available for planting until 2006 as they are in the early propagation stages since their introduction into Australia from Italy and Germany respectively.

The rootstocks for the trial were selected as they are dwarfing and fall into the range of 60% the size of seedling. The aim of the trial is to show which (if any) of the trial rootstocks produce smaller and more manageable, high yielding trees that will perform well in Australian growing conditions.

The expertise required to manage intensively planted pear orchards using dwarfing rootstocks is not readily available in Australia so the project will bring in experience from Europe. Field days at the site and in other districts will share the information gathered and give growers access to the expertise required to manage the rootstocks in more intensively planted orchards.

Financial

The Company recorded a surplus of funds of \$69,306 for the past financial year. This was brought about largely by a reduction in expenditure particularly on rootstock production and an increase in consulting work by the National Coordinator.

A large percentage of the consulting work was one-off and associated with the Industry Partnership Project and the establishment of Prevar Limited (The Company established to manage the new apple and pear varieties from the HortResearch breeding program in NZ. APAL owns 33% of the Company). It will not be repeated in the next financial year to the same extent. The work with Prevar Limited will be ongoing as APFIP has responsibility to ensure the project milestones attached to the HAL project APO3020 (Prevar Ltd) are completed on behalf of APAL.

The main APFIP project AP00026 ended 30 June (final report required by 31 July 2005). A new project AP05017 has been prepared for the period July 2005 to June 2010. The budgeted annual allocation to APFIP in this project is reduced from around \$300,00 in the past five years to \$220,000 for the next five years.

We are up to date with all milestones associated with the three projects that we are conducting. The balance of the APFIP levy held in our account by Horticulture Australia is \$78,887 as at 31 May 2005. The budgets for the next two years are aimed at drawing this balance down to around \$50,000 and then to maintain this amount going forward.

Conclusion

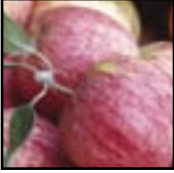
The situation with regard to the certified M9 has been very distressing for me and I look forward to working with the nurseries and the Board to rectify the situation and get on with delivering the benefits of certification that we promised to the Australian industry.

I would like to thank Ralph Wilson for his efforts during his six years on the APFIP Board with the past two years as Chair. Ralph has provided calm leadership and direction for the Company and we wish him all the best in the future.

To the other directors, Scott Price, Michael Stafford, Ian Bolitho and Marcel Veens, I offer my thanks for their support throughout the year and dedication to the role. I again would like to thank Tony Heward for his efforts at Monash and to Greg Cramond for his support and commitment to the evaluation role.

This has been a very busy year with the consulting work associated with the Industry Partnership Program and the completion of the funding agreement for the establishment of Prevar taking up quite a deal of time that was unplanned at the start of the year.

A personal highlight was being invited to join the Board of the International Dwarf Fruit Tree Association as the first non North American director. All this added to the travelling schedule and I would like to thank my wife Meredith and son Rohan for allowing me to come and go from their lives with monotonous regularity throughout the year, and still taking me back.



AUSTRALIAN POME FRUIT IMPROVEMENT PROGRAM LTD

Financial Statements

Year ended 30 June 2005

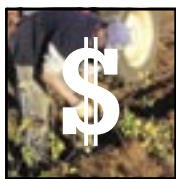
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DIRECTORS REPORT AS AT 30 JUNE 2005



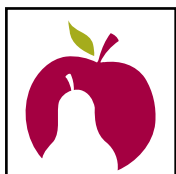
The Directors of the Australian Pome Fruit Improvement Program Ltd, a company limited by guarantee and not having a share capital, submits the following report on the accounts for the company for the year ended on 30 June 2005.



1. DIRECTORS

The names of the Directors in office at any time during the year and at the date of this report are:

Ralph James Wilson (resigned 30 June 2005)
Scott Price
Michael Stafford
Marcel Veens
Ian Bolitho
Robert Glen Green (started 1 July 2005)



2. INFORMATION ON DIRECTORS

Scott Charles Price (Director, Huon Valley Tasmania)—Associate Diploma of Horticultural Business Management

Scott has been involved in the Tasmanian pome fruit industry continuously for the past 25 years, the last 20 as manager of Calvert Bros. "Rockwood" property at Ranelagh in the Huon Valley where he lives with his wife and three children.

His industry involvement is extensive; he was instrumental in the formation of the young Tasmanian Fruit Growers Association in 1991 and was the inaugural president, he has been a member of the Pome Fruit Agricultural Research Advisory Committee that gives advice to the Tasmanian Institute of Agricultural Research and is a past chairman of the Tasmanian Quality Fruits Group. He completed an associate diploma in Agricultural Business Management with the Tasmanian Institute of Technology in 1990.

Michael Robert Stafford (Director, Lenswood South Australia)

Michael is a third generation orchardist and has over 20 years experience as a managing partner in a family owned apple, pear and cherry orchard at Lenswood, South Australia.

He has extensive experience in the fruit growing industry having been involved particularly in the fruit improvement field. He has been secretary of the South Australian

Pome Fruit Improvement Committee for six years. In his role he has been active in the establishment and management of experimental demonstration tree training trials. For five years he has been president of the Lenswood and Forest Range Agricultural Bureau, which is a grower representative group focused on technology transfer. He also represents growers on the Onkaparinga Water Catchment Management Board, a body that monitors and advises on water quality issues of the Adelaide Hills catchment. In 1998 Michael was the recipient of the Apple & Pear Growers of South Australia leadership award.

Marcel Veens (Director, Stanthorpe Queensland)—Horticulture Degree

Marcel was born in Herveld, The Netherland into a family of third generation orchardists. Eight of his nine brothers are fruit growers. He has worked in fruit production in several countries including New Zealand, France, Thailand and of course, The Netherlands. He came to Australia in 1991 and since his arrival has been the manager of the CH. Fueglistner (Australia) Group P/L. The company has two farms in south-east Queensland that are producing apples, pears, peaches, nectarines and lychees. Marcel is currently a director of the Australian Fresh Fruit Company; he is a board member of Queensland Fruit & Vegetables and Chairman of its apple committee.

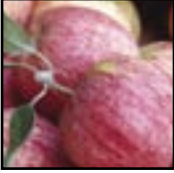
Ian Bolitho (Director, Ardmona Victoria)

Ian is a third generation fruit grower from Goulburn Valley Victoria, married with three children; he lives on his 100 ha property at Coomboona growing apples, pears and stone fruit.

His industry involvement is extensive and he is currently Chairman of the Northern Victorian Fruit Growers Council, a past member of the APAL R&D committee, and a member of the National Pear Breeding Steering Committee. In 1997, Ian won the NVFA fruit grower of year award for contribution to the fruit industry and also the Royal Agricultural Society of Victoria farm management award. His highlights from being involved with NVFA are contributing to the establishment of the Northern Victorian Fruit Growers Association young grower group, and the orchard liaison committee at Dookie Agricultural College. Ian has an active interest in trialling new and different tree training systems and planting densities and in new and old pear varieties.



DIRECTORS REPORT AS AT 30 JUNE 2005



Robert Glen Green (Director, Lenswood South Australia)
Robert is a fourth generation grower in the Adelaide Hills where he grows apples in partnership with his father. He has 24 years growing experience and has been a member of the Lenswood and Forest Range Agricultural Bureau since he was 17, serving a term as Secretary. In 1994 he was appointed to the Board of Management of the Lenswood Coldstore and its subsidiary Lenswood Rural in 1998, becoming vice chairman in 2000. In 1995 he became an Executive Member of the Apple & Pear Growers Association of SA and was the representative to the national R&D committee just prior to its restructure in 2003. From 1997 until 2000 he represented horticulture on the Central Hills Soil Conservation Board.



Garry Langford (Company Secretary)
Garry Langford held the position of company secretary at the end of the financial year. He has 20 years experience in the pome fruit industry during which time he has been responsible for managing and developing orchards and more recently, nursery production. Awarded a Churchill Fellowship in 1994, Garry spent time in the USA, Canada, UK, France, Holland and Germany studying rootstock production, including tissue culture techniques. He established many contacts during this time with government, commercial and industry sectors. Garry has worked with the company for the past seven years as its National Coordinator and was appointed company secretary on 6 October 1997.

3. PRINCIPAL ACTIVITIES

The Australian Pome Fruit Improvement Program was established in September 1996 by the Australian Apple and Pear Growers Association Inc. to work cooperatively with all sectors associated with the pome fruit industry to maximise the commercial potential and international competitiveness of the Australian pome fruit industry. The program is funded by an industry levy that is administered and matched by Horticulture Australia Limited (HAL). The operations of the program were transferred into a company that was incorporated on 7 February 1997.

4. TRADING RESULT

The company's operating surplus for the year to 30 June 2005 was \$69,306 (2004 deficit of \$40,628).

5. DIVIDENDS PAID OR RECOMMENDED

As the company is limited by guarantee and has no issued capital, no dividends were paid or recommended to be paid during the year.

6. REVIEW OF OPERATIONS

The company is a not for profit entity. It has received part of its funding entitlements for the year and further grants to which they are entitled are being held on their behalf by Horticulture Australia Limited (HAL) pending the achievement of agreed milestones and funding required. (Refer Note 1(d) for further explanation).

7. STATE OF AFFAIRS

The company is operating within its program guidelines and is currently in a sound financial position.

8. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year, which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

9. LIKELY DEVELOPMENTS

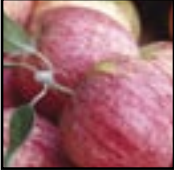
In the opinion of the Directors, it would prejudice the interests of the company to provide additional information relating to likely developments in the operations of the company and expected results of those operations in subsequent financial years.

10. ENVIRONMENTAL REGULATION

The directors do not believe that the operations of the company are subject to any particular and significant environmental regulation.



DIRECTORS REPORT AS AT 30 JUNE 2005



11. DIRECTORS BENEFITS

Since the end of the previous financial year, no Director of the company has received or become entitled to receive any benefit, (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company accounts), by reason of a contract made by the company with the Director or with a firm of which a Director is a member, or with a company in which the Director has a substantial financial interest.



12. DIRECTORS MEETINGS

The number of directors' meetings held in the period each director held office during the financial year, and the number of meetings attended by each director, are:

Director	Board of Directors' Meetings	
	Number held while in office	Number attended
Ralph James Wilson	3	3
Scott Price	3	3
Michael Stafford	3	3
Marcel Veens	3	3
Ian Bolitho	3	3
Robert Glen Green	0	0

13. INSURANCE OF OFFICERS

During the financial year, Australian Pome Fruit Improvement Program Limited paid a premium of \$4,685 to insure the directors and officers of the company. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company.

14. AUDITOR'S INDEPENDENCE DECLARATION

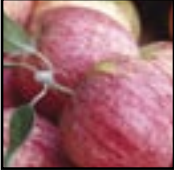
A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Dated at Melbourne this day of August 2005.

Signed in accordance with the resolutions of the Directors:

Director

Director



AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF AUSTRALIAN POME FRUIT IMPROVEMENT PROGRAM LTD

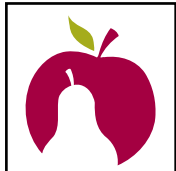
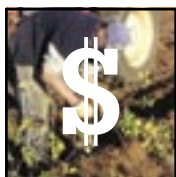
I declare that, to the best of my knowledge and belief, during the year ended 30 June 2005 there have been:

- i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

WHK Day Neilson
Chartered Accountants

Margaret D Crossley
Principal

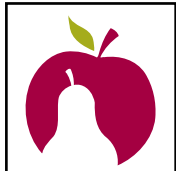
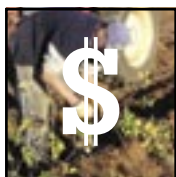
Date: Address: Melbourne



STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 \$	2004 \$
INCOME			
Operating activities			
Interest received		3,151	2,683
HAL grants—operating, salaries and travel		418,340	368,026
Rootstock		15,375	25,932
Consulting		24,326	22,653
Post Entry Quarantine (PEQ)		13,542	27,403
Certification		51,380	7,409
Subscriptions		8	9
Other		6,597	5,413
TOTAL INCOME		532,719	459,528
EXPENDITURE			
Operating activities			
Salaries		129,644	129,122
Superannuation and WorkCover		21,088	21,202
Annual leave/long service leave entitlement		2,371	18,410
Travel – Board		16,027	11,495
Travel – staff general		42,096	57,139
Sitting fees and allowances		2,260	2,260
Administration expenses		24,304	24,225
Accounting and auditing	6	2,340	2,755
Communication and promotion		8,511	14,485
Depreciation		9,541	12,634
Sundries		1,264	1,264
Project operations – evaluation		36,199	37,532
Project operations – certification		76,819	52,177
Project operations – rootstock		38,378	57,979
Project operations – other		2,744	3,614
Post Entry Quarantine (PEQ)		14,049	31,180
Consulting		10,254	22,863
Pear rootstock trial		25,524	-
TOTAL EXPENDITURE		463,413	500,156
Surplus/(Loss) for period		69,306	(40,628)

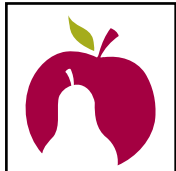
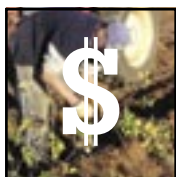
The accompanying notes form part of these accounts



STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Notes	2005 \$	2004 \$
CURRENT ASSETS			
Cash assets	2	107,733	37,417
Receivables		8,757	396
TOTAL CURRENT ASSETS		116,490	37,813
NON CURRENT ASSETS			
Property, plant and equipment	3	53,066	59,692
TOTAL NON CURRENT ASSETS		53,066	59,692
TOTAL ASSETS		169,556	97,505
CURRENT LIABILITIES			
Payables		374	-
Provision for annual leave		12,266	12,001
TOTAL CURRENT LIABILITIES		12,640	12,001
NON-CURRENT LIABILITIES			
Provision for long service leave		8,515	6,409
TOTAL NON CURRENT LIABILITIES		8,515	6,409
TOTAL LIABILITIES		21,155	18,410
NET ASSETS		148,401	79,095
EQUITY			
Accumulated surplus	4	148,401	79,095
TOTAL EQUITY		148,401	79,095

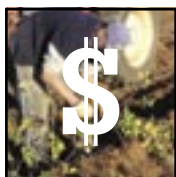
The accompanying notes form part of these accounts.



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 \$	2004 \$
Receipts from customers		521,207	456,956
Payments to suppliers and employees		(451,127)	(469,112)
Interest received		3,151	2,683
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	5	73,231	(9,473)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(2,915)	(3,333)
NET CASH USED IN INVESTING ACTIVITIES		(2,915)	(3,333)
Net increase/(decrease) in cash held		70,316	(12,806)
Cash at the beginning of the financial year		37,417	50,223
Cash at the end of the financial year			
CASH AT THE END OF THE PERIOD		107,733	37,417

The accompanying notes form part of these accounts.



NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005

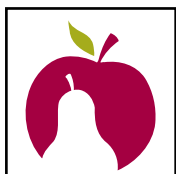


NOTE 1: STATEMENT OF ACCOUNTING POLICIES

In accordance with Accounting Standard AASB 1025: Application of the Reporting Entity Concept and Other Amendments, the Directors have determined that the company is not a reporting entity and therefore a general purpose financial report is not required.



This special purpose financial report has been prepared for distribution to members and is in accordance with the Corporations Act 2001, Accounting Standard AASB 1001: Accounting Policies, Accounting Standard AASB 1018: Statement of Financial Performance, Accounting Standard AASB 1026: Statement of Cash Flows, Accounting Standard AASB 1034: Financial Report Presentation and Disclosures and Accounting Standard AASB 1040: Statement of Financial Position. Other Accounting Standards and professional reporting requirements (UIG Consensus Views) have not been applied, as they do not have mandatory applicability to the company.



a) Basis of accounts

The accounts have been prepared on the basis of historical costs and except where stated do not take into account current valuations of non-current assets. Cost is based on fair values of the consideration given in exchange for assets. While the accounts recognize expenses on a cash basis, it is not expected that this amount will vary materially from the total of expenses reported on an accrual basis.

b) Income tax

The company is a not-for-profit company and accordingly there is no income tax applicable.

c) Depreciation of plant and equipment

Plant and equipment are depreciated over their estimated useful lives using the straight-line method. Profits and losses on disposal of property, plant and equipment are taken into account in determining the result for the year.

d) Unpaid grant monies

As at 30 June 2005 there is still an amount of \$78,887 (2004—\$168,342) due to the company from Horticulture Australia Ltd (HAL). The company has agreed with HAL that these amounts will be retained by HAL until the company meets the agreed milestones and needs these funds. This amount has not been recognized in the accounts at 30 June 2005.

e) Employee benefits

The employee benefits are based on pay rates expected to be settled within 12 months of the reporting date. On costs such as WorkCover and superannuation are included in the calculation of leave provisions.

Long service leave provision is determined in accordance with Accounting AASB 1038. Generally, the entitlement under the various awards becomes payable upon completion of 15 years service. The provision is classified as a non-current liability as there are no employees presently that are entitled to long service leave.

f) Cash Flows

For the purpose of the statement of cash flows, cash includes cash on hand and deposits held at call with banks, net of any bank overdraft.

g) Impact of Adoption of Australian Equivalents to International Financial Reporting Standards

Following the adoption of Australian equivalents to international financial reporting Standards (A-IFRS) the company will prepare and present its first financial report and other accountability statements in compliance with A-IFRS framework for the financial year ended 30 June 2006.

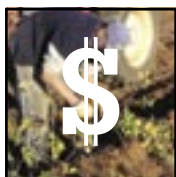
Under A-IFRS there are requirements that apply specifically to not-for-profit entities that are not consistent with IFRS requirements. The company has analysed its purpose, objectives and operating philosophy and determined that it does not have profit generation as its prime objective. Consequently, where appropriate the company has elected to apply options and exemptions within the A-IFRS that are applicable to not-for-profit entities.

This financial report has been prepared in accordance with current Australian Accounting Standards (Australian GAAP) and other financial reporting requirements. Following the completion of the business impact analysis and evaluation of policy alternatives, the company has concluded that there will not be a significant impact on the reported financial position and financial performance following the adoption of A-IFRS. It should be noted that the actual effects of the transition of A-IFRS may differ from that currently disclosed due to:

- Change in facts and circumstances
- Ongoing work being undertaken by the company
- Potential amendments to A-IFRS and Interpretations and
- Emerging accepted practice in the interpretation and application of A-IFRS and UIG Interpretations.

h) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.



NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005



NOTE 2: CASH

NAB Cheque Account
Investment

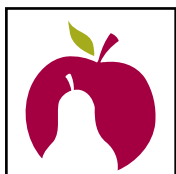
	2005	2004
	\$	\$
	21,814	1,973
	85,919	35,444
	107,733	37,417



NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Office Equipment at cost
Less accumulated depreciation

	38,638	35,723
	(27,786)	(23,614)
	10,852	12,109



Plant and Equipment (Rootstock Development Project)
Less accumulated depreciation

	94,510	94,510
	(52,296)	(46,927)
	42,214	47,583

Total fixed assets

	53,066	59,692
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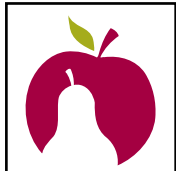
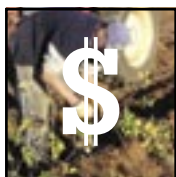
NOTE 4: ACCUMULATED SURPLUS

Opening balance of accumulated surplus
Surplus/(Loss) for the year

	79,095	119,723
	69,306	(40,628)

Accumulated surplus at 30 June 2005

	148,401	79,095
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NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	\$	\$
NOTE 5: CASH FLOW INFORMATION		
Reconciliation of net cash flows from operating activities to operating profit		
Operating surplus/(loss)	69,306	(40,628)
Depreciation	9,541	12,634
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(8,361)	111
(Decrease)/increase in payables	374	-
(Decrease)/increase in provisions	2,371	18,410
NET CASH INFLOWS (OUTFLOWS) FROM OPERATING ACTIVITIES	73,231	(9,473)
NOTE 6: AUDITORS REMUNERATION		
Auditing of the accounts	2,090	2,090
Other services	250	665
	2,340	2,755

NOTE 7: MEMBERS' GUARANTEE

The company is limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the company.

NOTE 8: ECONOMIC DEPENDENCY

The continuing research activities of the company is dependent on the supply of grants from HAL Ltd.

NOTE 9: COMPANY DETAILS

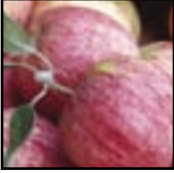
Australian Pome Fruit Improvement Program Ltd is a company limited by guarantee, incorporated in Australia with its principal place of business and registered office at 35 Fourteen Turn Creek, Grove Tasmania.

The principal activities of Australian Pome Fruit Improvement Program Ltd are described in the Director's Report.

At balance date the Company had 2.5 equivalent full-time employees.



DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2005



The Directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:



1. The financial statements and notes, as set out on pages 35–44 are in accordance with the Corporations Act 2001 and:
 - a) comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
 - b) give a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 of the financial statements.



2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

Director

Dated Melbourne this day of August 2005

