

Australian Pork Limited



ANNUAL REPORT 2019-2020



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EXECUTIVE MESSAGE

Sustainable growth key to progressive future

IN the past decade, Australia's domestic consumption of fresh pork has increased by 35 per cent.

As a result of this strengthening consumer support, the value of Australia's pork industry has grown from \$3 billion in 2012 to \$5.3 billion today.

As we draw confidence from that progress, Australian Pork Limited (APL) is determined to drive further sustainable growth and help generate an additional \$1 billion in value to the industry by 2025.

In fact, a milestone objective of the industry's official roadmap, the APL 2020-2025 Strategic Plan, is for pork to eclipse chicken as the most preferred meat in the nation and confirm its standing as Australia's favourite source of protein.

The cornerstones of the Plan, developed with extensive input from across the supply chain, are targeted marketing, policy and research goals that benefit the entire Australian pork industry. It is built on a strong foundation of proven on-farm and supply chain success and sets out ambitious, progressive benchmarks for the next five years.

Notwithstanding the Australian pork industry directly employs 35,000 people, we are smaller than some other meat and protein sectors. At APL, we see this as one of our greatest assets because it means producers and post-farmgate businesses can be more agile and innovative.

Our pathway through to 2025 reflects that innovative, progressive culture. In addition to growing our existing markets, we're looking to capture new markets and adding greater whole-of-pig value by capturing opportunities in nutraceuticals and other emerging industries.

Australian pork producers are rightfully proud of their future-focussed achievements, with significant gains in productivity and efficiency over the past decade, while upholding transparent, science-driven animal health and welfare standards.

It is that appetite for technology and business innovation that has made supply chain value growth possible. It has also enabled our farmers to produce more quality Australian pork, while reducing their carbon footprint by 60 per cent since 2010.

An increasing number of producers already capture farm waste to sustainably generate the fuel to power their production systems and fertilise crops. But we want to help build on this, with the aim of being a net zero-waste industry by 2025.

As such, the Strategic Plan prioritises the further commercial uptake of environmentally positive production practices, including further on-farm investment in technology to capture methane.



**IT IS THAT APPETITE
FOR TECHNOLOGY AND
BUSINESS INNOVATION
THAT HAS MADE
SUPPLY CHAIN VALUE
GROWTH POSSIBLE.**

That on-farm investment is backed by APL's research and innovation priorities for the next five years. The commercialisation of R&I improves on-farm productivity and profitability. This, in turn, allows our farmers to continue to invest in the infrastructure, expertise and technology to ensure sustainability and leading animal health standards are embedded in our production systems.

We're determined to ensure our animal welfare journey is one we're proud to continue to share with all Australians.

The launch of the Strategic Plan in July has already renewed the hand-in-glove way the APL team works with our producers. This is important, because a key to our shared successes in the future is the very close, collaborative relationship between APL and the entire supply chain.

As Chair, I know our producers are proud and passionate about Australian pork and APL. My fellow Directors share my great sense of privilege in being able to contribute to the industry's future success and we're grateful for our members' strong, ongoing support.

Mr Andrew Baxter
Chair

Innovation and resilience drive success

SINCE joining APL as CEO in August 2019 I have seen both extraordinary resilience and entrepreneurial endeavour, enabling the industry to persevere in the face of unprecedented supply chain disruption arising from COVID-19 and the ongoing ominous threat of African swine fever (ASF).

It is important APL embraces a front-foot approach to challenges, because it means we are aligned to our members' proactive, at-the-ready attitude to ever changing operating environments.

Issues relating to both COVID-19 and ASF during this reporting period have shown how APL, producers and our supply chains are united by shared priorities and a progressive vision for the future.

There's clear consensus producers identify strongly with APL, which galvanises our team's determination to continue to promote and strengthen the Australian pork industry.

This support has been crucial during the period of renewal at APL in the past 12 months and, on behalf of all our team, I thank our members for their trust, encouragement and goodwill.

A critical milestone for APL has been working with members to finalise the

2020-2025 Strategic Plan – a bold manifesto setting out our plan for sustainable industry growth over the next five years.

With valuable input from our independent Chair Andrew Baxter and his fellow Directors, I am proud to have led an organisational restructure which better reflects our operational priorities and supports the Strategic Plan.

Effective two-way dialogue with members is at the heart of APL's success and it was with this in mind we established a purpose-built team to focus specifically on Producer Engagement, overseeing APL's direct dialogue with producers regarding production and supply chain issues.

This has been complemented by the formation of our new Communications team, which is delivering consolidated, whole-of-APL information to members and strengthening our external messaging. These teams have ensured members of the APL staff



and key industry updates have been readily accessible for producers during what has been a very unpredictable year.

More broadly, our Operations and Corporate divisions have been streamlined to strengthen our delivery of effective marketing, proactive policy and impactful research, while meeting our finance, systems of governance obligations.

Our Executive Team has been boosted by the addition of well-known industry member, Dr Rob Smits, who commenced with APL in August 2020 as General Manager, Research and Innovation. Dr Smits will oversee APL's research programs, looking at both short-term industry solutions and longer-term, transformative projects.

APL's new-look leadership team reflects our vision for the next five years, without compromising on our capacity to address to short-term priorities.

I am proud of the open-minded approach APL takes to challenges and opportunities appearing on the industry's radar. We share with future-focussed producers the vision for progressive, sustainable industry growth and the realisation of our bold but achievable goal of making pork the most preferred meat in Australia by 2025.

Ms Margo Andrae
Chief Executive Officer

OVERVIEW

Our role in the pork industry

APL is a unique rural industry service body working for the Australian pork industry. We are a producer-owned company limited by guarantee. We deliver integrated research and development, marketing and policy services to benefit the pork industry supply chain and enhance the viability of Australian pork producers. We work closely with key industry and government stakeholders and pursue opportunities for the industry at both the domestic and international level.

APL operates under a framework established by the *Pig Industry Act 2001 (Cth)*.

Our primary funding is derived from statutory pig slaughter levies collected under the *Primary Industry (Excise) Levies Act 1999 (Cth)*. Further funding comes from a funding agreement with the Australian Government.

Statutory levies

The pig slaughter levy is \$3.425 per carcass at slaughter. The components of the levy are described in the following table:

Levy purpose	Levy amount	Levy recipient
Marketing activities	\$2.25	APL
Research and Development	\$1.00	APL
National Residue Survey (NRS) Pig Monitoring Residue Program	\$0.175	Department of Agriculture, Water and the Environment
Total levy per carcass	\$3.425	

Funding agreement

Additional research-specific funds are also received from the Australian Government under the portfolio of the Federal Minister for Agriculture. These funds are made available to APL through a funding agreement between the Commonwealth and APL. The current funding agreement came into effect from 24 June 2020 and will expire on 23 June 2030.



Representing producers

APL directly represents the interests of its members and, more broadly, promotes the interests of the Australian pork industry. APL membership is free and open to all Australian pork producers who have paid the pig slaughter levy in the financial year prior to the membership reporting period. Under APL's constitution, producers must apply to become a member, and when requested, provide evidence of eligibility for continuation of membership.

At minimum, confirmation of continued membership eligibility must be provided to APL every three years, the most recent cycle ending during the 2019-20 reporting period. We refer to this triennial process as the APL Membership Drive, as it represents an opportunity to connect with new entrants to the industry.

Through the 2019 APL Membership Drive and through increased administrative activity during COVID-19 pandemic restrictions, we discovered many smaller producers had left the industry since the 2016 Membership Drive and had therefore become ineligible for membership. As a result, as of 30 June 2019, APL had 195 levy paying producer members representing 85.6 per cent of levies paid. This is a reduction from 258 members representing an estimated 93 per cent of levies paid at the end of 2018-19. Note that, as levy data is only collected during the Membership Drive, the member numbers and representation percentages shown after the first year of membership renewal is an estimate.

Following confirmation of continued membership eligibility, levy-paying members nominate and elect Delegates to represent their interests and serve the industry as a consultative conduit with APL. Member votes are weighted according to levies paid, ensuring the Delegate representation is proportionate to industry production. Delegates are elected to serve the industry for a three-year term and may stand for re-election. In the 2019 Delegate Elections, levy-paying members elected 32 Delegates.

APL industry representation and consultation framework



Members vote for Delegates

- 1** Delegates vote for Elected Directors
- 2** The APL Board (five Elected Directors and four Specialist Directors, Constitution 14.1) appoints Specialist Directors (Constitution 14.5)
- 3** Delegates ratify appointment of Specialist Directors (Constitution 14.5)

Ensuring best practice

APL adopts contemporary best practice. Key aspects of best practice applied at APL include:

- development, implementation, application, maintenance and performance reporting of:
 - a risk management plan drafted in accordance with Australian standards
 - a fraud control plan
 - an intellectual property management plan
- measurement and reporting of organisational performance against specified outcomes and objectives
- human resource management, diversity management, equal employment opportunities (EEO) and workplace health and safety (WHS)
- managing, measuring and reporting compliance with legislative and regulatory requirements; and
- establishment of internal policies and procedures in key areas such as complaint resolution and privacy.

The Board is accountable to Members, as set out in the company's constitution, and performs its responsibilities when it meets seven times per year. Each meeting requires a majority quorum of directors eligible to vote (at least five directors). Meetings to respond to specific issues are called as needed; including consideration of resolutions virtually.

The Board executes its responsibilities and functions in a manner consistent with the Australian Institute of Company Directors' Code of Conduct.

To ensure the Board is properly executing its responsibilities, the Board reviews its performance in the following areas on a regular basis:

- roles and responsibilities
- timeliness of advice and direction to management
- effectiveness of Board meetings
- interaction with management, and
- contribution to the ongoing performance of the company.

Independent reviews of the Board's performance are performed biennially and self-assessments are performed every other year biennially.

The Board's responsibilities and functions include:

- After consultation with key stakeholders, adopting the organisational strategic plan
- Reviewing organisational performance against the strategic plan
- Reviewing the continuing relevance of the strategic plan to deliver best return on investment outcomes to the Australian pork industry
- Appointment of the CEO and providing direction on the appointment, remuneration and evaluation of senior management

- Setting company policies and measuring compliance with those policies
- Approving annual operating plans and annual financial budgets
- Approving major initiatives outside of the strategic plan, annual operating plan or annual financial budget, and
- Ensuring the company acts legally and responsibly on all matters and that the highest ethical standards are maintained.

The APL constitution allows the Board to establish committees. Each committee is chaired by a director, has its own charter and agreed membership. The terms of reference of each committee is reviewed by the Board annually and each committee reports to the Board.

The following committees were in place for the 2019-20 reporting period:

Audit, Risk and Corporate Governance Committee

The committee's role is to advise the Board on corporate governance, internal and external financial audit issues and adequacy of accounting procedures, systems, controls and financial reporting. It also reviews risk management and fraud control management, intellectual property management, and qualification of R&D and matching expenditure in compliance with major contracts.

Investment Committee

The Investment Committee succeeded the Research & Development Advisory Committee (RDAC). The committee considers proposed investment opportunities in the context of achieving the company's strategic objectives.

Market Development Committee

Along with APL Directors with marketing experience, the committee includes stakeholders from across the supply chain. The committee reviews possible marketing developments for domestic and export markets and advises the Board on marketing strategies.

People and Culture Committee

The committee provides advice and recommendations to the Board on remuneration policies and practices, and performance reviews for senior management. It also acts as the Board Nominations Committee.

Quality Assurance and Animal Welfare Committee

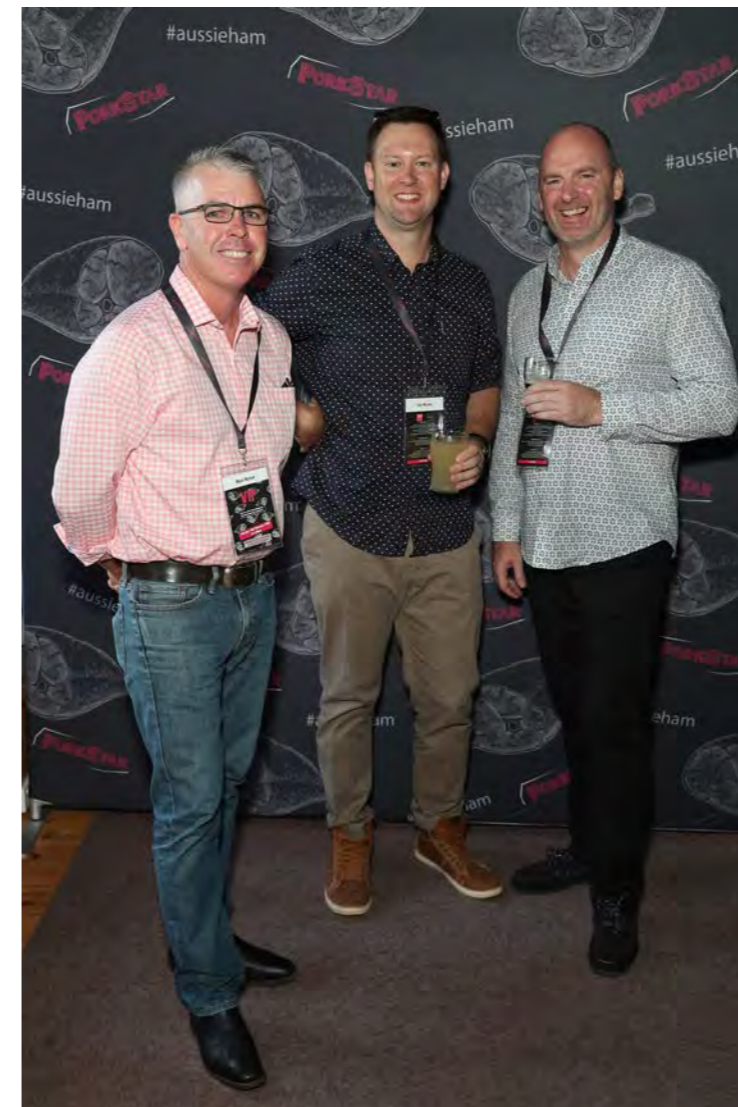
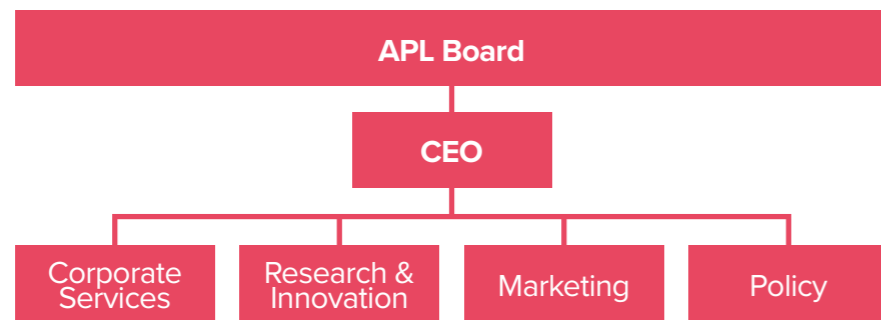
The committee provides input and guidance to the Board on emerging or specific animal welfare and quality assurance issues which have the potential to significantly impact producers' future sustainability. Subsequent to the 2019-20 reporting period, this committee was renamed the Industry Integrity Committee to reflect the broader community interest in agriculture practice.

The Board delegates responsibility for delivery of the Strategic Plan and effective management of the company to the CEO. The CEO is supported by an Executive Team.

The Board has endorsed key systems, policies and controls which require and ensure that APL acts within the law, manages conflicts of interest and acts honestly and ethically in all business activities. APL has in place

key corporate controls including risk management, fraud control and intellectual property management controls. The CEO manages the organisation within the organisational policy framework which has been adopted by the Board.

APL'S FUNCTIONAL ORGANISATIONAL STRUCTURE DURING FY2019-20



Annual highlight

COVID-19, MULTI-TASKING, RESPONDING AND BUILDING FOUNDATIONS FOR RECOVERY

2019-20 was always going to be a year of transformation, however the operating environment accelerated that. COVID-19 did not really cause new problems for APL internally. Instead, as a certain Robert Oppenheimer heard from Albert Einstein it “just made an existing problem more urgent”.

When it became clear in March 2020 that the world was going to be a different, less certain and more unstable place, the changes that needed to be made were accelerated. Due to some Executive team departures early in 2020, it was necessary for some of our more experienced team members to step up in a crisis. With 20:20 hindsight, we can demonstrate they admirably did just that.

Firstly, in terms of responsiveness to industry issues, CEO Margo Andrae took the lead, primarily supported by International Marketing Manager Peter Smith, Policy Analyst Alister Oulton and General Manager Corporate Services, Damien Howse. Despite numerous challenges, the Australian pork industry managed to keep nutritious food flowing to Australian and international households, despite the need for rapid supply chain adjustments.

The main part of the APL team focussed on recovery rather than response. Change not only brings risk but also opportunity.

The R&I team did an admirable job of managing the multitude of projects that were delayed due to both the



even greater focus on biosecurity by producers and the inability of some researchers to continue their work from home. The team not only managed the delays and resetting of milestones but also took the opportunity to redirect funds that could not be invested as originally planned into more future focussed activities including:

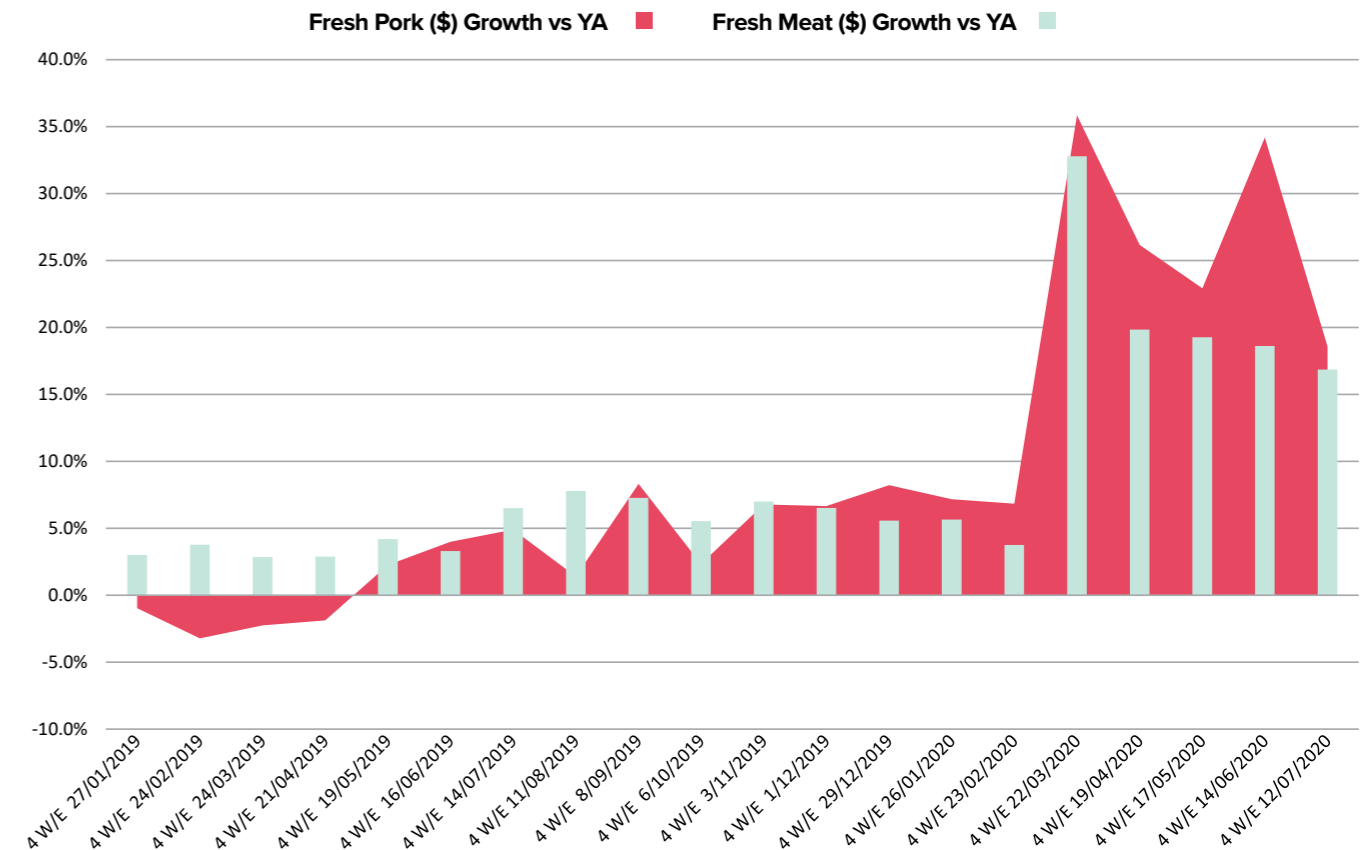
- filling some gaps in Australia’s knowledge in how to deal with mass animal disease outbreaks (a risk that Australia’s biosecurity protocols has prevented us from learning)
- investing in the exploration of how technology and data can be combined to “push back the borders”, helping to manage biosecurity outside of Australia, leveraging learnings from cyber-security, and
- investigating ways to add value to what are currently considered “waste products” and potentially opening new, more diversified markets.

The Marketing team had to quickly re-arrange their mix of activities as shopping for at-home consumption rocketed and eating-out plummeted.

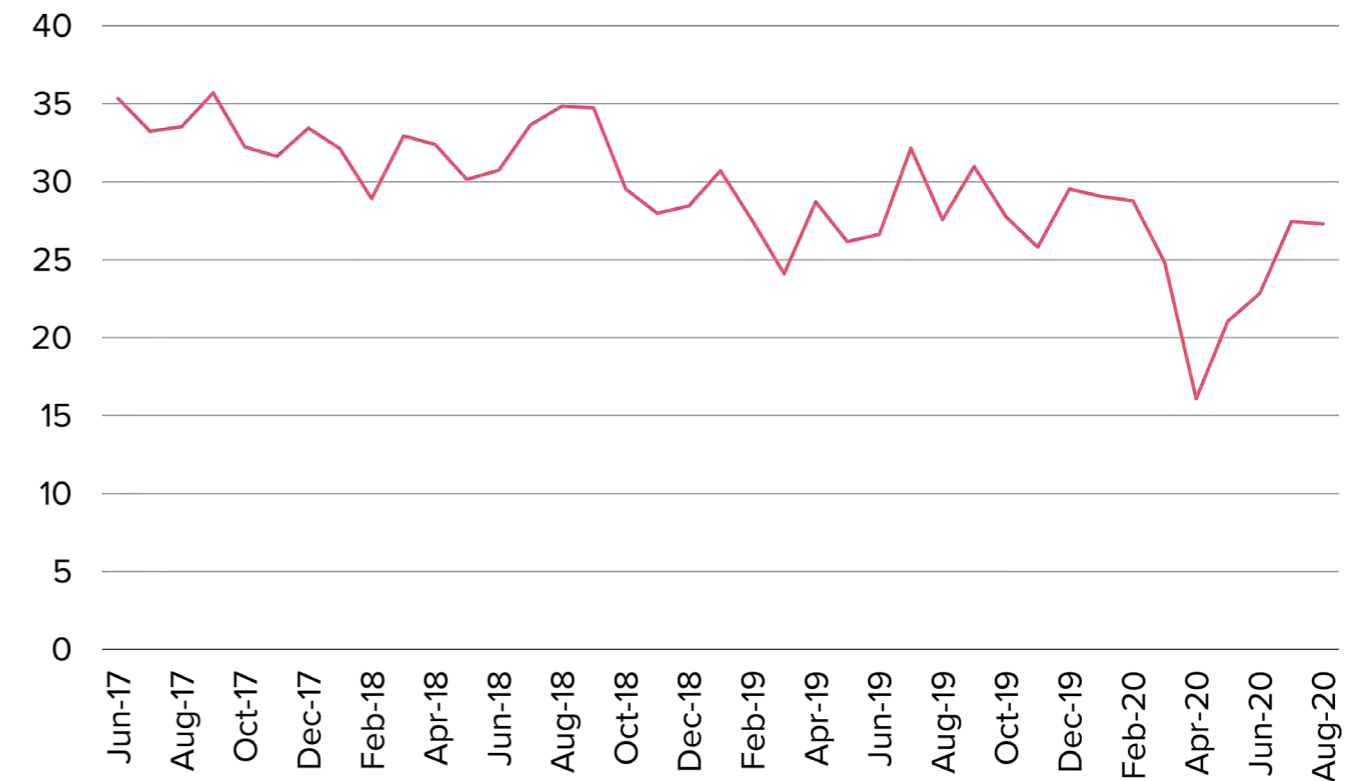
The team, ably led by Acting General Manager Marketing Eunbi Lee, chose to increase marketing investment to help consumers who had “panic bought” pork to cook it well and enjoy their not-necessarily-planned, pork eating experience. By the time the first COVID-19 wave was finished, more than 50 “how to cook by cut” education videos with recipes were available to help consumers. These activities not only built pork’s market share then, but are continuing growth into the 2020-21 financial year. Further to this, the food service team were able to pivot their activities to supply out of work hospitality workers with free meals (Hospo4Hospo).

Our corporate team managed to keep all of their team-mates safe, and whilst this was a time of uncertainty and changed environments, all team-members found ways to remain in contact and productive through a multitude of formal and informal means. We look forward to a 2020-21 with fewer instances on Zoom or Teams when we hear “we can’t hear you, your mic is turned off”.

VALUE GROWTH FRESH PORK VS FRESH MEAT



OUT OF HOME EATING RATE (LUNCH/DINNER)
(% OF HOUSEHOLDS PER MONTH)



Supporting the broader industry

APL's projects in 2019-20 contributed to the Commonwealth's Rural Research and Development Priorities as shown in the following table.



APL projects and contributions to Rural Research and Development Priorities

	Advanced technology	Biosecurity	Soil, water and managing natural resources	Adoption of R&D	Other Research
Advanced measurement technology					
Continuous Data and Advertising Tracking					
Eating quality commercialisation					
Trust in Pork Provenance					
Food Safety					
Planning reports					
Commercialisation					
Climate Research Strategy from Primary Industries (CRSPI)					
Animal Welfare Interventions					
Environmental Management					
APRIL					
Supply chain traceability					
Breeding Females					
Showground insight					
Exotic Disease and Biosecurity					
Environment and Health					
Pork RD&E Strategy					
Virtual herding					
Transforming production efficiencies					
Forewarned is forearmed					
Improving herd conversion					
Growth and Development					
Fostering New Capability					
Bringing Influencers Together					
Adoption					
Building Technical Capacity					
Innovation Review					
Industry Economic Analysis					
Annual Survey					
Industry Engagement and Events					
Communication and Society					
Issues Management and Support					
Building our social licence					
Investment Committee/Stakeholder Engagement meetings					
AGM & Conference					
CRRDC Activities					
Benefit Cost Analysis					
ICT					
Human Resource Management					

Our performance

APL had planned for change, yet experienced more change than anticipated. Nevertheless APL delivered its top priorities of:

- support keeping producers, on average, profitable,
- support keeping Australia ASF-free
- create a new progressive strategy, and
- prepare the organisation for progress towards these new goals.

Performance, as ever, has been a function of chosen actions working in parallel with changes in operating environment. Some changes were foreseen, and some were not. Entering the 2019-20 year, APL had planned for quite a high degree of change and non-recurring, yet important activities. These included:

- The planned welcome of a new CEO in August 2019
- The rapid spread of ASF across China and into South-East Asia, as well as its slow march west across Europe
- The resolution of an illegal material importation case through the courts in Western Australia
- A need to consult widely with industry as a strategy for the 2020-25 period developed, and
- A broadening of marketing activities to trial leveraging the 2018 Country of Origin Labelling legislation. The campaign aimed to help Australians understand the choice between ham and bacon made from Australian pork or the majority, which is made from imported pig meat.

Clearly, the COVID-19 pandemic caused some disruption and the reallocation of resources, as happens in any crisis.

APL's COVID-19 response allocated resource into two groups, a Response Team led by our CEO included representatives from marketing, policy, and corporate services. This group supported industry to keep product flowing between states and countries and managed staff's work-from-home arrangements. This team went on to redesign the Canberra office to enable appropriate social distancing when returning to more normal working arrangements.

The second group adjusted programs as necessary to support industry with marketing, policy, and research.

The industry's pre-COVID-19 environment was one of recovery for those producers who survived the oversupply and price trough of 2017 and 2018. The main ongoing threat to producers' ability to survive was the drought-driven high grain costs.

However, COVID-19 supply chain realignments from foodservice to retail depressed farm-gate prices unexpectedly from April, as shown below.

Industry outcomes are defined as Key

Results Areas (KRA) in APL planning. These are metrics that have significant impact on producers and other stakeholders, but there are limits to the influence APL has over them.

Accepting this, APL continues to focus on making a difference to producers and to all Australians and, as such, continues to target what matters rather than just what APL controls.

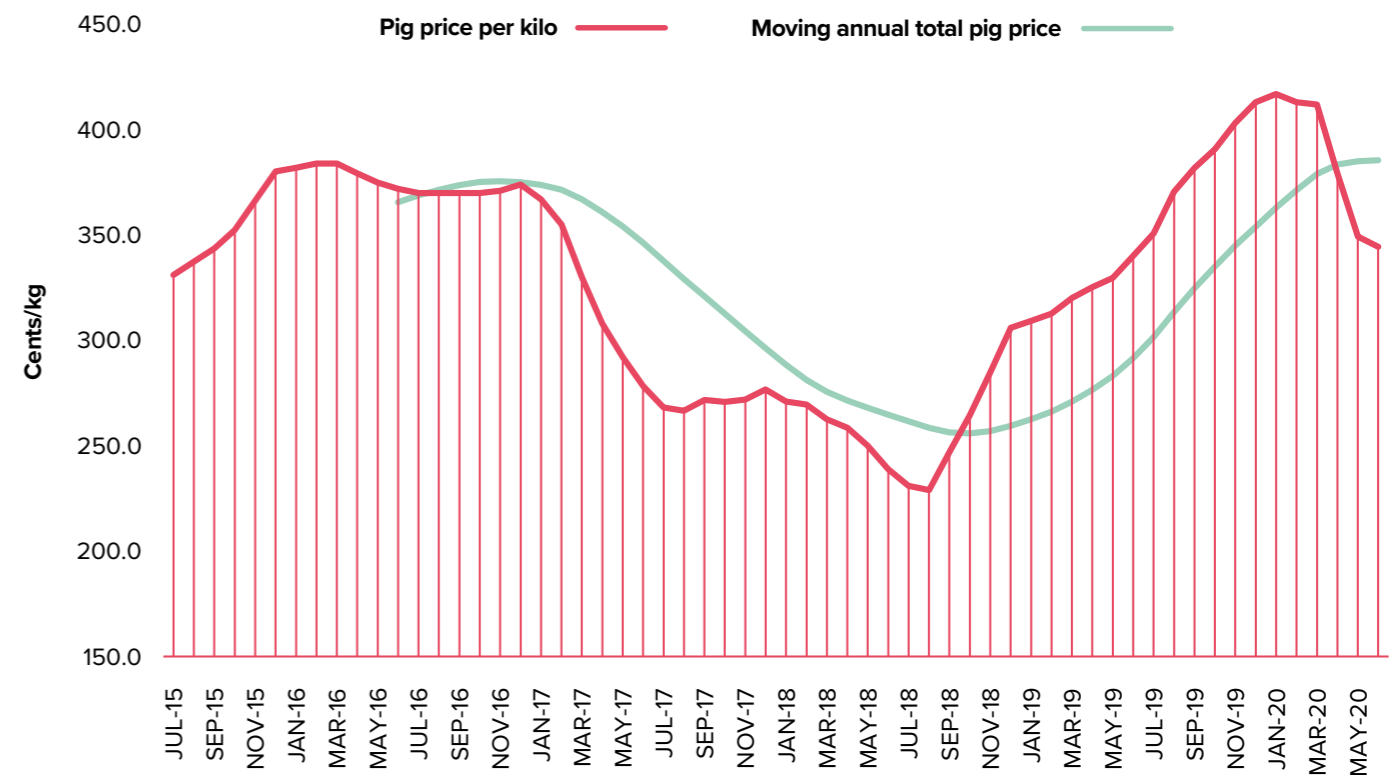
Our 'stretching but achievable' approach to target setting means each year we may miss some targets and

this is used as an impetus for progress.

In the following table of KRA's, a green tick signifies achievement, a red cross signifies we did not achieve the goal (however close) and an orange circle signifies where that measure was either deprioritised or confounded by COVID-19.

APL also has Key Performance Indicators (KPI) for programs which are more within APL's control. The KPI's are shown in each Strategic Objective section that follows.

PIG PRICE PER KILO DATA - SHORT TERM CYCLE MONTHLY AND MOVING ANNUAL TOTAL



	Industry Key Results Area	Measure	Target	Performance	Achieved or not
Growing Consumer Appeal	Better Pork	Supply Chains actively engaged in executing pork eating quality improvement	5	6	✓
	Pork Made More Popular	The % of households eating fresh pork more than: • 26 times per year • 13 times per year	3.7% 16.9%	5.9% 20.7%	✓
	Increasingly Different	The % increased sales of Australian pork in ham and bacon in the planned Adelaide Trial	10%	Unknown	○
Building Markets	Domestic Market Development	Farm Gate MAT Pig Price/kg (Hot Standard Carcass Weight)	\$3.62	\$3.65	✓
	International Market Development	International Pork Sales Value	\$168m	\$155m	✗
Driving Value Chain Integrity	Trust in Pork Provenance	An agreed commercialisation model agreed and implemented	Yes	Yes	✓
	Pork Quality Assured	% of sows certified under APIQ	91%	89%	✗
	Food Safety R&D	Number of export processors using standardised carcass condition reporting	3	2	✗
Leading Sustainability	Addressing Societal Needs	% of pig movements reported and closed within 48 hours	90%	87%	✗
	Healthy Herds & Farms	Australia remains free of African swine fever	Yes	Yes	✓
	Continuous Productivity & Growth	% increase in kg sold/sow/year	3%	1.1%	✗
Improving Capability	Applied Learnings	Technology adoption of APL-invested technologies adopted after two years of project completion	70%	Unknown	○
	Building Industry Reputation	% of on-farm staff with a Certificate 3	70%	Unknown	○
	Operational Effectiveness	Number of APL producer members	300	206	✗



STRATEGIC OBJECTIVE **1**

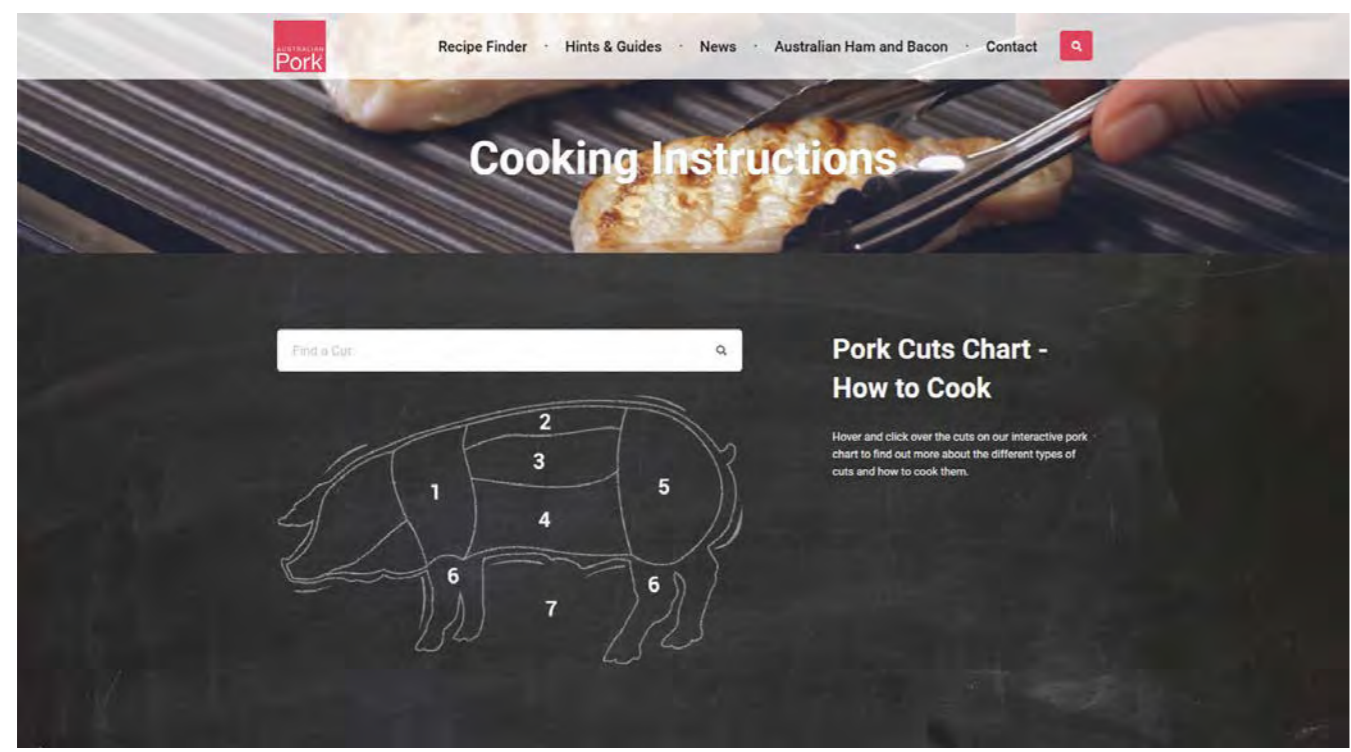
Growing Consumer Appeal

The purpose of this program is: *Making Australian Pork uniquely valuable to consumers and increasingly part of their eating pleasure.*

The 2019-20 financial year saw a planned decrease in APL advertising as production volume was budgeted to decline by almost 9 per cent. This enabled the budgeting of a Country of Origin Labelling (CoOL) advertising trial. In consultation with producers however, it became evident that

production was likely to start to grow. This realisation occurred at the same time as the COVID-19 pandemic began to impact the lives of Australians in March 2020. The marketing team quickly revised its programs to focus on eat-at-home messaging, given the shut-down

of food service. The team leveraged relationships to provide how-to-cook tips for people who had bought pork but potentially did not know how to cook it. The consumer website and social media were flooded with tips, tricks and educational videos and recipes to help Australians to cook any cut by a variety of cooking methods.



The APL foodservice team switched activity to support hospitality workers by providing thousands of free meals, particularly in the early period before Job Keeper support was available. The team also leveraged relationships to provide how-to-cook tips for people who had bought pork but potentially did not know how to cook it.

In addition to producers suggesting production might grow, there is clear historical evidence that recessions are opportunities for brave advertisers to grow business more rapidly. This is because most advertisers in a crisis reduce their advertising.

These two factors encouraged APL to choose to increase investment in marketing. This was in part to help Australians understand how to enjoy pork they had 'panic bought' and in part to invest in the future prosperity of producers, based on historical facts.

In the table of KPIs below, a green tick signifies achievement, a red cross signifies we did not achieve the goal (however close) and an orange circle signifies where that measure was either deprioritised or confounded by COVID-19.

	APL Key Performance Indicators	Measure	Target	Performance	Achieved or not
Growing Consumer Appeal	Better Pork	Percentage agreement with			
		• "pork is low in fat" and "pork is a valuable source of iron"	15%	12%	○
		• Easy to cook	44%	50%	✓
		• Pork is versatile	50%	48%	✗
	Pork Made More Popular	% of Australians recalling pork advertising	68%	80%	✓
	Increasingly Different	The % of Australians aware of the main message in the planned Adelaide Trial	40%	41%	✓

Better Pork

The Better Pork metric under and over performances were part driven by our 'stretching but achievable' approach to target setting, and in part to the requirement to change plans for COVID-19.

The nutrition advertisement that was planned to run is set in a doctor's surgery, and it was deemed that in the circumstances, running the advertisement would have been inappropriate.

In addition to the marketing program changes, this program benefitted from some focussed teamwork in Research & Development adoption.

The collaboration included APL and 86 per cent of export accredited abattoirs, and resulted in the teams running trials in 2020-21 to improve the quality of pork through the processors. APL research has demonstrated that product experience is approximately six times more powerful than television advertising at creating consumer preference.

Pork made more popular

Australians are less familiar with pork, and they buy it less frequently than beef or chicken. This makes pork less front-of-mind for consumers. The first challenge for any product is for consumers to be aware that the product exists.

Medium term shift in consumer perceptions of pork since June 2019

The following list highlights associations in consumer opinions that have strengthened (at the top of the list, in blue), and ones that have become weaker (red) over the last 12 months.

The top five drivers of meat preference are value for money, everyday use, appeal to kids, versatility and easy to cook.

Australian pork is increasingly attractive in all of these except the "kids love it" category.

Increased investment toward the end of this period has helped increase advertising recall to the highest level it has ever been. The associations that are building with pork are ones that drive preference. These are also translating into increased frequency of purchases of Australian pork in retail, demonstrating that pork continues to become more popular.

Used in everyday meals
Is versatile
Quick to cook
My family loves it
Easy to cook
Should serve 2-3 times per week
Tastes great
A good source of iron
Tend to choose in restaurant/cafe
Australian grown and produced
I really like the flavour
Kids love it
Healthy / good for you
Good for steaks
Good value for money
Is usually tender
High in protein
Australia sets higher standards
Is usually great quality
Good for entertaining
Low in fat
Fresh
Expensive

Increasingly different

Australian pork competes domestically with imported meat, which is subsidised both in Europe and North America. Australian consumers are not aware of imported pork products and it is certainly not front-of-mind when shopping. The introduction of country of origin labelling laws in July 2018, and the absence of an education

campaign about the new labelling laws presented an opportunity for APL to trial an initiative to educate consumers.

A trial was planned to run from early February until the end of June 2020. Unfortunately, COVID-19 caused distorted shopper behaviour and the

trial was suspended in April 2020. However, phase one of the trial was highly successful in educating consumers, communicating clearly and achieving the awareness goal. This campaign is set to resume, ideally in collaboration with supply chains and government, when times are more certain.



STRATEGIC OBJECTIVE 2

Building markets

The purpose of this program is: *Using insights to develop markets that offer attractive demand for our products, our producers and our value chain collaborators.*

Again, this program reassigned activities and timings to respond to the unique environment from March 2020, although the disruptions while they impacted did not confound any of the targeted outcomes.

	APL Key Performance Indicators	Measure	Target	Performance	Achieved or not
Building Markets	Market Insights	Number of significant learnings identified	4	5	✓
	Domestic Market Development	kg fresh pork consumption per Australian per year (carcase weight)	10.5	10.5	✓
	International Market Development	Additional tonnes sold international at \$4.40/kg HSCW or more	5000	5481	✓

Market insights

The Market Insights program has several roles in monitoring markets to provide useful pig market data – including the latest prices, supply and demand factors and history. It provides outlooks on possible future events and the program also guides all APL marketing activity, as market orientation drives marketing strategy.

The final area in which this program operates is providing trends and in-depth perspectives on how consumers perceive the industry, which is beneficial in influencing all other APL initiatives. For example, the team track trends in consumer perceptions of social licence, it reconciles production with levies collected and contributes to Australian Bureau of Statistics (ABS) and Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) activities.

This year, the new insights includes the following (“significant” defined as 10 per cent improvement in efficiency or a value to industry above \$5 million in producer earnings).

Outcomes included:

1. A snapshot of the share of Australian and imported ham and bacon volume, by brand in retail sales.
2. The sensory evaluation of hams found that whilst the quality ratings were generally high, there is no discernible difference between Australian and imported hams. Quality appears to be driven by the processing method.
3. Only 4 per cent of the general population is truly informed with high front-of-mind awareness of ASF despite successful industry communication efforts (to June 2020, a potential audience of 84.7 million had been reached nominally valued at \$18.8 million). While some concern does exist around safety of the meat, once informed of details around consumption, these concerns are alleviated. If ASF was to reach Australia, it is crucial that credible sources support the ‘safe-to-eat’ message and communicate this widely to consumers.
4. Shopper mindsets align closely with the APL consumer segment mindsets including the journey pre-store, in-store, post-store with pork alongside competitor proteins. The congruence of messaging is therefore likely to have a multiplier effect.
5. Guaranteed Easies (as a segment) have been identified as the biggest volume opportunity on segment size and conversion to purchase. This will drive our consumer communication approach for 2020-21.

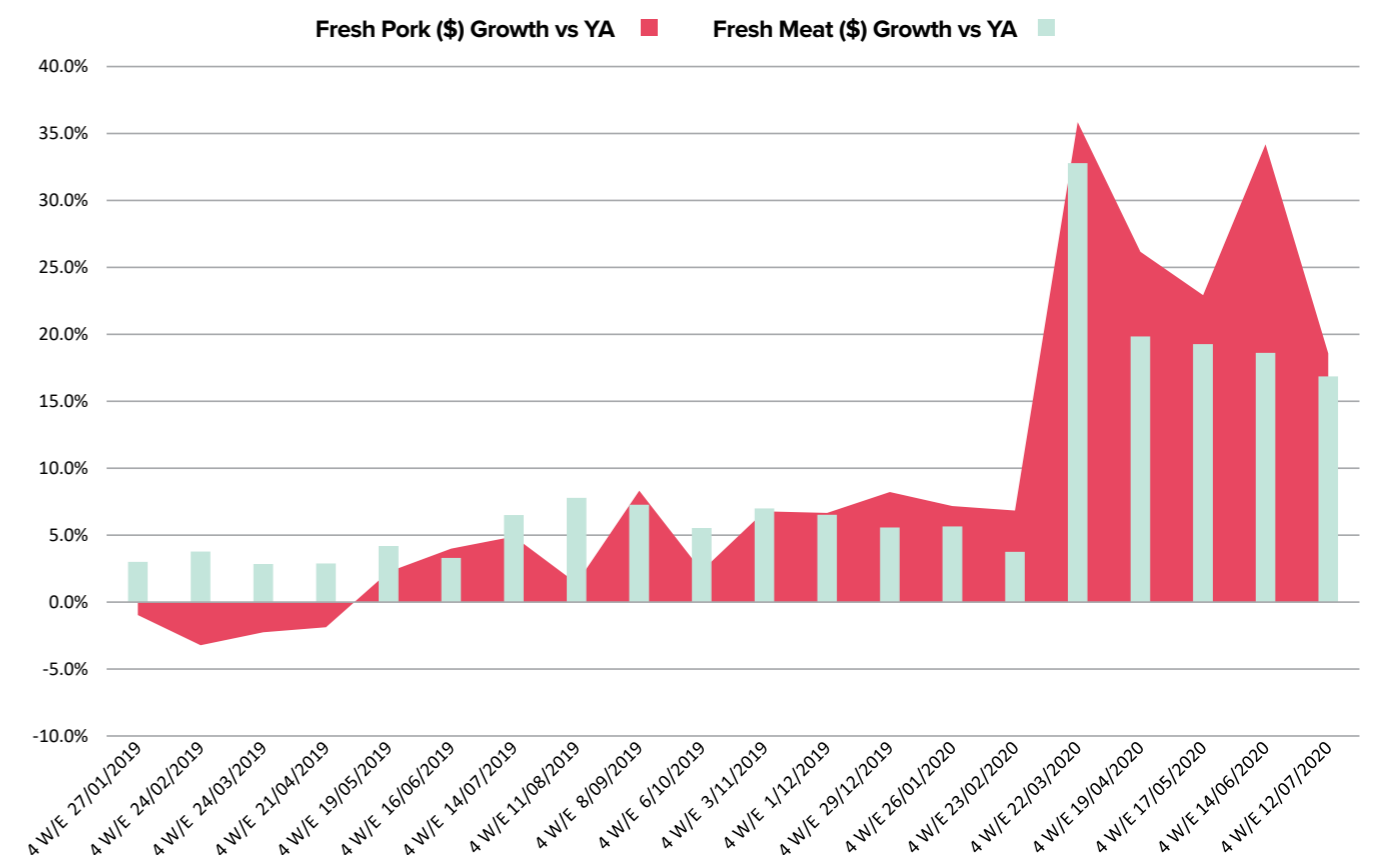
Domestic market development

This program is focused on converting desire for Australian pork into sales. This involves collaborating with supermarket and eating-out chains, individual butchers, and independent supermarket owners, as well as individual restaurants and chefs.

Despite the adjustments that were required in response to COVID-19, for the most part relationships have been maintained, generally with less frequent contact.

In foodservice and retail, this has been driven by the sales channels needing to re-prioritise in response to the pandemic. Sales overall, however, have built in a pleasing way since production volumes started to increase in February 2020 compared to the same period the year before.

VALUE GROWTH FRESH PORK VS FRESH MEAT



International market development

The international program made significant progress through to March this year. Research on target countries was conducted in agreement with major exporters. The research was debriefed, analysed and conclusions drawn in workshops with the exporters. Four final priorities were agreed and in February, 2020 a Canadian expert was flown in to demonstrate a best-practice method of benchmarking Australian export quality against those of other countries.

From March 2020, international efforts have focussed on keeping exports flowing. There has been strong collaboration between supply chains, APL and governments that has achieved some export growth. To a large extent, the international business growth is driven more by the global shortage of meat, particularly pork, than it is by APL activity.

STRATEGIC OBJECTIVE **3**

Driving Value Chain Integrity

The purpose of this program is to have: *Secured confidence in Australian pork products in terms of their source, the compliance with expected standards and aligning on-farm practices with consumer expectations.*

As in all areas of business, adjustments have needed to be made due to COVID-19. For example, some APIQ[®] audits have needed to be conducted virtually. However, for the most part, goals have been achieved.

	APL Key Performance Indicators	Measure	Target	Performance	Achieved or not
Driving Value Chain Integrity	Trust in Pork Provenance	• Physi-trace collaborators coverage of production	90%	61%	✗
		• Tracebacks cost (\$)	5-7,000	6,600	✓
		• Tracebacks are accurate	100%	100%	✓
• Results delivery timing (days)		7	5	✓	
	Pork Quality Assured	Number of non-conformances and observations in APIQ [®] system audit	1 ≤5	1 7	✓ ✗
	Pork Quality Assured	Number of supply chains implementing eating quality model	5	6	✓



Trust in pork provenance

Trust in food safety is, for most consumers in most countries, a primary requirement. In Australia, we enjoy effective traceability and food safety systems which means most consumers are not consciously thinking about food safety and provenance. Australians expect whatever appears in their supermarket or on the menu to be safe to eat. Our responsibility is to ensure their confidence is well placed. By doing so, we create a valuable story for overseas consumers.

There has been significant progress on two fronts in pork traceability. Firstly, a review of the Physi-trace technology has enabled us to bring the majority of sample analysis in-house. This leverages and adopts research in the previous two years, which has created tools to analyse samples automatically, significantly reducing the need for expert human intervention.

Secondly, we are in the advanced stages of testing a mobile-phone app which enables electronic administration of pig movements. This significantly improves timeliness and accuracy of reporting. This, combined with better integration with state authorities on movement reporting, has helped ensure we will continue to secure the confidence that Australians put in their farmers.

Pork quality assured

APIQ[®] is Australian pork producers' independently audited, industry managed, voluntary quality assurance program. APIQ[®] verifies producer compliance with management, food safety, animal welfare, biosecurity, traceability, environment, and transport standards. This program provides confidence to consumers, regulators, markets, and the Australian public that our pig production standards are of a high level.

A major review was conducted in the 2019-20 year and the outcomes of that will be shared with industry and the standards updated

accordingly. This review will also need to be aligned with progress in industry and government progress on contingency planning for ASF. The outcome of the major review identifies possible improvements, but also confirms this program is globally competitive.

In addition, this program overlaps with Better Pork, targeting improved consumer eating experiences. This has been reported on in Strategic Objective 1.

Fairness in risk and reward

PorkScan Pty Ltd reported in June 2020 that PorkScan Plus, an in-abattoir, line carcass measurement system appears to accurately predict the measurements that enable the valuation of carcasses. This is a significant step forward and the validation and commercialisation planning are due to occur in the coming months.

STRATEGIC OBJECTIVE **4**

Leading Sustainability

The purpose of this strategic objective is: *To ensure our industry is remaining in-step with society by reflecting community values in our ethics, our healthy herds and operating our industry responsibly and profitably.*

Australian consumers are increasingly aware that sustainability is a complex trade-off of a number of factors. In fact, almost seven out of ten Australians believe this.

Consumers perceive that the Australian pork industry has made positive progress on all of these factors since measurement began in 2014.

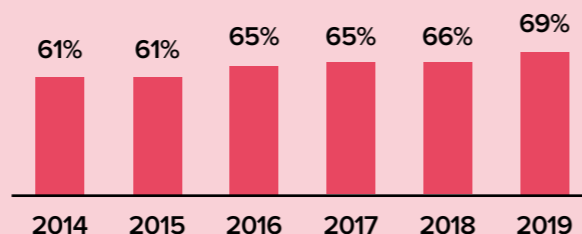
Much of our R&D program, including collaborating with other Rural Development Corporations, research organisations and universities, occurs under this strategic objective.

COVID-19 travel restrictions meant APL's Research & Innovation team postponed or cancelled a number of projects. In much the same way as the marketing team responded to COVID-19, delayed R&I funds were reallocated to more transformative approaches and to priorities from the new strategic plan. These include innovative ways to add value to lower value parts of a carcass, understanding the neuroscience of eating pleasure, as well as filling some research gaps in Australia's ASF preparedness plan.

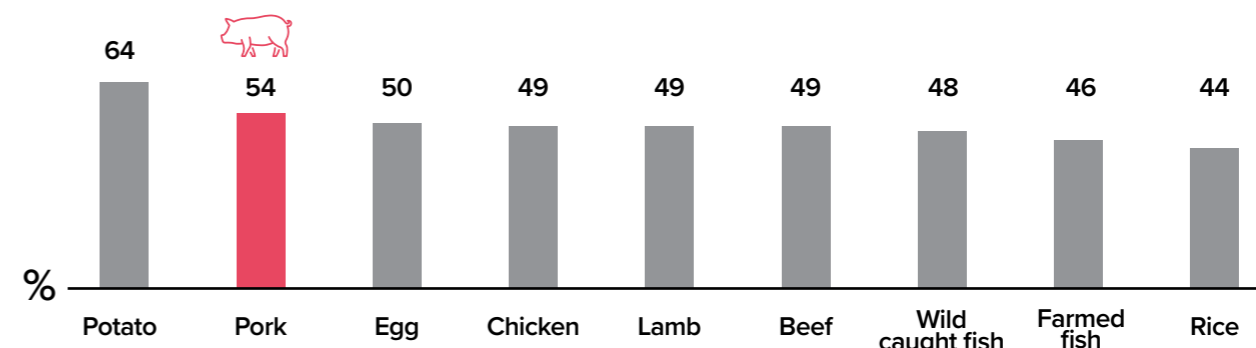
	APL Key Performance Indicators	Measure	Target	Performance	Achieved or not
Leading Sustainability	Addressing Societal Needs	% of industry sows housed under APIQ [✓] GSF definition	80%	78.4%	✗
	Healthy Herds and Farms	An ASF preparedness plan is developed	Yes	Yes	✓
	Healthy Herds and Farms	% of producers who have a farm Herd Health Plan	40%	42%	✓
	Continuous Productivity Growth	% reduction in pre-weaning mortality	3%	Unknown	○

"Sustainability in food is a balance of being affordable, great tasting, nutritious, safe, profitable for farmers, environmentally responsible and welfare friendly."

69% of surveyed Australians agree or strongly agree



Environmentally responsible (%) - September 2019



54% of surveyed Australians consider the pork industry environmentally responsible, more than other livestock industries

Addressing societal needs

This program creates the underpinning science and policy positions that enable APL to communicate to Australians how our industry is a responsible part of society. Projects in this program encompass primarily positive contributions to both environmental sustainability and animal welfare.

The Australian pork industry's leadership position in the voluntary removal of gestation stalls was planned to be incorporated into a Standards and Guidelines regulatory review. A number of factors, including COVID-19, caused this to be delayed until the 2020-21 year.

This year, as part of the RD&E evaluation program, independent experts were contracted to examine the economic, environmental, and social benefits of APL's investment in the Environment RD&E Program. Their findings were that on average, the 21 projects evaluated created benefits to a value of 4.6 times the \$5 million invested. Even when all of the assumptions of benefit were halved, the program still had a positive return to producers and to Australia.

This progress is also reflected in consumer perceptions where the Australian pork industry has a leading reputation among livestock industries in the minds of Australians.

Healthy herds and farms

The health status of the Australian pig herd is the envy of many countries. Our biosecurity, laws, practices and expertise mean that Australia has focussed primarily on prevention of outbreaks of exotic diseases, rather than become highly practised at managing outbreaks.

The global spread of ASF prompted Australia's Chief Veterinary Officer, Dr Mark Shipp, to initiate unprecedented government and industry collaboration in preparing for an ASF outbreak. With the support and oversight of Animal Health Australia, a number of taskforce groups were established to ensure Australia's ASF preparedness reflects the significant risk the disease poses.

These discussions seek to update the AUSVETPLAN manuals and EADRA protocols. COVID-19 saw the dissolution of some of these taskforces before their outputs were complete. Nonetheless, the collaborators are continuing to make progress towards these goals.

In addition, the Federal Department of Agriculture, Water and the Environment has funded ASF Industry Liaison resources, being overseen by APL, to ensure government and producers together are increasingly prepared.

Continuous productivity growth

The Australian pig herd is classified as a closed genetic herd. APL continues to invest in programs that underpin continuous productivity growth including reproductive performance, progeny viability, husbandry, vaccine management and cost-effective technologies.

A 2018 review of APL's R&O program identified an opportunity to become more focussed on fewer research areas and to broaden the R&D program's appetite for risk. This caused some delays as the priorities in which to invest needed to be defined by the APL 2020-25 strategy.

Nevertheless, productivity per sow did continue to increase, by 1.1 per cent in the 2019-20 year.

STRATEGIC OBJECTIVE 5

Improving Capability

The 2019-20 operational year saw continued focus on encouraging industry adoption of available technologies. The increasing availability of apps via smart phones and tablets, together with an incremental improvement in connectivity, supported the increased use of these technologies to improve engagement with our stakeholders.

Achieving efficiencies using technology and adopting technology solutions as a business-as-usual tool throughout the entire pork supply chain continues to be an APL priority. Improved connectivity and availability of relevant online tools support the industry's capacity to compete on cost and to leverage production and market opportunities.

APL continually strives for business efficiencies which deliver value for the industry from the levies paid by pork producers and R&D matching funds from the Australian Government.

As the Monitoring and Evaluation Survey was delayed in 2019-20, APL will use the opportunity to further explore and develop methods of measuring adoption and awareness.

	APL Key Performance Indicators	Measure	Target	Performance	Achieved or not
Improving Capability	Applied Learnings	Technology adoption of APL-invested technologies adopted after two years of project completion	70%	Unknown	○
	Building Industry Reputation	% of on-farm staff with a Certificate III	70%	Unknown	○
	Operational Effectiveness	Number of APL producer members	300	206	✘

Applied learnings

This program sought to take the technology and research developed by APL and transform it into effective on-farm practice change to improve productivity, strengthen our industry's social licence and improve our biosecurity.

The primary obstacles to this program were adequate measurement techniques for technology adoption and awareness, and limited control over or ability to influence uptake of industry Certificate III training.

Building industry image and reputation

This program examined APL's reputation within the industry, principally Australian pork producers paying the statutory pig slaughter levy, including both APL members and non members.

Based on a survey of our producer members, there was increased satisfaction with APL's membership services over previous years.

Operational effectiveness

APL welcomed several major operational changes in the 2019-20 reporting period, including a new CEO, a new Strategic Plan and the negotiation of a renewed Commonwealth Funding Agreement.

Through these changes, APL engaged a wide range of stakeholders in identifying a new vision for both APL and the Australian pork industry. The subsequent development of the new Strategic Plan created an opportunity to realign the skills and experience within APL to deliver the desired industry outcomes in the plan.



Annual highlight

2020-25 APL STRATEGY DEVELOPMENT MOVING TO “YES WE CAN”

APL also needed to take a look at its operations with new eyes and keep what was working and open up to new ideas on areas that could be improved.

In order to make this change, the development of the new five-year strategy took a different approach. The approach included three groups of industry stakeholders:

- An innovators group – this group included representatives of consumers, producers, processors, retailers, the research community, regulators, and APL staff. The role of this group was to map the industry value chain and identify nodes (where important issues and opportunities intersect) of high influence on industry outcomes. Having identified these high influence nodes, the Innovators then developed different future scenarios which were used as stimulus for novel solutions in the producer and other stakeholder consultations.
- A leaders group – this was made up of industry business leaders. These people moderated and sense-checked the “industry map” and scenarios to ensure they were both stretching and yet, still connected enough to our industry’s current reality.
- A producer and other stakeholder creative consultation. These sessions around the country sought to ask people how they thought industry could and should respond to the various hypothetical scenarios of the future. To say the response from producers was mixed would be an understatement; some enjoyed them as much as a dental root-canal, others appreciated that if we wanted a bolder strategy, we had to entertain more radical thoughts.



By November 2019, the feedback from consultation was complete and in December, the APL Board and management convened to interpret, codify, and focus the broad array of industry feedback.







The main criterion for the strategy was “bold simplicity”. By that we mean that if you can’t articulate your purpose, values, goals and activities concisely, the strategy is not yet finished.

There was broad approval of the strategy at the APL Delegates virtual conference in May. Together with endorsement from the Department of Agriculture, Water and the Environment APL progressed to develop the 2020-2021 Annual Operating Plan as year one of the strategy.

The strategy covers the usual revenue, costs and risk management,

but also focusses on progressive opportunities, particularly increasing the diversity of markets we serve and harnessing technologies that offer potential step-change opportunities.

The document represents the clear and agreed roadmap towards a brighter and safer future for the Australian pork industry.

 <p>Audacious vision and goal Australia's preferred choice protein; sustainably adding \$1 billion to farm gate value by 2025</p>	 <p>our purpose is to enable a thriving pork industry</p>
 <p>Culture • Human approach to producer relations • Proactive by nature, reactive by exception • Whole of APL thinking</p>	 <p>our headline we are the progressive pork organisation</p>
 <p>Values • Results Driven • Team Players • Challengers • Future Focussed</p>	 <p>what we do • Effective Marketing • Proactive Policy • Impactful Research</p>

Directors' Report

The APL directors present their report for the year ended 30 June 2020.

Outlined below are the names and details of the company's Directors in office during the financial year and until the date of this report. Directors were in office for this entire period unless otherwise stated.



Ms Edwina Beveridge

B.COMM, FORMER CA, GAICD

Ms Beveridge commenced her career as an accountant but her agricultural background drew her back to the agricultural industry. Ms Beveridge is a Director of Blantyre Farms Pty Limited which carries on a mixed farming enterprise including a 2,200 sow farrow to finish farm at Young in NSW.

Ms Beveridge has a particular interest in emerging, innovative and disruptive technology and business methods. The Blantyre farming operations include a methane digestion system; power generation and recycling of food waste products for pig feed.

In addition to strategic and operational responsibilities for Blantyre Farms, Ms Beveridge is also involved in the industry as Deputy Chair NSW Farmers Pork Committee and as an APL delegate. Consistent with her interest in renewable energy, Ms Beveridge is a Director of Hydro Power Pty Ltd.

In her role on the APL Board, Ms Beveridge is a member of the Audit, Risk and Corporate Governance, Investment and People and Culture Committees.



Mr Rod Hamann

Mr Hamann is Executive GM of Sunpork Farms. He retains Directorships for Big River Pork Abattoir and PorkScan Pty Ltd. Mr Hamann is also a committee member of Pork SA and a member of their Pig Industry Fund Sub-Committee, charged with recommending funding for SA based research projects.

Prior to his current roles in Australia, Mr Hamann spent 17 years in the pork industries of the USA and Britain where he held various Technical, Marketing and Production Operations roles including Executive VP Heartland Pork Enterprises, VP Production Murphy Farms, and PIC USA National Sales Manager, plus UK Technical Manager. He brings broad experience and knowledge across the whole pork supply chain from genetics through production into abattoir operations and customer needs.

In his role on the APL Board, Mr Hamann is a member of the Industry Integrity Committee and the Market Development Committee.



**Mr Andrew Johnson
*retired in November 2019***

Mr Johnson is currently co-owner/manager of Mt Boothby Pastoral Company, a family mixed farming operation comprising a 1,000 sow farrow to finish operation, along with beef, lamb, wool, seed and mixed cropping in the southeast regions of South Australia. Mr Johnson, a 2005 Nuffield Scholar, is also a Director of Nuffield Australia.

Mr Johnson is an APL Delegate who enjoys the challenges confronting family farming businesses. He is also chair of Pork SA. In his role on the APL Board, Mr Johnson chaired the APL Board Quality Assurance and Animal Welfare Committee and the NLIS Pigs Advisory Committee.



Dr Brian Luxford

Dr Luxford has been employed at Rivalea, the largest Australian pork producer, since 1988 and currently manages the company's Research and Innovation, Demand Planning, Logistics and Quality Assurance. The position covers technical support, research, and management across all sectors of the supply chain: feed milling, pig production, pig processing and new product development. Dr Luxford has served as an APL Delegate and on a number of APL research committees. He was a member of both the Pork Cooperative Research Centre steering committees and was Program Manager for Program 2 in the CRC.

Prior to the formation of APL, Dr Luxford was a director of the Pig Research and Development Corporation and for ten years was a director of PrimeGrow, a biotech company based in Adelaide. In his role on the APL Board, Dr Luxford is chair of the APL Investment committee, and is a member of the Board's People and Culture Committee.



Mr Mark McLean *elected November 2019*

Mr McLean is currently Managing Director/ Co-owner of Riverhaven Enterprises & Top Multiplier Pty Ltd, family agricultural companies operating 2,000 sows on two independent 1,000 sow pig farms. The Riverhaven properties include irrigated horticultural crops and both farms are located in South Australia. Mr McLean has established structures and systems including reporting and management oversight to assist in the daily operations of these farm businesses.

Mr McLean has extensive experience in agribusiness, holding many roles over the past 20 years within agribusiness groups in the pork sector as well as other industry sectors. He holds an Associate Diploma in Applied Science (Farm Management) from the Adelaide University, SA.

Mr McLean remains actively involved in the pork industry and has represented other Australian pork producers as an APL delegate since 2010.

Mr McLean has skills in agribusiness development, commodity marketing, sustainable farming and irrigation management. Consistent with his interests, he has initiated water saving irrigation infrastructure in the Riverhaven Enterprise operation and improved sow productivity on both farms through improved farm management, genetics and staff training. Mr McLean also operates a feed-mill established to supply pig feed for all farms he manages, grows olives for extra virgin olive oil production and citrus for fresh fruit production and provides composting of all animal manures on site for own use and by external customers.

In his role on the APL Board, he is a member of the Audit, Risk and Corporate Governance Committee and the Industry Integrity Committee.



Mr David Plant

Mr Plant is General Manager of Monogastric production and a member of the Executive Board for Milne AgriGroup. He is responsible for budgeting, profitability and strategic development of the pig and chicken businesses and works closely with the marketing team of branding and new product development. The meat division is integrated with production, slaughter and further processing capabilities all contributing to a range of branded fresh and further processed retail ready products.

With over 35 years' experience in Australian and European pig and poultry industries; he has gained a wealth of experience in staff management, commercial management and business development. In addition, his experience through value chain analysis work with major retailers including Tesco in the UK, Mr Plant has a good knowledge of supply chain management.

Mr Plant has been an APL elected director for nine years and Delegate for eleven years and with his passion for the pig industry and knowledge of high welfare production systems he was elected Chair of the APL Industry Integrity Committee. In his role on the APL Board, Mr Plant is also member of the Marketing Development Committee.



Mr Andrew Baxter

B.BUS (MKTG), FAMI CPM, FAICD

Mr Baxter is the Chair of Tjapukai, Chair of Comtract, as well as a Senior Advisor at KMPG, a Senior Advisor at BGH Capital and the Adjunct Professor of Marketing at the University of Sydney. Prior to this he successfully led major professional services firms for over a decade, as the CEO of two of the country's largest communications agencies, Publicis, and Ogilvy, where he was a trusted counsel to many of Australia's most iconic brands, as well as State and Federal Governments.

Mr Baxter is also a Non-Executive Director of the Sydney Symphony Orchestra and on the Board of the NBL. Furthermore, Mr Baxter has had previous Board roles at the Lord Mayor's Charitable Foundation (Chair), Deakin Business School (Chair), Catch Group, The Song Room (Chair), Melbourne Aces (Chair), CC Media (a HT&E company) and the Communications Council.

Andrew regularly writes in The Australian about the future of marketing, in a world where both consumers and technology are ever-evolving. He has been named as one of LinkedIn's Top 40 Australian influencers, recognised by Campaign magazine as one of the Top 5 Agency Leaders in Australia and New Zealand, and the winner of Australian Marketing Institute's Sir Charles McGrath Award for his significant contribution to the field of marketing.

In his role on the APL Board, Mr Baxter is the Board Chair and a member of the Market Development Committee and the People and Culture Committee.



Dr Gerard Davis *appointed December 2019*

BSC, PH.D, MBA, GAICD

Dr Gerard Davis is an executive with extensive experience in agribusiness, biotech and agtech and has a demonstrated ability to derive value from commercialising technology in companies ranging from start-ups to multi-national global leaders. Dr Davis has experience consulting to a range of organisations from agtech start-ups such as Mastaplex, research consortiums such as the CRC for Food Agility as well as major agribusinesses and organisations such as the Bill and Melinda Gates Foundation. These appointments have included developing strategic, organisational and technology commercialisation plans. The work has involved projects across Australia, New Zealand, Africa and South Asia.

Most recently he was General Manager of Innovation and Strategic Development at Australian Agricultural Company. Prior to that he held senior roles with ThermoFisher Scientific and Pfizer's Animal Health Division, now Zoetis. In these roles he has been instrumental in enabling commercial success from the development and implementation of technology in the livestock and agri-food industries. Dr Davis spent 11 years as a researcher with Australia's leading research agency, CSIRO.

He has a Bachelor of Science, a Ph.D and an MBA and is a graduate member of the Australian Institute of Company Directors.



Mr David Lock *retired in September 2019*

Mr Lock has extensive experience in the Australian pork industry, having been the Chief Executive of the Craig Mostyn Group (owner of Linley Valley Pork) for 12 years. Prior to that he held the roles of COO and CFO at the Craig Mostyn Group. In 2016 and 2017, Mr Lock was Managing Director and CEO of Mareterram Limited, an agribusiness company listed on the ASX.

Mr Lock is Chair of Sea Harvest Australia Pty Ltd (formerly Mareterram Limited), Deputy Chair of Water Corporation, Chair of Odeum Produce Pty Ltd, a member of the Curtin Business School Advisory Council, member of Board of Trustees of Marine Stewardship Council, Director of CBH Group and Chair of Audit and Risk for CBH. He is also Chair of the Audit & Risk Committee of Water Corporation.

He has previously been Chair of the West Australian Food Industry Association. In 2012 Mr Lock was awarded the National Australia Bank Agribusiness Leader of the Year, and in 2013 he was recognised as an Australian Export Hero by the Export Council of Australia. Mr Lock is a Chartered Accountant with a background in insolvency and is a Fellow of the Australian Institute of Company Directors. During his tenure as an APL Board Member he was Chair of the APL Board, and a member of the People and Culture Committee.



Mrs Kathy Grigg
retired in November 2019

B. EC. FCPA, FAICD

Mrs Grigg has a background in finance and operational management. She is currently the Chair of PorkScan Pty Ltd, a Director of Suncorp Portfolio Services Ltd, Chair of the Audit and Risk Committee of the Department of Treasury and Finance Victoria, a Director of Navy Health Ltd and a Deputy Chancellor of Deakin University.

Previously she has held positions as Chair of CoINVEST Ltd, Deputy Chair of the Grape and Wine Research and Development Corporation, Director and Chair of the Audit Committee of Southern Health, and Chair of the Audit and Compliance Committee for Berren Asset Management Ltd. Mrs Grigg was formerly Finance Director of the Woolmark Company/Australian Wool Research and Promotion Corporation. She is a fellow of CPA Australia and the Australian Institute of Company Directors.

In her role on the APL Board, Mrs Grigg is Chair of the Audit, Risk and Corporate Governance Committee and is Chair of the People and Culture Committee and is a member of the Research and Development Committee.

Company secretary

Damien Howse (B.Bus, CA, GAICD) is the Executive General Manager, Corporate Services and Company Secretary. Mr Howse joined APL in March 2016 and was appointed Company Secretary in June 2016.



Ms Gail Owen
appointed December 2019

OAM, FAICD

Ms Owen is an experienced chairperson and board member, a Fellow of the Australian Institute of Company Directors, and an Order of Australia medal recipient.

Ms Owen is a partner with HWL Ebsworth Lawyers, where her principal areas of practice are corporate advice, commercial contracts and resources and energy law.

Ms Owen is also Chair of the Victorian Fisheries Authority and Independent Chair of the Victorian Institute of Teaching's Audit, Risk Management and Finance Committee.

In her role on the APL Board, Ms Owen is Chair of the Audit, Risk and Corporate Governance and a member of the Industry Integrity Committee.



Mr Geoff Starr

G.A. HONS, BUSINESS STUDIES, GAICD

Mr Starr has over 36 years' experience in the food industry, 15 at CEO level. Most recently, Mr Starr was Chief Executive of George Weston Foods. He is also a past Chair and Board member of the Australian Food and Grocery Council and has broad experience building consumer markets in Australia, Asia and Europe through senior positions held with Mars Inc and Unilever Australia.

Geoff was an industry advocate to the Australian Government for the food and beverage industry and is a Director of Food Innovation Ltd., the Agribusiness and Food Growth Centre, a Director of Birch and Waite, a Director of the Food Waste CRC and is Chair of Cannpal.

In his role on the APL Board, Mr Starr is a member of the Market Development Committee and also the People and Culture Committee.



Financial Report 2019-2020



Meetings of Directors

Below is the number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each Director were:

	Full Board		Audit, Risk and Corporate Governance Committee		Human Resource and Remuneration Committee	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
Andrew Johnson	3	3	-	-	-	-
Mark McLean	4	4	-	-	-	-
Brian Luxford	7	7	4	4	3	3
David Plant	5	7	-	-	-	-
Rod Hamann	6	7	-	-	-	-
Edwina Beveridge	7	7	3	4	1	1
Andrew Baxter	7	7	-	-	2	2
Kathy Grigg	3	3	2	2	2	2
Geoff Starr	7	7	-	-	1	1
David Lock	2	2	-	-	1	1
Gail Owen	4	4	2	2	-	-
Gerard Davis	4	4	-	-	-	-

	Industry Integrity Committee		Research and Development Committee		Market Development Committee	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
Andrew Johnson	1	1	-	-	-	-
Mark McLean	1	1	-	-	-	-
Brian Luxford	-	-	2	2	-	-
David Plant	2	2	2	2	-	-
Rod Hamann	2	2	2	2	2	2
Edwina Beveridge	-	-	-	-	-	-
Andrew Baxter	1	1	1	2	2	2
Kathy Grigg	-	-	2	2	-	-
Geoff Starr	-	-	2	2	2	2
Gail Owen	1	1	-	-	-	-
Gerard Davis	-	-	-	-	-	-

Eligible to Attend: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

* The Quality Assurance & Animal Welfare Committee is now called Industry Integrity Committee

Short and long-term objectives

APL is a unique rural industry service body for the Australian pork industry – a single, producer-owned company delivering integrated services that enhance the viability of producers. The framework for the Company was established under the Pig Industry Act 2001. Operating and reporting guidelines are provided for in the Funding Agreement with the Commonwealth of Australia and the Company's constitution.

The Company's primary funding is derived from statutory pig slaughter levies collected under the Primary Industry (Excise) Levies Act 1999. The levy amounts to \$3.425 per carcase at slaughter, of which the Company receives \$3.25, consisting of \$2.25 for marketing and policy activities and \$1.00 for research and development activities. The remaining \$0.175 is for the Pig Monitoring Residue Program, which is received and managed by the National Residue Survey ('NRS'). Additional research-specific funds are also received from the Australian Government under the portfolio of the Federal Minister for Agriculture and Water Resources.

The levy allows the Company to provide valuable industry services and benefits including enhancing opportunities for the sustainable growth of the Australian pork industry by delivering integrated marketing, innovation and policy services through the pork industry supply chain.

The Company works closely with key industry and government stakeholders and pursues opportunities for the industry at both the domestic and international level. In order to achieve these objectives, APL operates in an efficient and effective manner, with highly motivated and professional staff delivering key services.

Strategies for achieving the objectives

The 2015–2020 Strategic Plan took effect from 1 July 2014 and will be reported against in this 2019-2020 Annual Report.

This is the last Annual Report in which the 2015-2020 Strategic Plan will be reported against.

There are five strategic objectives making up the 2015–2020 Strategic Plan:

- 1. Growing Consumer Appeal;**
- 2. Building Markets;**
- 3. Driving Value Chain integrity;**
- 4. Leading Sustainability; and**
- 5. Improving Capability.**

The five strategic objectives govern specific programs for APL in order to deliver against the targeted outcome statements. The outcome statements and specific programs sought for each strategic objective are shown below.

Strategic Objective 1 – Growing Consumer Appeal

“Making Australian pork more uniquely valuable to consumers and increasingly a part of their eating pleasure.”

- Program 1: Better Pork
- Program 2: Pork Made More Popular
- Program 3: Increasingly Different.

Strategic Objective 2 – Building Markets

“Using insights to develop markets that offer attractive demand for our products, our producers and our value chain collaborators.”

- Program 1: Market Insights
- Program 2: Domestic Market Development
- Program 3: International Market Development.

Strategic Objective 3 – Driving Value Chain Integrity

“Secured confidence in Australian pork products in their source, the compliance with expected standards and aligning on- farm practices with consumer expectations.”

- Program 1: Trust in Pork Provenance
- Program 2: Pork Quality Assured
- Program 3: Fairness in Risk and Reward.

Strategic Objective 4 – Leading Sustainability

“Remaining in step with society by reflecting community values in our ethics, our healthy herds and operating our industry responsibly and profitably.”

- Program 1: Addressing Societal Needs
- Program 2: Healthy Herds and Farms
- Program 3: Continuous Productivity Growth.

Strategic Objective 5 – Improving Capability

“The Australian pork industry and APL leading the way in innovation, accountability and expertise.”

- Program 1: Applied Learnings
- Program 2: Building Industry Image and Reputation
- Program 3: Operational Effectiveness.

Operationally, the activities of the Company are focused directly or indirectly on achieving the objectives of the 2015–2020 Strategic Plan.

Contributions on winding up

In the event of the Company being wound up, ordinary members are required to contribute a maximum of \$1 each.

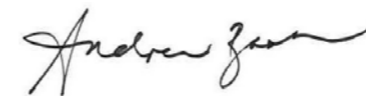
The total amount that members of the Company are liable to contribute if the Company is wound up is \$195, based on 195 current ordinary members.

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 immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



Mr Andrew Baxter
Chair

13 August 2020
Sydney

AUDITOR'S INDEPENDENCE DECLARATION



RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Australian Pork Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

GED STENHOUSE
Partner

Canberra Australian Capital Territory
Dated: 24 August 2020

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
Revenue			
Levies and other contributions	4	22,406,034	22,763,838
Share of profits of associates accounted for using the equity method		13,082	25,659
Other income	5	369,325	336,978
		<u>22,788,441</u>	<u>23,126,475</u>
Expenses			
Research and innovation		(6,493,159)	(6,994,250)
Marketing		(10,139,376)	(10,762,610)
Policy		(1,210,134)	(1,601,793)
Board and chief executive officer		(1,255,553)	(1,397,373)
Corporate services		(2,276,760)	(2,082,580)
		<u>(21,374,982)</u>	<u>(22,838,606)</u>
Surplus before income tax		<u>1,413,459</u>	<u>287,869</u>
Income tax expense	7	-	-
Surplus/(Deficit) after income tax expense for the year attributable to the members of Australian Pork Limited		1,413,459	287,869
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the members of Australian Pork Limited		<u>1,413,459</u>	<u>287,869</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	8	2,105,880	3,141,584
Trade and other receivables	9	2,924,247	1,720,608
Investments	10	7,638,962	5,628,551
Other	11	293,635	571,629
Total current assets		<u>12,962,724</u>	<u>11,062,372</u>
Non-current assets			
Investments accounted for using the equity method	12	117,552	104,469
Property, plant and equipment	13	1,694,579	128,695
Bank guarantees and rental bonds		65,453	51,953
Total non-current assets		<u>1,877,584</u>	<u>285,117</u>
Total assets		<u>14,840,308</u>	<u>11,347,489</u>
Liabilities			
Current liabilities			
Trade and other payables	14	2,737,398	2,511,766
Employee benefits		652,013	622,332
Leases	15	169,272	-
Grant and co-funding income received in advance		-	1,245,731
Money held with third party		815,792	795,831
Accrued expenses		387,526	150,175
Total current liabilities		<u>4,762,001</u>	<u>5,325,835</u>
Non-current liabilities			
Leases	15	1,411,166	-
Employee benefits		90,728	104,430
Total non-current liabilities		<u>1,501,894</u>	<u>104,430</u>
Total liabilities		<u>6,263,895</u>	<u>5,430,265</u>
Net assets		<u>8,576,413</u>	<u>5,917,224</u>
Member Funds			
Retained surplus		<u>8,576,413</u>	<u>5,917,224</u>
Total member funds		<u>8,576,413</u>	<u>5,917,224</u>

The above statement of financial position should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Retained surplus \$	Total Equity \$
Balance at 1 July 2018	5,629,354	5,629,354
Surplus/(Deficit) after income tax expense for the year	287,869	287,869
Other comprehensive income for the year, net of tax	-	-
Balance at 30 June 2019	<u>5,917,223</u>	<u>5,917,223</u>
Balance at 1 July 2019	5,917,223	5,917,223
Adopting new Accounting Standards	1,245,731	1,245,731
Surplus/(Deficit) after income tax expense for the year	1,413,459	1,413,459
Other comprehensive income for the year, net of tax	-	-
Balance at 30 June 2020	<u>8,576,413</u>	<u>8,576,413</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Statutory Authority and Industry		24,013,750	26,173,688
Payments to suppliers and employees (inclusive of GST)		(22,874,795)	(24,225,066)
Interest received		110,244	143,687
Net cash from/(used in) operating activities		<u>1,249,199</u>	<u>2,092,309</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(114,465)	(42,230)
Proceeds from disposal of property, plant and equipment		-	-
Investments in term deposits		(2,010,411)	(560,254)
Other investments		-	7,387
Net cash (used in) investing activities		<u>(2,124,876)</u>	<u>(595,097)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liability		(160,027)	(24,610)
Net cash (used in) financing activities		<u>(160,027)</u>	<u>(24,610)</u>
Net increase/(decrease) in cash and cash equivalents		(1,035,704)	1,472,602
Cash and cash equivalents at beginning of financial year		3,141,584	1,668,982
Cash and cash equivalents at end of financial year	8	<u>2,105,880</u>	<u>3,141,584</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1. GENERAL INFORMATION

The financial statements cover Australian Pork Limited as an individual entity. The financial statements are presented in Australian dollars, which is Australian Pork Limited's functional and presentation currency.

Australian Pork Limited is an unlisted public company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 13 August 2020. The Directors have the power to amend and reissue the financial statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of the following Accounting Standards and Interpretations had a significant impact on the financial performance or position of the company.

The following Accounting Standards and Interpretations are most relevant to the company:

AASB 16 Leases

The company has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease

expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on opening retained profits as at 1 July 2019.

AASB 1058 Income of Not-for-Profit Entities

The company has adopted AASB 1058 from 1 July 2019. The standard replaces AASB 1004 'Contributions' in respect to income recognition requirements for not-for-profit entities. The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt. Income under the standard is recognised where: an asset is received in a transaction, such as by way of grant, bequest or donation; there has either been no consideration transferred, or the consideration paid is significantly less than the asset's fair value; and where the intention is to principally enable the entity to further its objectives. For transfers of financial assets to the entity which enable it to acquire or construct a recognisable non-financial asset, the entity must recognise a liability amounting to the excess of the fair value of the transfer received over any related amounts recognised. Related amounts recognised may relate to contributions by owners, AASB 15 revenue or contract liability recognised, lease liabilities in accordance with AASB 16, financial instruments in accordance with AASB 9, or provisions in accordance with AASB 137. The liability is brought to account as income over the period in which the entity satisfies its performance obligation. If the transaction does not enable the entity to acquire or construct a recognisable non-financial asset to be controlled by the entity, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income immediately. Where the fair value of volunteer services received can be measured, a private sector not-for-profit entity can elect to recognise the value of those services as an asset where asset recognition criteria are met or otherwise recognise the value as an expense.

Impact of adoption

AASB 1058 was adopted using the modified retrospective approach and as such comparatives have not been restated. Total funding of \$2,540,915 was received in prior periods. However only \$1,295,184 was recognised in prior years and the balance was carried forward as revenue in advance. The impact of first time adoption of AASB 1058 requires full amount of \$2,540,915 to be recognised as income in the prior year. The transition adjustment was on opening retained profit as at 1st July 2019 was as follows:

	1 July 2019
Funding cash received prior years	2,540,915
Funding income recognised prior years	<u>(1,295,184)</u>
Difference recognised in opening retained earnings as at 1 July 2019	<u>1,245,731</u>

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for not-for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period

or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting date; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Investments and other financial assets

Investments and other financial assets, other than investments in associates, are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset of cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Value-in-use is the depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Company would, if deprived of the asset, replace its remaining future economic benefits.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at 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 market yields at the reporting rate on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Goods and Services Tax (GST) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparatives

Comparatives, where necessary, have been realigned to the current year presentation.

NOTE 3. CRITICAL 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, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Estimation of useful lives of assets

The Company determines the estimated useful lives and related depreciation charge for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Lease make good provision

On 16 January 2012, the Company entered into a lease agreement with the Salvation Army (New South Wales) Property Trust for an initial period of seven years with an option to enter into a new lease for a further period of five years from 16 January 2019 plus a further five years from 16 January 2024. The lease agreement details the make good requirements at the end of the lease, with no make good required on exercise of the first option for a further period of five years. The Company has exercised the first option for a further period of five years. Therefore, no make good provision has been provided for in the financial statements.

The lease expired on 15/01/2019. APL exercised its option to renew the lease.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

NOTE 4. LEVIES AND OTHER CONTRIBUTIONS

	2020 \$	2019 \$
Levies - marketing	11,795,330	11,912,737
Levies - research	5,242,369	5,294,550
Government contributions - matching	4,555,885	5,018,132
Other industry contributions and grants	812,450	538,419
	<u>22,406,034</u>	<u>22,763,838</u>

Accounting policy for income recognition

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Levies

The Company recognises levy revenue when it is received except for the months of June 2019 and June 2020 which is accrued. The revenue accrued in June is calculated using information provided by processors.

Government contributions - matching

Government matches approved research and development expenditure on a dollar by dollar basis of 50 percent of the approved research and development project expenditure, up to a cap of the lower of research and development levy received or 0.5 percent of the gross value of annual pig production as determined by the Minister for Agriculture. Government matching funds are recognised as income as the eligible research and development program expenditure is incurred.

NOTE 5. OTHER INCOME

Interest	110,244	143,687
Royalties	4,255	1,824
Other income	254,826	191,467
	<u>369,325</u>	<u>336,978</u>

Accounting policy for income recognition

Interest

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Royalties

Royalties are received from the sale of publications and the commercialisation of intellectual property charged by license fees. Revenue is recognised when received.

Other income

Other income is recognised when it is received or when the right to receive payment is established

NOTE 6. EXPENSES

Surplus before income tax includes the following specific expenses:

	2020 \$	2019 \$
Rental expense relating to operating leases		
Total rental expense relating to operating leases	-	<u>319,338</u>
Superannuation expense		
Defined contribution superannuation expense	<u>527,235</u>	<u>535,898</u>

Accounting policy for defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

NOTE 7. INCOME TAX

Accounting policy for income tax

The Company is exempt from income tax under the provisions of Section 50-40 of the Income Tax Assessment Act 1997, as amended. Under these provisions the Company is considered to be classified as an entity established for the purpose of promoting the development of various Australian resources, including agricultural resources and not carried on for the profit or gain of its individual members. The Australian Taxation Office has issued a Private Binding Ruling as formal confirmation.

NOTE 8. CASH AND CASH EQUIVALENTS

	2020 \$	2019 \$
Cash on hand	839	400
Cash at bank	2,105,041	2,622,435
Cash on deposit	-	518,749
	<u>2,105,880</u>	<u>3,141,584</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTE 9. TRADE AND OTHER RECEIVABLES

	2020 \$	2019 \$
Trade receivables	2,747,440	1,572,446
Other receivables	176,806	148,162
	<u>2,924,246</u>	<u>1,720,608</u>

Impairment of receivables

The Company has recognised a loss of \$nil (2019: nil) in expenses in respect of impairment of receivables for the year ended 30 June 2020.

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

NOTE 10. INVESTMENTS

	2020 \$	2019 \$
Term deposits	<u>7,638,962</u>	<u>5,628,551</u>

Term deposits accrue interest at rates between 0.61% and 1.72% and mature progressively to December 2020 (2019: rates between 1.72% and 2.60%)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

NOTE 11. OTHER CURRENT ASSETS

Accrued levy income	206,842	473,830
Prepayments	86,793	97,799
	293,635	571,629

NOTE 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in associate - PorkScan Pty Ltd	117,552	104,469
	117,552	104,469

Interests in associates

Information relating to associates that are material to the Company are set out below:

Name	Principal place of business / Country of Incorporation	Ownership interest	
		2020	2019
		%	%
PorkScan Pty Ltd	Australia	49.00	49.00

Contingent liabilities

PorkScan Pty Ltd has no contingent liabilities at 30 June 2020 or 30 June 2019.

Commitments

PorkScan Pty Ltd has no commitments at 30 June 2020 or 30 June 2019.

Accounting policy for associates

Associates are entities over which the Company has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Company's share of losses in an associate equals or exceeds its interest in the associate including any unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Company discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	\$	\$
Leasehold improvements - at cost	559,327	477,598
Less: accumulated depreciation	(460,027)	(450,185)
	99,300	27,413
Office furniture and equipment - at cost	121,408	148,242
Less: accumulated depreciation	(118,981)	(144,070)
	2,427	4,172
Computer equipment - at cost	341,044	316,430
Less: accumulated depreciation	(268,130)	(219,320)
	72,914	97,110
Right of use assets	1,740,463	-
Less: accumulated depreciation	(220,525)	-
	1,519,938	-
	1,694,579	128,695

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements	Office furniture and fittings	Computer equipment	Right of use assets	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2019	27,413	4,172	97,110	-	128,695
Additions	81,729	-	32,736	1,740,463	1,854,928
Depreciation expense	(9,842)	(1,746)	(56,931)	(220,525)	(289,044)
Balance as at 30 June 2020	99,300	2,426	72,915	1,519,938	1,694,579

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

NOTE 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Accounting policy for property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	Term of lease
Office furniture and equipment	3 to 10 years
Computer equipment	3 years

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

NOTE 14. TRADE AND OTHER PAYABLES

	2020 \$	2019 \$
Trade payables	1,807,460	2,585,027
Other payables	929,938	(73,261)
	<u>2,737,398</u>	<u>2,511,766</u>

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTE 15. LEASES

Lease liability - current

Lease liability - non current

	2020 \$	2019 \$
Lease liability - current	169,272	-
Lease liability - non current	1,411,166	-
	<u>1,580,438</u>	<u>-</u>

Assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Accounting policy for leases

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

NOTE 16. FAIR VALUE MEASUREMENT

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTE 17. CONTINGENT LIABILITIES

	2020 \$	2019 \$
Bank guarantee	51,953	51,953
Rental bond	13,500	-
	<u>65,453</u>	<u>51,953</u>

The Company has provided a bank guarantee in relation to its Canberra head office lease agreement. The funds for the guarantee are held in an interest bearing term deposit in APL's name.

The Company has a rental bond in relation to its Sydney office lease agreement. The funds are held by Audited Media Association of Australia.

	2020 \$	2019 \$
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NOTE 18. COMMITMENTS

Lease commitments - operating

Committed at the reporting date but not recognised as liabilities, payable:

Within one year	-	247,477
One to five years	-	801,846
	<u>-</u>	<u>1,049,323</u>

Research and development (R&D) expenditure commitment

Committed at the reporting date but not recognised as liabilities, payable:

Within one year	2,850,985	3,741,224
One to five years	3,431,137	5,566,094
	<u>6,282,122</u>	<u>9,307,318</u>

Operating

The Company has entered into commercial leases on certain computer hardware. These leases are due to expire in July 2020.

The ACT premises rental term expires in 15/01/2024 and APL has an option to enter into a new lease on the same terms as the existing lease for a further five-year period where a market review of any incremental rental increase will apply.

The NSW premises rental term expires on 30/01/2022.

R&D expenditure

These R&D expenditure commitments relate to several research and innovation projects which align with the government's rural R&D funding priorities and the national research priorities in the key areas of productivity, animal health, housing and welfare, environment and climate change, food safety, quality assurance and biosecurity, product quality and supply chain management and genetics transfer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

NOTE 19. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below

Aggregate compensation	<u>1,684,497</u>	<u>1,790,893</u>
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NOTE 20. RELATED PARTY TRANSACTIONS

Associates

Interests in associates are set out in note 12.

Key management personnel

Disclosures relating to key management personnel are set out in note 19.

Significant influence

The following directors have interests in or are associated with organisations which are related parties:

Brian Luxford - General Manager R&I Rivalea (Australia) Pty Ltd

Rod Hamann - Executive General Manager of Sunpork Farms

Andrew Baxter - Special Advisor to KPMG, Non Executive Director of Andrew Billy Baxter P/L, Adjunct Professor Sydney University

Pork CRC ceased operations as of 30 June 2019. Australasian Pork Research Institute Ltd (APRIL) will continue the important RD&E and commercialisation functions of the Pork CRC. Australian Pork Limited's (APL) Board members Gerard Davis and Margo Andrae are the new Directors of APRIL;

The Company's former Chief Executive Officer, Andrew Spencer, is a Director on the PorkScan Pty Ltd Board. Former Board Director Kathy Grigg was the Chair of the PorkScan Pty Ltd Board. Edwina Beveridge was a director of APRIL.

NOTE 20. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related parties

The following transactions occurred with related parties:

	2020	2019
	\$	\$
Income:		
PorkScan Pty Ltd		
- Management fees	20,000	20,000
Australasian Pork Research Institute Ltd		
- Management fees	71,371	106,169
Project and program expenditure:		
- Andrew Billy Baxter	22,052	-
- Australasian Pork Research Institute Limited	1,000,000	-
- Rivalea (Australia) Pty Ltd	561,773	650,846
- Sunpork Farms	181,386	387,701
- University of Sydney	18,500	-
- Pork CRC	-	1,100,000
- KPMG	20,000	109,082

Receivable from and payable to related parties:

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Current receivables:

Trade receivables from related parties	7,198	7,043
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Current payables:

Trade payables to related parties	424,816	578
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NOTE 21. EVENTS AFTER THE REPORTING DATE

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not financially impacted the company up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

DIRECTORS DECLARATION FOR THE YEAR ENDED 30 JUNE 2020

In accordance with the resolution of the Directors of Australian Pork Limited, the Directors declare that:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Mr Andrew Baxter
Chair

13 August 2020
Sydney



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN PORK LIMITED



RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN PORK LIMITED

Opinion

We have audited the financial report of Australian Pork Ltd. (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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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 Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

RSM AUSTRALIA PARTNERS

GED STENHOUSE
Partner

Canberra, Australian Capital Territory
Dated: 24 August 2020

STARTING THE CHANGE JOURNEY INSIDE APL

The 2019-20 year saw APL evolve its leadership in terms of a new Chair (albeit an existing Board member) and a new CEO. The development of the new strategy enabled the completion of APL's Orienting Attributes – the parts of the organisation that set direction and tone.

The strategy allowed APL to move on to the next set of organisational attributes: the enabling ones. The strategy defined the programs, which in turn defined the skills required, which allowed for the design of a new structure that follows the strategy.

This new structure is outlined on the next page.

At the end of June, APL had started the structure change journey, inviting team members to help develop process improvements as they became necessary. The new structure seeks to create "one APL" where the APL goals are central, and skills can be used to cross-pollinate programs.

The depth of talent in APL meant that two of the three executive team roles could be filled internally, six of the Directors roles were appointed internally and opportunities were found for all existing APL team members.

The first half of the 2020-21 year is planned to finalise the Energising Attributes (our people strategy) which will complete the transition from the last strategic plan to the current one.

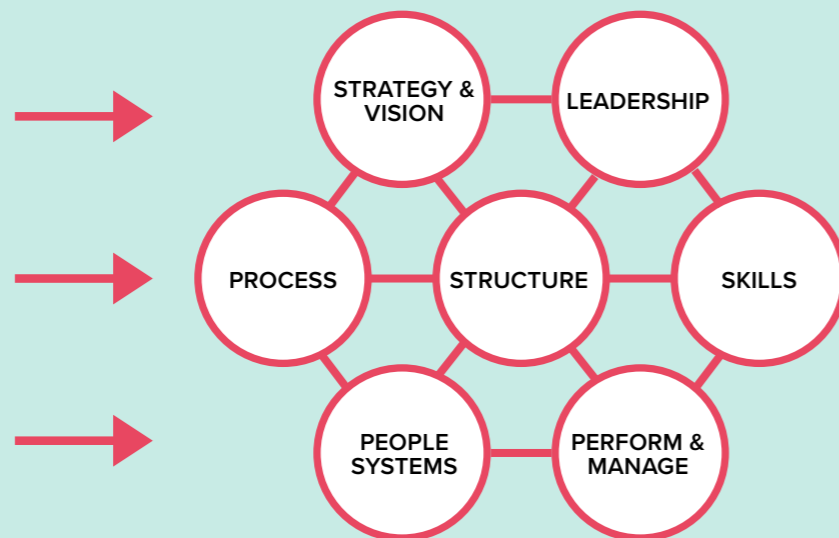
These changes have been achieved whilst successfully supporting industry's:

- response to COVID-19, continuing to build demand,
- remaining proactive in ASF preparedness, country of origin labelling and international access regulatory environments and
- taking the opportunity to refocus some Research and Development funding into areas supporting the new strategic plan.

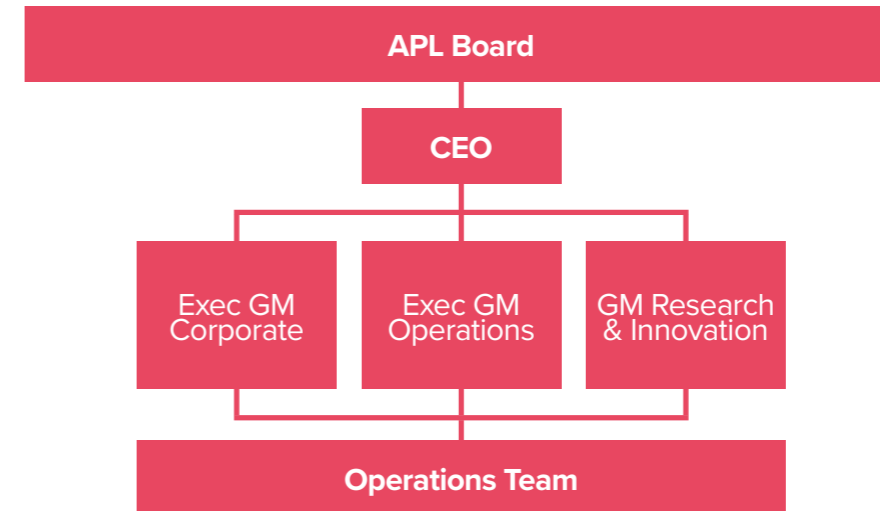
Orienting Attributes

Enabling Attributes

Energising Attributes



AUSTRALIAN PORK LIMITED ORGANISATIONAL CHART 2019-20



Financial Summary Table 2019-2020



SUMMARY

BUDGET	\$22,458,000
ACTUAL	\$21,374,982

STRATEGIC OBJECTIVE	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Build Consumer Demand	NON R&D			R&D			
Budget	\$4,983,034	\$1,117,826	\$6,100,860	\$98,250	\$40,278	\$138,528	\$6,239,388
Actual	\$5,353,378	\$2,513,606	\$7,866,984	\$231,084	\$131,218	\$362,302	\$8,229,286
Building Markets							
Budget	\$1,360,200	\$1,790,115	\$3,150,315	\$1,448,433	\$935,773	\$2,384,206	\$5,534,519
Actual	\$821,792	\$473,664	\$1,295,456	\$947,849	\$525,240	\$1,473,089	\$2,768,545
Driving Value Chain Integrity							
Budget	\$105,000	\$307,335	\$412,335	\$432,012	\$264,661	\$696,673	\$1,109,008
Actual	\$329,605	\$4,445	\$334,050	\$412,360	\$164,503	\$576,863	\$910,913
Leading Sustainably							
Budget	\$308,420	\$168,300	\$476,720	\$3,357,404	\$1,125,893	\$4,483,297	\$4,960,015
Actual	\$1,155,697	\$96,822	\$1,252,519	\$3,002,904	\$1,804,784	\$4,807,688	\$6,060,207
Improving Capability							
Budget	\$1,062,482	\$409,622	\$1,472,104	\$1,410,733	\$892,160	\$2,302,893	\$3,774,997
Actual	\$868,241	\$304,300	\$1,172,541	\$861,753	\$763,667	\$1,625,420	\$2,797,961
Unallocated							
Budget	\$0	\$415,666	\$415,666	\$0	\$424,403	\$424,403	\$840,069
Actual	\$0	\$334,501	\$334,501	\$0	\$273,567	\$273,567	\$608,068
TOTAL BUDGET	\$7,819,136	\$4,208,864	\$12,028,000	\$6,746,832	\$3,683,168	\$10,430,000	\$22,458,000
TOTAL ACTUAL	\$8,528,713	\$3,727,338	\$12,256,051	\$5,455,950	\$3,662,979	\$9,118,929	\$21,374,982

STRATEGIC OBJECTIVE 1

Growing Consumer Appeal

BUDGET	\$6,239,388
ACTUAL	\$8,229,286

STRATEGY	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Better Pork	NON R&D			R&D			
<i>Budget</i>	\$0	\$0	\$0	\$98,250	\$40,278	\$138,528	\$138,528
<i>Actual</i>	\$0	\$0	\$0	\$38,250	\$120,839	\$159,089	\$159,089
Pork Made More Popular							
<i>Budget</i>	\$4,213,034	\$532,978	\$4,746,012	\$0	\$0	\$0	\$4,746,012
<i>Actual</i>	\$4,699,312	\$1,809,688	\$6,509,000	\$0	\$0	\$0	\$6,509,000
Increasingly Different							
<i>Budget</i>	\$770,000	\$584,848	\$1,354,848	\$0	\$0	\$0	\$1,354,848
<i>Actual</i>	\$654,066	\$703,918	\$1,357,984	\$192,834	\$10,379	\$203,213	\$1,561,197
TOTAL STRATEGIC OBJECTIVE 1							
<i>Budget</i>	\$4,983,034	\$1,117,826	\$6,100,860	\$98,250	\$40,278	\$138,528	\$6,239,388
<i>Actual</i>	\$5,353,378	\$2,513,606	\$7,866,984	\$231,084	\$131,218	\$362,302	\$8,229,286

STRATEGIC OBJECTIVE 2

Building Markets

BUDGET	\$5,534,519
ACTUAL	\$2,768,545

STRATEGY	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Market Insights	NON R&D			R&D			
<i>Budget</i>	\$0	\$391,697	\$391,697	\$953,433	\$705,718	\$1,659,151	\$2,050,848
<i>Actual</i>	\$0	\$0	\$0	\$696,858	\$525,120	\$1,221,978	\$1,221,978
Domestic Market Development							
<i>Budget</i>	\$1,070,200	\$1,200,275	\$2,270,475	\$0	\$0	\$0	\$2,270,475
<i>Actual</i>	\$765,167	\$460,664	\$1,225,831	\$0	\$0	\$0	\$1,225,831
International Market Development							
<i>Budget</i>	\$290,000	\$198,143	\$488,143	\$495,000	\$230,055	\$725,055	\$1,213,198
<i>Actual</i>	\$56,625	\$13,000	\$69,625	\$250,991	\$120	\$251,111	\$320,736
TOTAL STRATEGIC OBJECTIVE 2							
<i>Budget</i>	\$1,360,200	\$1,790,115	\$3,150,315	\$1,448,433	\$935,773	\$2,384,206	\$5,534,519
<i>Actual</i>	\$821,792	\$473,664	\$1,295,456	\$947,849	\$525,240	\$1,473,089	\$2,768,545

STRATEGIC OBJECTIVE 2

Value Chain Integrity

BUDGET	\$1,109,008
ACTUAL	\$910,913

STRATEGY	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Trust in Pork Provenance	NON R&D			R&D			
<i>Budget</i>	\$0	\$0	\$0	\$200,012	\$91,634	\$291,646	\$291,646
<i>Actual</i>	\$0	\$0	\$0	\$307,359	\$125,094	\$432,453	\$432,453
Pork Quality Assured							
<i>Budget</i>	\$105,000	\$307,335	\$412,335	\$232,000	\$173,027	\$405,027	\$817,362
<i>Actual</i>	\$329,605	\$4,445	\$334,050	\$105,001	\$39,409	\$144,410	\$478,460
TOTAL STRATEGIC OBJECTIVE 2							
<i>Budget</i>	\$105,000	\$307,335	\$412,335	\$432,012	\$264,661	\$696,673	\$1,109,008
<i>Actual</i>	\$329,605	\$4,445	\$334,050	\$412,360	\$164,503	\$576,863	\$910,913

STRATEGIC OBJECTIVE 4

Leading Sustainability

BUDGET	\$4,960,015
ACTUAL	\$6,060,207

STRATEGY	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Addressing Societal Needs	NON R&D			R&D			
<i>Budget</i>	\$126,220	\$59,110	\$185,330	\$1,578,652	\$493,609	\$2,072,261	\$2,257,591
<i>Actual</i>	\$528,738	\$41,739	\$570,477	\$1,394,639	\$1,146,266	\$2,540,905	\$3,111,382
Healthy Herds and Farms							
<i>Budget</i>	\$182,200	\$109,190	\$291,390	\$483,400	\$351,296	\$834,696	\$1,126,086
<i>Actual</i>	\$626,959	\$55,083	\$682,042	\$490,009	\$215,192	\$705,201	\$1,387,243
Continuous Productivity Growth							
<i>Budget</i>	\$0	\$0	\$0	\$1,295,352	\$280,988	\$1,576,340	\$1,576,340
<i>Actual</i>	\$0	\$0	\$0	\$1,118,256	\$443,326	\$1,561,582	\$1,561,582
TOTAL STRATEGIC OBJECTIVE 4							
<i>Budget</i>	\$308,420	\$168,300	\$476,720	\$3,357,404	\$1,125,893	\$4,483,297	\$4,960,015
<i>Actual</i>	\$1,155,697	\$96,822	\$1,252,519	\$3,002,904	\$1,804,784	\$4,807,688	\$6,060,207

STRATEGIC OBJECTIVE 5

Improving Capability

BUDGET	\$3,774,997
ACTUAL	\$2,797,961

STRATEGY	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Applied Learnings	NON R&D			R&D			
<i>Budget</i>	\$20,000	\$6,143	\$26,143	\$716,795	\$554,858	\$1,271,653	\$1,297,796
<i>Actual</i>	\$20,000	\$76,205	\$96,205	\$417,835	\$347,837	\$765,672	\$861,877
Building Industry Imagine and Reputation							
<i>Budget</i>	\$361,232	\$208,275	\$569,507	\$132,188	\$26,042	\$158,230	\$727,737
<i>Actual</i>	\$252,358	\$143,592	\$395,950	\$57,750	\$75,630	\$133,380	\$529,330
Operational Effectiveness							
<i>Budget</i>	\$681,250	\$195,204	\$876,454	\$561,750	\$311,260	\$873,010	\$1,749,464
<i>Actual</i>	\$595,883	\$84,503	\$680,386	\$386,168	\$340,200	\$726,368	\$1,406,754
TOTAL STRATEGIC OBJECTIVE 5							
<i>Budget</i>	\$1,062,482	\$409,622	\$1,472,104	\$1,410,733	\$892,160	\$2,302,893	\$3,774,997
<i>Actual</i>	\$868,241	\$304,300	\$1,172,541	\$861,753	\$763,667	\$1,625,420	\$2,797,961

Appendix A

MATERIAL VARIATIONS TO BUDGET

	Initial Budget \$	Actual Result \$	Variation Over/(Under) \$	Comments and/or Explanation of Major Variations
Income				
Levies	15,925,000	17,037,699	1,112,699	Actual slaughters were 342k more than budgeted.
Government contributions - matching claims	5,215,000	4,555,885	-659,115	R&D matching expenditure was less than budget.
Other industry contributions	0	831,183	831,183	Consistent with past convention, grants from Dept. Agriculture are not included in the budget.
Net other revenue	422,000	363,674	-58,326	Net of various individually immaterial variances.
Project Expenditure				
Research & Innovation	4,726,961	5,124,724	-397,763	Grant expenditure of \$1,106,692 is offset by grant income of \$831,183. The difference is the offset of underspent program budgets.
Marketing	7,741,667	7,299,090	442,577	Underspent program budgets.
Policy	756,140	470,700	285,440	Underspent program budgets.
Corporate Services	793,700	1,001,817	-208,117	Approved mid-term variations to program budgets to contribute to the achievement of APL's strategic objectives.
CEO/Board	547,500	88,237	459,263	Underspent program budgets.

Appendix B

FUNDS SPENT ON EACH SIGNIFICANT RESEARCH AND DEVELOPMENT ACTIVITY ALLOWING IDENTIFICATION OF EXPENDITURE OF MATCHING PAYMENT

The company expends funds on eligible research, development and innovation activities that then form the basis of matching contributions by the Australian Government. Expenditure that is eligible for matching comprises:

- R&I division expenditures, excluding select items;
- Specific project expenditures from other divisions that satisfy R&D expenditure criteria; and
- Attribution of Corporate Services and Board/CEO division expenditures.

The company has established a detailed methodology by which eligibility of matching expenditure is determined. For the 2019–2020 financial year, the significant expenses that were the basis for calculating the matching claim were as follows:

Research and Development Expenditure by Strategy	
Growing Consumer Appeal	
• Better Pork	\$159,089
• Increasingly Different	\$203,213
Building Markets	
• Market Insights	\$1,221,978
• International Market Development	\$251,111
Driving Value Chain Integrity	
• Trust in Pork Provenance	\$432,453
• Pork Quality Assured	\$144,410
Leading Sustainability	
• Addressing Societal Needs	\$2,540,905
• Healthy Herds and Farms	\$705,201
• Continuous Productivity Growth	\$1,561,582
Improving Capability	
• Applied Learnings	\$765,672
• Building Industry Image and Reputation	\$133,380
• Operational Effectiveness	\$726,368
Unallocated	\$273,567
Total research and development expenditure	\$9,118,929
Adjustments - accruals and other non-eligible research and development expenditures	(\$7,160)
Total matchable expenditure	\$9,111,769
Maximum Claim Allowable to GVP cap	\$6,463,809
Australian Government contributions – matching (@ 50 per cent)	\$4,555,885

Note: APL total non-direct project expenditure for the 2019–2020 financial year was \$7,390,318 which was 36 percent of total expenditure. Of this total non-direct project expenditure \$3,662,979 (50 per cent) was attributed to Research and Development.

Appendix C

3.1 APPENDIX C – FUNDS SPENT ON MARKETING AND SIGNIFICANT STRATEGIC POLICY DEVELOPMENT ACTIVITY AS WELL AS OTHER INDUSTRY ISSUES

In addition to eligible research, development and innovation activities expenditure (per Appendix B), the company expends project

funds on marketing and strategic policy development activities and other industry issues. Expenditure incurred on marketing and strategic

policy development activities and other industry issues and attributed to each of the key core objectives, is summarised below:

Marketing Expenditure by Strategy	
Growing Consumer Appeal	
<ul style="list-style-type: none"> Pork Made More Popular Increasingly Different 	\$6,509,000 \$1,357,985
Building Markets	
<ul style="list-style-type: none"> Market Insights Domestic Market Development International Market Development 	\$1,225,831 \$40,121
Total Marketing Expenditure	\$9,132,937
Strategic Policy Development Expenditure by Strategy	
Building Markets	
<ul style="list-style-type: none"> International Market Development 	\$29,504
Leading Sustainably	
<ul style="list-style-type: none"> Addressing Societal Needs Healthy Herds and Farms 	\$91,604 \$208,412
Improving Capability	
<ul style="list-style-type: none"> Building Industry Image Applied Learnings 	\$243,835 \$96,205
Total Strategic Policy Development Expenditure	\$669,560
Other Industry Expenditure by Strategy	
Driving Value Chain Integrity	
<ul style="list-style-type: none"> Pork Quality Assured 	\$334,050
Leading Sustainability	
<ul style="list-style-type: none"> Addressing Societal Needs Health Herds & Farms 	\$478,873 \$474,344
Improving Capability	
<ul style="list-style-type: none"> Building Industry Image and Reputation Operational Effectiveness 	\$152,115 \$680,386
Unallocated	\$333,788
Total Other Industry Expenditure	\$2,453,556
Total Funds Spent on Marketing and Significant Strategic Policy Development Activity as well as Other Industry Issues	\$12,256,053

Appendix D

NATIONAL RESEARCH PRIORITIES

Rural Research & Development Priorities	AOP Budget	Actual	Advanced Manufacturing	Soil and Water
			Advanced technology	
Objective 1. Growing Consumer Appeal	\$138,528	\$348,307	–	\$38,250
	1%	4%	–	0%
Objective 2. Building Markets	\$2,384,206	\$1,473,089	–	\$0
	22.9%	16.2%	–	0.0%
Objective 3. Driving Value Chain Integrity	\$696,673	\$425,993	–	\$127,798
	6.7%	4.7%	–	1.4%
Objective 4. Leading Sustainability	\$4,483,297	\$5,139,362	–	\$1,419,803
	43%	56%	–	16%
Objective 5. Improving Capability	\$2,302,893	\$1,458,612	–	\$72,931
	22.1%	16.0%	–	0.8%
Unallocated	\$424,403	\$273,567	–	\$0
	4.1%	3.0%	–	0.0%
Totals	\$10,430,000	\$9,118,930	–	\$1,658,782
Percentage	100%	100%	–	18%

	AOP Budget	Actual
*Direct Project	\$6,746,832	\$5,455,951
Allocated Project	\$3,683,168	\$3,662,979
Total	\$10,430,000	\$9,118,930

Transport	Cybersecurity	Health	Resources	Food	Energy	Environmental Change
Biosecurity		Soil, water and managing natural resources	Adoption of R&D		Other Research	
–	\$0	–	\$0	–	\$0	\$310,057
–	0%	–	0%	–	0%	3%
–	\$0	–	\$0	–	\$196,500	\$1,276,589
–	0.0%	–	0.0%	–	2.2%	14.0%
–	\$212,997	–	\$0	–	\$85,199	\$0
–	2.3%	–	0.0%	–	0.0%	0.0%
–	\$1,670,510	–	\$759,995	–	\$1,239,054	\$50,000
–	18%	–	8%	–	14%	1%
–	\$91,520	–	\$72,931	–	\$816,823	\$404,408
–	1.0%	–	0.8%	–	9.0%	4.4%
–	\$0	–	\$0	–	\$0	\$273,567
–	0.0%	–	0.0%	–	0.0%	3.0%
–	\$1,975,027	–	\$832,926	–	\$2,337,575	\$2,314,621
–	22%	–	9%	–	25%	25%

KEY PROJECTS AND AGREEMENTS

Our investments

The shape of the balanced portfolio of investments changed significantly during the 2019-20 year due to disruptions in both research and development projects and supply chains.

The responses to the advent of COVID-19 meant that marketing investments, time and funds were focussed primarily on Australians in their homes and less on supply chains, foodservice outlets and retailers, as these collaborators focussed on keeping Australians fed and exports flowing.

From a Research and Development perspective, the portfolio was oriented more to significant new areas, consistent with protecting Australia from ASF, taking steps towards leadership in biosecurity and diversifying markets for the post COVID-19 era.

There were no material new agreements with new collaborators. The major agreements in terms of monetary value include our media buyers for consumer media, Slingshot Ltd., the Australasian Pork Research Institute Ltd. where industry

co-funds Research and Development with other parties, and Noble Brands Worldwide Ltd. who create and produce our TV, radio and other media advertisements.



REPORTING OBLIGATIONS

Under APL's Funding Agreement with the Commonwealth, APL's Annual Report must comply with the financial reporting and other reporting requirements in Chapter 2M of the Corporations Act and include the following items:

Reporting Requirements (Funding Agreement Clause 12.1)	Section
(a) sources of income allowing for separate identification of Levy Funds, Matching Funds and Voluntary Contributions;	Notes to financial statements
(b) significant R&D Activities and transactions undertaken in the year in the conduct of APL functions as the Industry Services Body;	Notes to financial statements
(c) the full cost of the R&D Activities and Marketing Activities;	Financial Summary table
(d) progress made in implementing the Strategic Plan and Performance Principles including progress against any key performance indicators;	Report on performance
(e) key RD&E and marketing deliverables and associated outcomes achieved;	Report on performance
(f) an assessment of the efficiency and effectiveness of APL's investments;	Outcome evaluation
(g) material changes to APL's membership;	Our role in the pork industry
(h) how APL responded to any directions or Rural Research and Development Priorities given by the Minister under the Agreement or the Guidelines;	Key activities in 2019-20
(i) consultation with Levy Payers and Industry Representative Bodies on: a. APL's Strategic Plan; and b. RD&E and Marketing Activities;	Key activities in 2019-20
(j) APL's contributions to relevant Industry sectoral and cross-sectoral strategies, including the strategies under the Guidelines;	Key activities in 2019-20
(k) details of senior executive and Board remuneration in the format required by the Australian Accounting Standards;	Notes to financial statements
(l) Research and Development and marketing agreements entered into by APL with third parties;	Key projects and agreements
(m) corporate governance practices in place during the Financial Year;	Our role in the pork industry
(n) the rationale for the mix of projects included in the Balanced Portfolio; and	Key projects and agreements
(o) other matters notified to APL by the Commonwealth.	n/a

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