

annual report  
2005

unifying  
for results

AUSTRALIAN EGG  
CORPORATION LIMITED





# Contents

Unifying for results	2
Industry overview	4
Chairman's message	5
AECL Board of Directors	6
Managing Director's report	8
Marketing program – getting eggs into the fridge	10
Research and Development program – listening and responding	14
Communication program – involving and improving	18
Corporate governance	22
Financial statements	25



# Unifying for results

## Vision

AECL will facilitate the sustainable and profitable growth of the Australian egg industry.

## Mission

To create an industry operating environment that assists to minimise barriers and costs for Australian egg farmers and to maximise benefits and revenue for the industry and the community through integrated marketing, research, development and policy services.

## Objectives

AECL will achieve our mission by focussing on the following objectives:

1. Growing demand for eggs in the Australian market
2. Enhancing the competitiveness of stakeholder businesses
3. Creating and nurturing the capability of AECL

## Program pillars

To assist AECL management address the objectives of the company, there are 5 key program pillars that have been developed. These are: market awareness, market education, supply chain enhancement, public affairs and on-farm innovation and efficiency.

## Market awareness

Raise awareness levels of eggs in the target market and bring the product top-of-mind by demonstrating how eggs are an essential part of a modern lifestyle.

Objective	2004-2005 Results
Increase demand for eggs	Demand up by 9.75%
Expand egg purchases	153,949 more cartons sold
Maintain a high return on marketing investment	Return on investment of 104%
Facilitate distribution of point of sale resources for egg farmers	400 egg mobiles, 600 educational posters, 140 GP kits and 2 million recipe cards distributed
Generate positive media interest in eggs	84 pieces of positive media coverage generated
Roll-out national TV campaign	Completed

## Market education

Educate the target market to 'debunk' health myths, promote the nutritional benefits of eggs and demonstrate how eggs are an essential part of a healthy lifestyle and balanced eating plan.

Objective	2004-2005 Results
Increase demand for eggs	Demand up by 17%
Expand egg purchases	1.12 million more cartons sold
Maintain a high return on marketing investment	411% return on investment
Debunk health myths about eggs through the media	284 pieces of positive media coverage generated
Expand the value of the egg market	Value up by 16%
Form and utilise the Egg Nutrition Advisory Group	ENAG formed and 2 positioning statements generated
Improve consumer attitudes towards eggs and cholesterol	Attitudes improve 9.2% among 'egg restrictors' and 11% among 'egg lovers'
Change healthcare professional attitudes	Attitude changing from cholesterol to saturated fat as the dietary cause of heart disease

## Supply chain enhancement

Enhance the effectiveness and transparency of the egg supply/demand chain including logistics and develop value-added propositions to provide product choice for consumers.

Objective	2004-2005 Results
Initiate an effective supply forecasting report	Now involves hatcheries (95% of laying hens) and egg farmers (55% of total egg production)
Encourage export opportunities	Established Australian Egg Export P/L & exported 20mt of egg pulp to Hong Kong
Complete retail category project in Victoria	58.5% more product on-shelf, 41.3% improvement in out-of-stock, 3.2% increase in egg sales & an ROI of 467%
Reduce egg breakages and ullage in the retail chain	Completion of the egg ullage audit project and identification of 8 major issues in the supply chain

## Public affairs

Ensure effective industry communication and policy management to enhance community knowledge and understanding of the egg industry and its associated service delivery programs and outcomes.

Objective	2004-2005 Results
Improve preparedness for issues that could effect the industry	Media monitoring instituted, comprehensive issues management plan adopted. Industry Liaison Officers trained for emergency outbreaks
Maximise AECL membership	Record 229 egg producer members
Better involvement and communication with stakeholders	Enhanced newsletters, members-only website, record Industry Forum attendances
Government lobbying that yields real results	Tariff removal on the import of cages, and recategorisation of HPAI strains under EADRA
Assure consumers as to the safety of Australian eggs	Launched Egg Corp Assured as the national scheme with consumer-friendly branding
Educate children and consumers about egg production	Published and marketed educational book for school-aged children
Build relationships with key media opinion leaders	Launched egg food media club in two states

## On-Farm Innovation and Efficiency

Innovate commercially-responsive and production efficient solutions to enhance industry and stakeholder competitiveness and sustainability of egg businesses.

Objective	2004-2005 Results
Develop strategies to detect and control disease	Improved understanding of ND viruses and risk factors on farms, improving Mycoplasma vaccines, improving detection of fowl cholera
Identify methods to improve egg quality	Threshold levels developed for feed that would otherwise generate 'fishy' taint in eggs
Evaluate welfare issues and enhance bird welfare	Assessed the relative welfare and productivity of laying hens in furnished and conventional cages
Identify objective measures for bird welfare	Controlled facilities established to determine on-going research into hen welfare across 3 production systems and Egg-based stress assessment of commercial egg industry practices
Improve nutrient utilisation	Treatments evaluated to improve the nutritional value of lupins in layer diets
Facilitate industry training and on-farm adoption	Vaccination workshops developed and delivered

# Industry overview

Characteristic	Latest statistic
Production – Australia	191 million dozen eggs per annum – 2002/03 (Source: Australian Bureau of Statistics)
Flock size (approx)	12.913 million hens – 2002/03 (Source: Australian Bureau of Statistics)
State flock percentages	NSW/ACT 30% Victoria 25% Queensland 24% WA/NT 12% SA 6% Tasmania 3% (Source: Australian Bureau of Statistics)
Retail prices (average)	\$3.42 per dozen – December quarter 2004 (Source: Australian Bureau of Statistics)
Number of egg farmers	457 – June 2003 (Source: Australian Bureau of Statistics)
Gross value of production at farm gate	\$253.7m per annum – 2002/03 (Source: Australian Bureau of Statistics)
Average unit value of production at farm gate	\$1.56 per dozen – 2002/03 (Source: Australian Bureau of Statistics)
Gross value of production at wholesale	\$294m per annum – 2002/03 (source: Australian Bureau of Statistics)
Grocery value	\$320m per annum – 2004 (Source: Retail World)
Estimated grocery market share (volume)	<ul style="list-style-type: none"> <li>• Cage eggs – 75.2%               <ul style="list-style-type: none"> <li>Proprietary label – 25.6%</li> <li>Generic label – 74.4%</li> </ul> </li> <li>• Barn Laid eggs – 6.1%:               <ul style="list-style-type: none"> <li>Proprietary label – 64.8%</li> <li>Generic label – 35.2%</li> </ul> </li> <li>• Free Range eggs – 14.5%:               <ul style="list-style-type: none"> <li>Proprietary label – 80.1%</li> <li>Generic label – 19.9%</li> </ul> </li> <li>• Specialty &amp; Organic eggs – 4.2%</li> </ul> (Source: Retail World)
Egg product exports 2003–04	A\$2.664m (FOB equivalent) (Source: Australian Bureau of Statistics)
Egg product imports 2003–04	A\$6.345m (CIF equivalent) (Source: Australian Bureau of Statistics)

## Chairman's message

The 2004–2005 period has built on the strong foundations laid over the Corporation's first full year of operations to start unifying results for all Australian egg farmers. Many projects and activities are now yielding positive outcomes for the Australian egg industry with the centrepiece achievement being the growth of egg demand and sales across the Australian market.

While egg consumption has reversed its long term decline, egg farmers still face a number of business issues in an environment that is forever changing. These have included ongoing industry rationalisation, the need for greater business investments to adopt new technologies, an increased focus on animal welfare by consumers and government, the threat of exotic and emergency diseases, the shortages of skilled labour and ongoing hyper-competition in the retail and food service market segments.

Continual investments in new production systems and other equipment characterised the efforts of many egg farmers throughout the year. Many other egg farmers are still considering their business options in light of the many challenges including the new Model Code of Practice for the Welfare of Animals – Domestic Poultry. Unfortunately these circumstances have already resulted in some egg farmers making the decision to close their business and leave the egg industry.

Despite this changing and challenging environment, there are a number of positive signals in the market for egg farmers. New technologies are making egg production more efficient, enhanced research is making hen husbandry more effective and sales growth opportunities are making egg marketing more sustainable.

In line with the agreed strategic plan, AECL has focussed its efforts to address a number of these known 'pressure points'. This year the foci have been on growing demand and sales opportunities for Australian eggs, leveraging research opportunities and investments to deliver greater value, enhancing the supply chain and sales environment for eggs and monitoring, addressing and informing governments on key industry issues and challenges.

AECL will continue to seek fairness and equity among governments and other authorities, whatever impositions they may enforce on our industry. Having said this, we all need to be working towards improving our business and long term sustainability of the Australian egg industry. AECL has been and will continue to assist egg farmers achieve this.

Our ongoing, regular and wide-ranging communication with all egg farmers is fundamental to providing effective feedback to all levy payers regarding the investments being made and the opportunities being created or tools produced for your business. I know all Board directors and AECL management are open to hear your views of the Corporation's activities, results and most importantly, business issues.



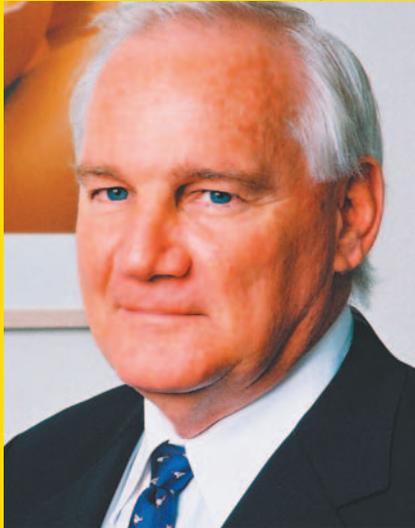
Jeff Ironside

We will continue to openly communicate with all egg farmers, researchers, industry suppliers and other supply chain partners regarding our efforts.

The wide scope of activities that have been actioned by the AECL over the 2004–2005 period does reflect the vast range of industry issues and challenges prevalent in the Australian egg industry. AECL will continue to work hard and diligently to influence the production and marketing environment while providing the tools necessary to help ensure the long-term competitiveness and sustainability of egg businesses.

I wish to take this opportunity to formally acknowledge the efforts of my fellow directors for their ongoing contribution to the betterment of the Australian egg industry and the management team at AECL for their sterling efforts and achievements during the year in their continual pursuit of excellence in service delivery.

# AECL Board of Directors



**Jeff Ironside – FAICD**

#### AECL chairman

Jeff Ironside is a non-executive elected director and Chairman of AECL.

Jeff has been a medium-sized egg producer in North Queensland since 1976 investing technology and innovation into his egg production system. A supplier to Sunny Queen Limited, Jeff was elected to the Board of Sunny Queen Limited in 1993 and became Chairman in 1996, a position Jeff held until 1999.

Jeff was elected President of the former Australian Egg Industry Association (AEIA) in November 2000, a post he held until June 2003 when the functions of the AEIA were subsumed by the Australian Egg Corporation Limited (AECL).

Jeff is a Fellow of the Australian Institute of Company Directors.



**Russell Ware – LL.M. (Hons.)**

#### AECL deputy chairman

Russell Ware is a non-executive specialist director of AECL, Deputy Chairman and Chairman of the Audit Committee, fulfilling the requirements of the Australian Government's agreement with the Corporation that "the board specifically include a director who can demonstrate from his or her experience that he or she is highly skilled in corporate governance".

A former Sydney commercial lawyer and now living on a farm, Russell is a professional company director who was chairman of three publicly listed companies over a twelve year period. He also consults to and advises business owners, specialising in succession and strategic planning for family-owned businesses, particularly in the agribusiness sector.



**John O'Hara – BBus (Comm), MAICD**

#### AECL director

John O'Hara is a non-executive specialist director of AECL and is the Chief Executive Officer of Sunny Queen Pty Ltd, one of Australia's largest egg marketers.

Before joining the egg industry John had accumulated over twenty years management, marketing and sales experience in the food industry. He has worked with some of the largest food companies in Australia, including Nestle, Dairy Farmers and National Foods.

In August 2004, John and his team won four gold and one silver award in the 2004 Australian CREAM awards for advertising effectiveness. John then won the International Egg Commission's 2004 Crystal Egg Award for marketing excellence, followed by two gold awards in the Marketing Effectiveness Awards held in New York.

John is a Member of the Australian Institute of Company Directors and has held a Board position at the Heart Research Institute for more than five years. He also has held a number of Board positions in community and sporting groups, including Vice Patron of Surf Life Saving, Queensland.



### Frank Pace

#### AECL director

Frank Pace is a non-executive elected director of AECL and is the founder and Managing Director of Pace Farm Pty Ltd – the largest producer, marketer and distributor of eggs in Australia.

Frank is the Deputy Chairman of the International Egg Commission (IEC). As the leader of one of the most competitive egg companies in the world, the IEC has awarded Frank with both the Crystal Egg Award for international excellence in egg marketing, and the Denis Wellstead Memorial Trophy for International Egg Person of the year.

Frank Pace has given more than 25 years of service to the egg industry, sitting on research and development, animal welfare and marketing committees.

A philanthropic supporter of Variety Club Children's Charity, scientific research, the Firefighter's association and cancer research, Mr Frank Pace has a lifelong history of active contribution to the local community. His honours include being awarded a Life Membership and Paul Harris Fellow with the Rotary Club of Mount Druitt.

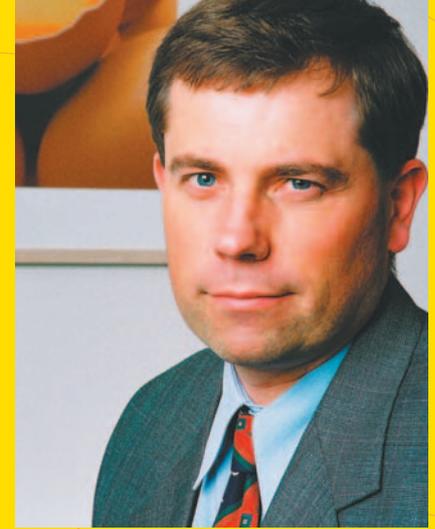


### Philip Steel – B App Sci

#### AECL director

Philip Steel is a non-executive elected director of AECL and is the Chief Executive Officer of the Western Australian Egg Marketing Board, trading as Golden Egg Farms. Philip has recently directed Golden Egg Farms towards world's best practice positions in all areas.

Philip was a committee of management member of the former Australian Egg Industry Association (AEIA) from 1996 and became President in 1998 until November 2000. During his tenure, Philip contributed to the AEIA in areas relating to food safety, quality assurance and public relations.



### James Kellaway – B App Sci (Agr), GDMM, GAICD, MBA

#### AECL managing director

James Kellaway is the executive director of AECL and has extensive experience in rural commodity and product marketing with industry organisations including Horticulture Australia Limited, Meat & Livestock Australia, the former Australian Meat & Livestock Corporation and the NSW Meat Industry Authority. James has been responsible for implementing industry based marketing communication programs and member services. These roles had a key focus on delivering commercial results to all company shareholders.

James has a Master of Business Administration (MBA) from the University of Technology, Sydney, a Graduate Diploma in Marketing Management from the Graduate School of Management and a Bachelor of Applied Science in Agriculture from the University of Western Sydney.

James is also a Graduate Member of the Australian Institute of Company Directors.

# Managing Director's report



James Kellaway

Unifying for results during the 2004–2005 period has been the natural progression from the foundations that were laid during the Corporation's first 17 months of operation. Key to this has been the measurement and delivery of tangible results that demonstrate a clear return-on-investment for stakeholder funds received principally from egg producers and the Australian government.

AECL is committed to creating an operating environment that assists to minimise barriers and costs for Australian egg producers and to maximise benefits and revenue for the industry and the community. Operationally, AECL is achieving this through key program areas that are focussed on market awareness, market education, supply chain enhancement, on-farm innovation & efficiency and public affairs.

## 200 by 2010

The AECL Board has determined that the industry should be moving to improve egg consumption in Australia to achieve consumption of 200 eggs per person by 2010. While this could be considered an ambitious goal, AECL considers this and other industry measures to be attainable in the longer term. While consumption over the January 2000 to January 2003 period fell on average from 164 to 154 eggs per person on a linear trend basis, the industry has witnessed an average increase in egg consumption to reach 168 eggs per person as at June 2005.

## Market awareness

One of our objectives has been to raise the awareness of eggs by promoting their key benefits, including the versatility, convenience, great taste and value for money that eggs provide. Aimed at the now familiar 'egg lover' consumer segment (39% of the market), the industry's national TV, Point-Of-Sale (POS) and recipe card campaign has started to achieve this in conjunction with tactical public relations activities aimed at consumers and key opinion leaders including chefs and food media.

## Food service

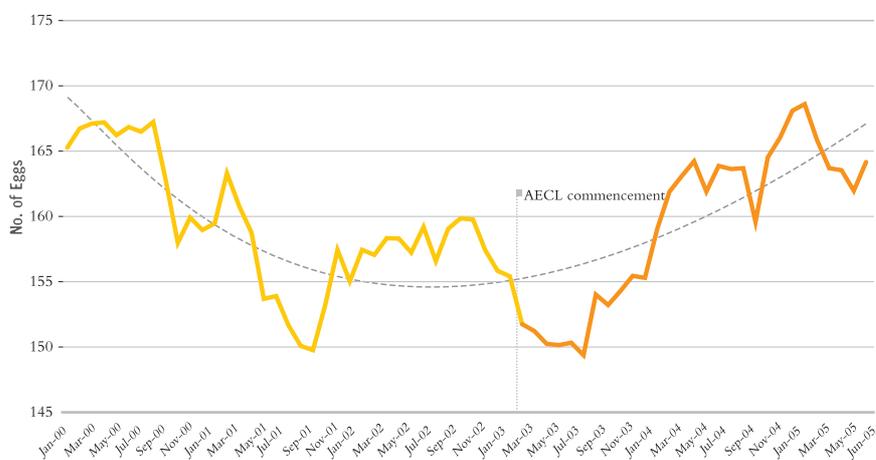
A key addition to the Corporation's program of activities during the year was our communications and relations with the food service industry. Initially aimed at the 5-star white tablecloth segment, AECL held food media events in Adelaide and Hobart attracting and matching egg producers with food editors of major publications and restaurant chefs.

Held over an egg themed lunch, these events were able to display and highlight the versatility and great taste of eggs as a 'centre-of-plate' meal item. During each lunch, AECL was able to provide information on product sourcing, ordering and egg nutrition.

## Market education

Another integral promotional platform to the Corporation's efforts is to address the concerns of our 'egg wary' (28% of the market) and 'egg restrictor' (31% of the market) consumer segments. The launch of this campaign coincided with the International Egg Commission annual conference in Sydney. Integral to this was the promotion of Dr Don McNamara from the Egg Nutrition Centre in the US and our consulting nutritionist

Egg consumption – per capita January 2000 – June 2005



Sharon Natoli. Don and Sharon were able to provide credible, scientific and recent research to debunk negative health myths and promote nutritional benefits associated with eggs. The media attention nationally and coverage was valued at well over \$500,000 for this Public Relations campaign. Our advertising messages were also well received and AECL now communicates directly with over 20,000 GPs throughout Australia. To complement our efforts, AECL continues to build evidence with the aim of getting the Heart Foundation Tick for eggs.

### Egg Nutrition Advisory Group

The Egg Nutrition Advisory Group (ENAG) was formed and launched during the year. The group comprises of a cardiologist, an endocrinologist, a GP, a nutritionist and a research scientist. The aim of the group is to provide credible health and nutritional messages about eggs to both consumers and healthcare professionals who are considered key opinion leaders in the community. The AECL looks forward to working closely with this expert group into the future.

### Supply chain enhancement

A larger focus was afforded during the year to enhance the supply chain by undertaking market-driven research to determine weaknesses in the distribution of eggs to the market. After receiving input from the supply chain enhancement Industry Consultative Committee (ICC), the first channel to be analysed was the supermarket sector including the distribution centres where store orders are consolidated prior to dispatch. Through our Retail Category Management (RCM) activities, AECL was able to refine in-store planograms, category/shelf hygiene, product ordering, stock rotation and ranging. Through the RCM conducted in Victoria, we were able to enhance sales growth and minimise stock losses.

### Research & Development

With the valued assistance of the R&D Industry Consultative Committee (ICC), the Corporation's R&D efforts continue unabated with a number of projects completed during the year and many more continuing. In terms of basic and applied research, key project areas include flock health & disease management, bird husbandry & welfare, feed availability & nutrition, environmentally sustainable management and training & technology transfer. AECL has continued our commitment in the newly-formed Poultry Cooperative Research Centre (CRC) where the majority of any approved 'blue-sky' research efforts are channelled.

AECL continues to gain feedback from egg producers in relation to R&D funding and more efforts will be exerted with egg producers to initiate and take ownership of future R&D efforts while maintaining our presence in the funding and support of needed basic and applied research.

### Issues management

During the year AECL completed the issues management plan which provides a strategic and considered approach when responding to issues as they occur. The plan provides a measured approach to issues raised in a number of areas including exotic diseases, animal welfare, food safety, truth-in-labelling, consumer concerns & misconceptions and environmental management. Produced in consultation with the Communications Industry Consultative Committee (ICC), the egg industry now has a media and issues management protocol when such events emerge. This is critical to ensure a timely and adequate response is undertaken on issues that may directly affect the egg industry.

### International Egg Commission

The Australian egg industry hosted the annual International Egg Commission

(IEC) production and marketing conference during the year in Sydney. This event provided all Australian egg producers with the opportunity to meet and discuss industry issues with over 300 delegates who represented more than 32 different countries. The Chairman of the IEC announced that it was the "...best ever..." annual IEC conference with Australia sweeping the awards pool. All Australian egg producers should be proud of this achievement.

### Egg Corp Assured

During the year, the Corporation launched Egg Corp Assured (ECA) as the branded name of the national egg quality assurance program. Now a registered trademark, the ECA program licenses pullet rearers, egg producers and egg graders who comply with agreed standards on food safety, animal health and animal welfare. Additional elements of this program will include environmental management, product labelling and eventually product quality.

While this only highlights some of the major activities and outcomes achieved by the AECL over 2004–2005, it demonstrates the breadth of activity and assistance we are providing all egg producers throughout Australia.

On a personal note, I wish to thank the efforts of Dr Irene Gorman who stepped down from her role as R&D Manager after more than 8 years of dedicated service to the egg industry. We all acknowledge her personal and professional commitment to the industry and wish her well in her future endeavours. In addition, to all staff at AECL who continue to provide exemplary service to the Corporation and the industry by providing timely and effective outcomes for the benefit of all egg producers. Finally, to the Board for their unwavering support and assistance to ensure that all programs are achieving the goals and achievements expected by all levy payers.

# Marketing program – getting eggs into the fridge



Katherine Bryar

The major objective of the AECL marketing program is to grow demand for eggs in the market by promoting eggs to Australians. Armed with rigorous market research and a solid marketing strategy the AECL marketing program undertook projects in three core pillars: market awareness, market education and supply chain enhancement.

## Market awareness

After the success of the pilot awareness campaign during 2003–2004, AECL undertook a national roll out of the market awareness campaign. This campaign directly targeted the core and loyal users of eggs ‘egg lovers’ (39% of Australian consumers). This consumer market segment has a passive relationship with eggs because of the limited promotion of eggs and their use over the last two decades. Health and nutrition is not the key driver among this market segment.

The elements that made up the awareness campaign included a TV commercial, in-pack recipe cards and various point-of-sale (POS) items including egg mobiles, in-store trolley advertising and in-store floor stickers. Various awareness-raising public relations and media activities were also undertaken including World Egg Day, which saw cook ups in 6 capital cities across Australia and generated 84 pieces of media coverage.

According to ACNielsen’s ‘Homescan’ data the overall awareness campaign generated an average purchase increase of 8.2% or 153,949 additional cartons. This equates to a return on investment of 104%.

## Market Education

The market education campaigns address both opinion leaders (such as healthcare professionals) and those consumers who actively limit or avoid egg consumption (‘egg restrictors’ & ‘egg wary’). It is expected that the healthcare professional (HCPs) education campaign will have a positive effect on these opinion leaders to then influence the attitudes and behaviour of consumers.

## Healthcare Professionals Education Campaign

To interpret the latest scientific information on egg nutrition and to communicate these findings to healthcare professionals, AECL formed the Egg Nutrition Advisory Group (ENAG). The role of ENAG is to provide unbiased and accurate information to AECL to guide research and educational projects, and to provide analysis and interpretation of the current scientific literature on the nutritional value and health qualities of eggs.

The national healthcare professionals education campaign directly targeted 20,000 Australian General Practitioners and a number of Nutritionists, Dieticians, and specialists including Cardiologists and Endocrinologists. This campaign was designed to dispel the cholesterol myth that has been incorrectly associated with eggs, while empowering and equipping healthcare professionals with the information they need to answer their patient’s questions. The key messages used in these campaigns were scientifically based findings sourced from ENAG.

**Eggs and cholesterol.**  
It's fact from fiction we should be separating.

The latest research shows that eggs have little effect on cholesterol for most people. The real culprits are foods high in saturated fat, and here's some more news we're happy to break: eggs are high in essential vitamins and minerals. So you no longer have to separate yourself from one of nature's great natural foods, eggs. For more information visit [www.eggs.org.au](http://www.eggs.org.au) brought to you by the Australian Egg Corporation Limited.

**IT ALL STARTS WITH AN EGG**

**Eggs and cholesterol. The story was a beat up.**

It's time to forget what you might have heard, because it simply isn't true. Research shows that eggs have little effect on cholesterol for most people. What's more, they're high in essential vitamins and minerals, making them a great tasting nutritional powerhouse. So go ahead, enjoy your eggs. For more information visit [www.eggs.org.au](http://www.eggs.org.au)

**IT ALL STARTS WITH AN EGG**

**fact.**

One medium sized egg contains just 5 grams of fat.

Of that, there is a paltry 1.5 grams of saturated fat.

And when it comes to serum cholesterol, saturated fats are the real culprits.

So it's no surprise to learn that recent studies show eggs have very little effect on serum cholesterol for most people.<sup>1</sup>

So break some good news to your patients. Let them know that they can enjoy their eggs.

For more information visit [www.eggs.org.au](http://www.eggs.org.au)

**ENAG** EGG NUTRITION AUSTRALIAN CORPORATION

Reference: 1. Song W et al. (2004) Nutritional contribution of eggs to American diets. J Am Coll Nutr. 13(5):350-354.

**fiction.**

Eggs are fatty?

**ENAG** EGG NUTRITION AUSTRALIAN CORPORATION

**E.G.Gs**

**ENAG** EGG NUTRITION AUSTRALIAN CORPORATION

**not E.C.Gs**

Attitudes are changing.

New evidence continues to emerge showing the health benefits of eggs. In fact, two of the largest prospective cohort studies have shown no association between eating one egg a day and the risk of coronary heart disease or stroke in the majority of healthy people!

On the flip side, eating eggs regularly may actually have significant health benefits.

Many of the nutrients found in eggs, such as vitamin E, vitamin B12 and folate, have been associated with a reduced risk of a range of lifestyle related diseases.

And that's a very tasty piece of news for you and your patients.

For more information visit [www.eggs.org.au](http://www.eggs.org.au)

**ENAG** EGG NUTRITION AUSTRALIAN CORPORATION

Reference: 1. Hu FB et al. (2005) A prospective study of egg consumption and the risk of cardiovascular disease in men and women. J Am Med Assoc. 293:1559-1564.

# Marketing program – getting eggs into the fridge

The elements that made up the healthcare professional education campaign included the development of ENAG positioning statements on egg nutrition and cholesterol, a Readers Digest direct mailer piece with a direct response mechanism and print advertising in various medical publications including Australian Doctor, Australian Family Physician and Medical Observer.

## Consumer Education Campaign

The consumer education campaign targeted both the 'egg restrictor' (31% of consumers) and 'egg wary' (28% of consumers) market segments, with a focus on the main grocery buyer in the home. The key messages were relatively simple, factual messages to highlight the nutritional benefits of eggs and to allay long-standing negative perceptions about fat and cholesterol content in eggs causing or contributing towards long-term health problems.

The consumer campaign focussed on print advertising undertaken in a range of national magazines including the Australian Women's Weekly, Women's Day, Family Circle, Good Medicine and Reader's Digest. These magazines also featured egg stories including topics on egg nutrition and health, egg based recipes and new creative usages for eggs. Other activities in the campaign were GP surgery posters and take home brochures, the consumer website [www.eggs.org.au](http://www.eggs.org.au), egg nutrition educational posters and Doctor's Kits.

To launch the education campaign, AECL undertook an extensive media publicity tour to coincide with the International Egg Commission Conference in Sydney.

This national publicity tour in September 2004 consisted of interviews with James Kellaway, AECL Managing Director; Sharon Natoli, Nutritionist; and Don McNamara, Executive Director of the US Egg Nutrition Centre in the days of and leading up to the IEC conference on topics that included cholesterol and fat, egg health and nutrition and eye health. The campaign generated a total of 226 stories of egg nutrition in the Australian media, with the overwhelming majority of coverage (78%) reaching 'egg restrictors' and 'egg wary'.

A Newspoll survey commissioned by AECL showed that the education campaign had a significant effect on shifting hardened beliefs in relation to eggs and cholesterol. The research conducted at the end of the financial year showed that 9.2% of 'egg restrictors' and 11% of 'egg lovers' changed their attitude to a more positive view of the effect eggs have on cholesterol levels. Opinions among the 'egg wary' stayed relatively steady. It is suspected that this market, which is made up of largely higher educated professionals, would require a credible third party endorsement before they would be willing to change their position on this topic.

According to ACNielsen's 'Homescan' data, the education campaign generated an average purchase increase of 9.3% or 1,116,138 additional cartons sold. This equates to an impressive 411% return on investment with the largest increases in sales among the 'egg restrictor' and 'egg wary'.

## Supply Chain Enhancement

### Retail Category Management

A Retail Category Management (RCM) project with Coles Victoria was successfully completed during 2004–2005. The project, which began in Melbourne during February 2004, consisted of four cycles and was undertaken in 70% of all Coles supermarkets in Victoria. This trial effectively covered approximately 90% of Coles' Victorian egg sales.

The Victorian RCM project consisted of four cycles running 6–8 weeks each and covering 2–3 Coles Regions per cycle. The project was concentrated on the population dense areas of Victoria, which included metropolitan Melbourne and the Geelong region.

The RCM project involves the merchandising of the egg category within the retail outlet. The projects focussed on issues including egg category appearance, inventory replenishment, stock rotation, stock weight and ordering issues. Each store received and implemented a Best Practice Manual outlining operating procedures for eggs, and a store specific planogram (outlining the layout and design of the egg category).

The success of this AECL project depended on the cooperation of many Coles staff including the egg buyers, regional managers and store managers working together with AECL and the egg industry. Each participant in the project received daily out-of-stock reports for all stores and had access to the website where this and other relevant information was collated into easy to read graphs and available in real time.

The implementation of the Best Practice Manual saw a cultural change with regional, store and grocery managers towards the egg category. At the completion of the project the percentage of out of stock product improved on a weekly average of 41.3% while a huge 58.5% weekly average improvement was seen in products that were not on show. At the completion of this RCM project, Coles had seen a growth in the Victorian egg category of 3.2%.

### Egg Supply Chain and Ullage Audit

Everyday eggs are accidentally destroyed throughout the supply chain. AECL undertook an egg supply chain audit to identify the key areas and causes of breakage and ullage with a view to ameliorating this problem over the coming years.

The audit project undertaken in NSW and Victoria was conducted over a two week period involving 14 regional and metro Coles and BiLo stores in each area. The supply chain was divided into four areas, the grading floor, transportation to the distribution centre, distribution centre and transportation to store and in store. The audit revealed 8 major problem areas:

### Issues Identified at Grading Floor

1. Upsizing eggs without upsizing the carton
2. Damaged product due to grading floor machine errors
3. Already damaged egg cartons used during the grading process

### Issues Identified at the Distribution Centre (DC)

1. Condensation weakening outer cartons
2. Pallets stacked too high

### Issues Identified at Store level

1. Different shaped outer boxes making pallets difficult to stack pallets
2. Egg boxes not handled as fragile
3. Back of store storage from incorrect ordering

AECL looks forward to a constructive year of solving the problems identified during the audit. AECL has also formed the Supply Chain Enhancement Industry Consultative Committee who will assist AECL with this task.

### Moving Eggs to the Dinner Table

During the last year sales increased during the AECL promotional campaigns with the greatest response occurring in the first part of the campaign. In the second part of the campaign, the days between egg purchases increased resulting in a decline in sales. Egg sales recovered again in the third part of the campaign. This purchase behaviour indicates that the campaigns were able to get eggs into the fridge but in-home consumption levels were slow to be realised.

As eggs are still considered a commodity food they are unlikely to be re-purchased until stocks are low or finished. Getting eggs into the fridge is the first stage of the problem, getting them on to the dinner table is the next. AECL objective for the coming year, besides continuing to debunk the myths around eggs and cholesterol, is to educate consumers on the usage of eggs by providing them with new recipe solutions and inspiring them to consume more.

## Research and Development program – listening and responding



One key objective of the AECL Research and Development (R&D) program is to deliver a direct commercial benefit to the Australian egg industry. AECL reviews and evaluates the success of the entire research and development program every year in conjunction with industry. However, in 2004–2005 AECL decided to step-back from current processes to ask egg farmers and stakeholders throughout the country what they wanted from AECL's research investments.

This wholesale review of all research projects commenced by identifying the issues and challenges facing egg farmers,

then identifying supporting research required to improve on-farm efficiency and enhance all areas of the supply/demand chain. This year AECL has directed research funding into driving the uptake of innovations to increase productivity, developing skills and motivation resources and delivering integrated services that provide greatest value to stakeholders.

It must be remembered that a large percentage of the research undertaken throughout the year has been ongoing research approved under the former RIRDC egg program.

### Meeting the research and development needs of egg farmers

#### Industry survey

The priority for AECL is to ensure that the direction of the egg industry's research and development program meets the requirements of farmers and other stakeholders. During the latter part of 2004, AECL commissioned a study to gauge producer's views on the issues and challenges facing the egg industry. Around 130 farmers from across Australia provided feedback on a range of issues ranging from animal nutrition and disease management through to housing design, product packaging and occupational health and safety issues.

Animal welfare was found to be the biggest issue facing the industry, with the largest number of respondents considering this area to be important. This has reinforced the need of AECL to promote compliance with regulations in order to safeguard the industry from negative publicity due to poor production practices. Concerns relating to government policy/legislation and on-farm costs were also high on the agenda.

The input gained from the survey will prove an invaluable resource in helping guide AECL to fund R&D that will continue to help the industry to deal more efficiently with its most pressing challenges.

#### Data collection

The National Industry Databases project represents a continuation of new and existing databases providing reliable statistical information to the egg industry. Previous components of the project have been improved and expanded including the production plan survey that has collected statistics relating to pullet replacement practices, which will be of value for the development of forecast modelling.

Other improvements have been achieved in the collection of chick hatchings including the co-operation of Australia's major hatcheries in supplying hatchings data direct to the project.

The Databases project improves data collection and enhances the communication to egg farmers of production forecasts, chick placements, market outlook and reports. These statistics and qualified commentary was made available throughout 2004–2005 as part of a quarterly publication sent to participating egg farmers. Those farmers are now using this information to modify management decisions to minimise and modify the cyclic nature of egg supply, thus maximising returns.

#### Developing existing markets

This year has seen the completion of projects aimed at developing a better understanding of the marketplace and improving consumer demand for eggs. One of these projects identified factors that predict consumer and community behaviours relevant to egg production.

Public opinions regarding the purchase of eggs were surveyed using a generic 'Farming and the Community' survey and an industry specific 'Egg Farming and the Community' survey. The study demonstrated the importance of considering community attitudes both in developing marketing strategies as well as in developing policy. The findings recommended that the focus of these strategies should extend beyond food quality issues to include significant community concerns about animal welfare.

#### Egg Corp Assured

This year has seen AECL reach key benchmarks for the introduction of a unified egg quality assurance program across Australia, a program to help commercial egg farmers adopt quality assurance practices on their farms.

During 2004–2005, AECL moved to build on the successful base of the national egg quality assurance program by incorporating a new image and retail focus. This quality assurance program now has a new, easily recognisable trade mark and a consumer-friendly name: Egg Corp Assured (ECA). The new logo was designed to convey a message of high egg quality in the realms of food quality, bird safety, welfare and health. A second trade mark was also developed for printing directly on the surface of the egg.

The Egg Corp Assured Trade Mark is only given to egg businesses that establish a compliant quality assurance system and have been successfully audited by a third party auditor. Each egg business that is licensed receives a unique individual identification number directly incorporated into their trade mark logo. This will ultimately aid in tracking product and identifying the source of origin.

Training courses were run throughout the year to familiarise qualified auditors with Egg Corp Assured. The training course underpins the Auditor Accreditation Program and ensures that sufficient third-party auditors are available for those egg industry members interested in gaining an ECA license. By the end of June 2005, 13 Auditors had been ECA Accredited.

#### Eliminating fishy taint from eggs

A project funded by AECL has investigated the relationship between specific compounds found in canola meal in layer hen diets and the generation of eggs with a fishy taint, a trait which was found unacceptable to consumers. Canola meal is a relatively low-cost high nutrition layer feed, however, its use has been limited because it contains a number of compounds that are poorly metabolised by some layers, which appears to be the predominant cause of taint.

The project has identified the levels of compounds that give rise to unacceptable levels of taint in an Australian population of layer hens and has delivered recommendations as to the highest acceptable levels of canola meal within layer hen diets. Canola grows well in the temperate regions of Australia and an increase in the use of canola meal would likely lead to a decrease in the use of soybean meal, much of which is imported, at higher cost, from overseas.

# Research and Development program – listening and responding



David Witcombe

## Exploring the welfare benefits of furniture in layer cages

A project focused on the welfare of hens in layer cages has examined the implications of providing a perch, nest box and dust bath in cages for laying hens and has also explored the welfare implications of space allowance and group size.

The study has found that, while the presence of a perch had a positive impact on bone strength, the effects of other any of the other items of furniture, either alone or in combination, were relatively minor. The project has also provided evidence that space allowance in particular is probably more important for welfare than group size or the addition of items of cage furniture.

## Vaccination Training Workshops

In conjunction with State Departments of Agriculture, AECL conducted a highly successful series of vaccination training workshops throughout Australia to refresh the skills and knowledge of egg industry staff who vaccinate chickens. Vaccination protects the health and welfare of laying hens and pullets and has become even more important in recent times to prevent a recurrence of virulent Newcastle disease.

The training course served as an extension to the development of the Vaccination training manual and informed egg industry staff on safe, biosecure and effective procedures for transport, storage, preparation and administration of live and inactivated vaccines.

Vaccination is only effective if it is performed properly and the outcomes of this training activity are expected to have substantial and long term economic and animal welfare benefits to the Australian egg industry.

## Informing Australian children about eggs

In conjunction with the Australian Poultry CRC, AECL has this year supported *The Story of eggs* – the latest addition to the educational *Workboot Series*, which is designed to educate children on egg related nutrition and all aspects of egg production. *The Story of Eggs* is a 68-page full colour publication that takes children on a virtual tour of Australian egg farms and describes how eggs are produced, processed and packaged before being delivered fresh to the consumer.

The project addresses misinformation amongst Australian children relating to their knowledge of farming and food production, outlining the lengths Australian egg farmers go to in ensuring their hens are kept healthy and safe.

*The Story of Eggs* also aims to educate children on eating correctly and the nutritional benefits of including eggs in a balanced, healthy diet.

The story of eggs in Australia will be used as part of a communication program designed to educate and inform children and parents about egg nutrition and production.

## Environmental Management Systems (EMS)

Within the egg industry, managing operations to minimise environmental impact has become an important issue. Early 2004–2005 saw the successful application of an AECL-funded proposal to seek funding of \$372,000 from the Australian Government's Pathways to Industry EMS Program. Environmental management issues are now being incorporated into Egg Corp Assured, which will enable licensed businesses to also demonstrate high environmental management standards.

## Numbers of R&D projects by Government Priorities 2004–2005 (Total 43)

1. Sustainable natural resource management: 2
2. Improving competitiveness through a whole of industry approach: 11
3. Maintaining and improving confidence in the integrity of Australian agricultural food, fish and forestry products: 7
4. Improved trade and market access: 1
5. Use of frontier technologies: 8
6. Protecting Australia from invasive disease and pests: 4
7. Creating an innovative culture: 10

<b>Project Title</b>	<b>Principal Investigator</b>	<b>Organisation</b>
<b>Public Health</b>		
Is total egg avoidance really necessary for egg allergy treatment?	Dr Maria Makrides	Child Health Research Institute
A Salmonella quantitative risk assessment model for the egg industry	Dr Connor Thomas	University of Adelaide
National food safety risk profile of eggs and egg products	Dr Andrew Pointon	South Australian Research and Development Institute
<b>Flock Health and Disease Management</b>		
Characterisation and modulation of virulence of endemic IBDV strains using reverse genetics	Dr Sandra Sapats	CSIRO Livestock Industries
Rapid identification and pathotyping of virulent IBDV, NDV and AI isolates	Dr Hans Heine	CSIRO Livestock Industries
Use of cytokines to enhance vaccine efficacy in poultry	Dr Andrew Bean	CSIRO Livestock Industries
National NDV survey	Dr Vivien Kite	Rural Industries Research and Development Corporation
Molecular epidemiology and pathogenesis of infectious laryngotracheitis viruses in Australia	Dr Amir Noormohammadi	University of Melbourne
Marek's disease research in Australia – a review	Prof. Greg Tannock	Royal Melbourne Institute of Technology
Molecular evaluation of responses to vaccination and challenge by Marek's disease viruses	Prof. Greg Tannock	Royal Melbourne Institute of Technology
Molecular techniques for monitoring Marek's viraemias in broilers and layers	Dr Graham Burgess	James Cook University
Improving Mycoplasma vaccines – targets for defined attenuation	Dr Phillip Markham	University of Melbourne
Systematic pathotyping of Australian Marek's disease (MDV) isolates	Dr Steve Walkden-Brown	University of New England
Typing of Pasteurella multocida	A/Prof. Linda Blackall	University of Queensland
<b>Feed Availability and Nutrition</b>		
Premium grains for livestock program (Stage 2)	Dr John Black	Grains Research and Development Corporation
Reducing the use of animal by-product meals in layer diets	Prof. Wayne Bryden	University of Queensland
Mechanical and enzymatic improvement of lupins for broiler and layer diets	Dr Ian Williams	University of Western Australia
<b>Husbandry and Welfare</b>		
Development of Egg Magic version 2	Mr Bryce Little	Agricultural Business Research Institute
Welfare of laying hens in furnished cages	Dr John Barnett	Department of Natural Resources and Environment, Vic
The assessment and development of best management practice techniques for Australian laying hens housed in conventional and alternative laying systems	Prof. Wayne Bryden	University of Queensland
Non-invasive stress assessment of commercial egg industry practices	Dr Jeff Downing	University of Sydney
Strategies to improve moulting practices and reduce reliance on beak trimming	Dr Greg Parkinson	Department of Natural Resources and Environment, Vic
<b>Training, Information and Technology Transfer</b>		
High school poultry industry education with WPSA	Mr Paul Kent	Dept of Primary Industries and Fisheries, Qld
Miscellaneous		
Australian Poultry CRC	Prof. Mingan Choct	Australian Poultry CRC

## Communication program – involving and improving



Anthony Fisk

The AECL communication strategy is founded on our mission to create an industry operating environment that assists to minimise barriers and costs for Australian egg farmers and to maximise benefits and revenue for the industry and community through integrated marketing, research and development, and policy services.

Over 2004–2005, the AECL communications program focussed on three main objectives:

1. improve communication with our members and other stakeholders
2. minimise media interest in issues harmful to the Australian egg industry
3. enhance the marketing program through targeted public relations activities.

### Integrated Communication Activities

Several communications activities were conducted so as to incorporate all three objectives in their planning and execution.

### International Egg Conference

The start of the financial year saw AECL host the International Egg Commission Conference in Sydney from 19–24 September 2004. The conference broke all attendance records, including the highest number of countries represented and the greatest number of local farmers. The Chairman of the IEC, Clive Frampton, declared it the best IEC Conference ever.

Australia also scooped the awards pool with AECL winning the Golden Egg (country marketing award), Sunny Queen winning the Crystal Egg (producer marketing award), and Frank Pace winning the Denis Wellstead Memorial Trophy (international egg person of the year).

Media interest in the conference was very high, with 256 mentions that were overwhelmingly positive about eggs, and the egg industry. Dr Don McNamara of the US Egg Nutrition Centre attracted significant media attention as the leading egg nutrition expert in the world.

### Food Industry Opinion Leaders

AECL recognises the influential role top chefs, media personalities and food journalists have in leading trends in restaurants and shaping public opinion in kitchens around the country. Eggs are a key component in cooking, but are often positioned as an ingredient rather than an attractive meal solution. Eggs were promoted to the food industry as part of an integrated PR campaign centred on the establishment of the Egg Food Media Club.

The Egg Food Media Club was designed to develop strong relationships with food opinion leaders and convert these opinion leaders to become champions of eggs to their markets. To open a dialogue with these busy people, the strategy was to involve leading food opinion by inspiring them to use eggs in unconventional and innovative ways.

In order to maximise positive exposure in food-related magazines and journals, the media club was launched in conjunction with a major foodies event highlighting the versatility and nutritional benefits of eggs. The first luncheon events were held in Adelaide and Hobart during March 2005, to coincide with the final execution of the 1st stage of the marketing awareness campaign. AECL brought together nutritionists, egg farmers, leading chefs and food media to establish strong relationships, and to encourage these key opinion leaders to become excited about the possibilities of eggs as an attractive meal solution for both the food trade and the home market.

AECL used the opportunity to combine the event with a strong local media push exposing eggs as 'the secret ingredient of good taste'. The media coverage both prior to and following the event was strong in both South Australia and Tasmania. With a key focus on eggs as a central ingredient, cooking features on eggs appeared in the food sections of several newspapers, including the Adelaide Advertiser, and Hobart Mercury. Popular attention was captured through radio competitions and street sampling, supported by local egg farmers in both States.



## Communication program – involving and improving



### Children's program

The egg industry is often the subject of negative publicity and ill-advised opinion in the areas of animal welfare and nutrition. AECL is committed to providing the Australian public with factual information on these issues, and one of the key ways of doing this is by reaching school-aged children when their minds are open to new ideas.

Australian children generally have a poor level of knowledge and experience with farming and food production. It is for this reason that AECL initiated the publication of *Eggs: the story of eggs in Australia* in conjunction with Kondinin Publishing and the Australian Poultry CRC. This book was launched in March 2005 and media interest in the book and Australian children's general lack of contact with farming was high, especially on radio. This initial media interest was complemented by a series of cooking features and competitions in Australian magazines.

AECL will continue to improve access to educational resources and information on egg production and nutrition to school-aged children and their parents. We have already promoted the take up of the book by encouraging egg farmers to donate books to their local schools and libraries. More than 700 books have already been distributed or sold directly by AECL, with further copies sold directly by the publisher.

At the conclusion of 2004–2005 AECL signed an agreement with popular children's group Active Kidz and their Lets Party! Live in Concert tour. This show will be piloted during the July 2005 school holidays.

### Handling emerging issues

For many decades, egg farmers have suffered a poor public image and battled against negative media publicity. Animal welfare issues raised by community organisations have traditionally targeted cage production systems. The arrival of organised and well-funded animal rights groups, often based overseas, has seen the advent of high-profile media campaigns that have resulted in a severe impact on sales in other Australian livestock industries.

This year, AECL moved to prepare the egg industry to respond to issues as they emerged through better media monitoring, consumer surveys, and a comprehensive issues management plan. This complete suite of documentation has been designed to map the industry's response to the issues that may threaten the Australian egg industry or its product.

During 2005–2006, a dedicated Public Affairs Industry Consultative Committee will be established to secure industry involvement in the management of the issues management plan. They will also serve as a crisis communication team in the event of an emergency.

### Emergency Animal Disease Preparedness

AECL continues to facilitate communication between the national services provider, Animal Health Australia (AHA) and the egg industry to improve animal disease preparedness. AECL is an active member on the National Management Group and nominates representatives for the Consultative Committee on Emergency Animal Diseases.

During 2004–2005, AECL sent information and resources to egg farmers and other stakeholders on the Protect Australian Livestock Campaign. A range of fridge magnets and posters encouraging farmers to report any unusual signs to their vet was distributed and followed up with biosecurity information in AECL newsletters and website.

AECL has also facilitated AHA training of egg farmers to become Industry Liaison Officers (ILOs). These ILOs will help lead the industry through an animal disease crisis. They will help ensure negative effects on egg businesses around Australia are minimised, in accordance with the Australian Government's AUSVETPLAN.

AECL is also extensively involved in preparations for a National exercise held to simulate a zoonotic disease outbreak of bird flu at the end of November 2005. Planning began in May 2004 and is one in a series of simulations governments conduct from time to time to better prepare Australia to respond to the possibility of a real event. AECL has already participated in a number of precursor activities, which were held in the lead-up to the main Exercise to test the preparedness of individual teams who will participate in Eleusis and who would play major roles in a real outbreak of avian influenza.

### **Involving our stakeholders**

AECL management spent 2004–2005 implementing further improvements to the way we communicate with members and other stakeholders. Key to these improvements was to better understand the communication and content needs of all members through member surveys, informal discussion, and active industry consultative involvement in setting priorities.

AECL membership at 30 June 2005 was at the highest point ever with 229 egg producer members. This was due to a membership drive with a member benefits program, which included discounts on publications, access to our media portal and member's only website (launched on 13 December), hotel discounts and complimentary AECL egg aprons to all new members.

Our communication improvements focussed on providing information, publications and industry forums that involved members and are relevant to their needs:

### **Egg corp Eggspress**

This fortnightly newsletter is sent to members and their employees and has been subject to an overhaul designed to improve accessibility. The information is less cluttered with short, fact-based stories in a more personal language. The newsletter now appears in HTML format on a single email and now allows all subscribers to update details, or even unsubscribe automatically. It is also available by fax.

### **Eggstra Eggstra**

this quarterly industry newsletter was revamped to be more attractive, easier to read and magazine-styled. An interview article based around the activities of Australian farmers has been incorporated to involve farmers and to share new ideas. Findings from the research and development program has now been incorporated into every edition and presented in a format which will allow practical implementation of new ideas on the farm.

### **Members' Only website**

The member's only website was made available in January 2005. Secured information now includes statements on issues affecting our members including Avian Influenza and biosecurity information, updates on our advocacy work, access to our media portal and discount hotel rates. A new EggXchange feature has been added to allow members to post buy and sell messages for eggs and equipment, or to make comment on AECL or the industry.

### **Member visits**

A series of visits to egg farmers by AECL management was undertaken to better understand the needs of the industry. Management met with dozens of farmers from egg producing regions in all states to give our stakeholders an opportunity to learn more about our operations and provide feedback on our current priorities.

### **Industry Forums**

The AECL egg industry forum brings together members and associate members to gather detailed information on AECL activities and provide feedback. Held every six months, this premier industry event is moved throughout Australia to maximise industry involvement. This year, Fremantle in Western Australia and Melbourne were chosen as the host cities, with Melbourne attracting a record turn-out of 67 members. The expert speakers from AECL, government and industry presented information on subjects selected as relevant by egg farmers themselves.

# Corporate governance



Peter O'Donnell

The governance of AECL involves members, directors, management and employees, and is affected by regulatory requirements, as well as the interests and expectations of, and relationships with, other parties including consultative committees, government, industry partners and communities.

The directors acknowledge that corporate governance is the system of management and controls exercised in the stewardship of AECL. It includes the responsibilities of the members, board of directors and the managing director. In accordance with normal corporate practices, members have delegated many of their responsibilities to the directors who oversee the management of the business on their behalf.

Directors will use their best efforts to ensure the company is properly managed and constantly improving so as to protect and enhance members' interests and to meet the company's obligations to all parties with which it interacts, its stakeholders. Directors believe that the essence of any system of good corporate governance is to allow the board and management the freedom within a framework of effective accountability.

## Role of the AECL Board

The Board is responsible for ensuring that the company funds are used to the best advantage for the long term benefit of levy paying egg farmers and more broadly, all stakeholders, consistent with the Funding Agreement with the Commonwealth. It strives to create member value by constructively engaging with management to ensure the appropriate development, execution and monitoring of the company's agreed strategies.

The AECL Board's functions include :

- Setting company policies;
- Approving major strategies, plans and budgets;
- Responding to management recommendations on major initiatives including significant investments, capital and funding proposals, senior appointments, executive remuneration and succession plans, financial results, performance against plans, and issues relating to internal controls and the management of risk;
- Approving significant capital expenditure;
- Ensuring the company acts legally and responsibly on all matters and that the highest ethical standards are maintained; and
- Ensuring the company operates within the requirements of the Funding Agreement with the Commonwealth

The AECL Board carries out its functions in line with the Australian Institute of Company Directors (AICD) Code of Conduct.

### Composition of the AECL Board

A person is eligible to be a member of AECL if they are an Australian egg producer and is the owner of laying hens over the age of 18 weeks owned at the end of the previous financial year for the purposes of the production of eggs for human consumption. Members have the number of votes determined by the number of laying hens over the age of 18 weeks and may vote at any General Meeting.

AECL members can elect up to a maximum of four Elected Directors, and ratify up to a maximum of two Specialist Directors. Specialist Directors are appointed by the AECL Board to ensure a balance of skills and expertise in accordance with the criteria set out in the Funding Agreement between the Commonwealth and AECL. Directors will normally serve a term of three years, and retire in rotation. They may serve no more than two full consecutive terms on the AECL Board (not including the initial term).

### Board Remuneration

Total remuneration for all directors has been set in the company's Constitution at a maximum of \$100,000 per annum. This amount was initially set on advice from an independent consultant and through consideration of similar industry organisation benchmarks. Aggregate Board remuneration can only be increased with the consent of the company's members. AECL's Constitution also provides for individual non-executive directors to be paid additional remuneration where they perform services outside the scope of the ordinary duties of an AECL Director.

### AECL Board Meetings

The AECL Board meets monthly and requires a quorum of a majority of directors eligible to vote. Each Director has one vote. To meet operational needs, the Board may convene by using electronic methods.

### AECL Committees

In addition to the AECL Board, an Audit Committee has been formed, whose primary function is to review the financial information that will be provided to members and others, the systems of risk management and internal controls that management and the board have established, and the audit process including the independence of the auditor.

### AECL Board Performance

The AECL Board will review its performance in the following areas on an ongoing basis:

- Roles and responsibilities
- Timeliness of advice and direction to Management
- Effectiveness of Board meetings
- Interaction with Management
- Contribution to the ongoing performance of the company

Resources will be provided where appropriate and approved by the AECL Board to enable directors to update their professional skills and knowledge as company directors.

### Business Approach

The AECL Board has put in place appropriate systems and controls to ensure that AECL acts within the law at all times, avoids conflict of interest and acts honestly and ethically in all business activities. AECL has developed key corporate controls, including risk management, fraud control and intellectual property management programs.

### Conflict of Interest

Relevant interests of all directors are reviewed on an annual basis, as well as the Board being notified of any potential conflicts of interest as and when they arise in relation to a particular issue.

# Corporate governance

## Independent Advice

After consultation with the Chairman, directors may obtain independent professional advice on matters arising in the course of their board duties. Such advice would be made available to all directors.

## Compliance

Essential components of AECL's organisational management include compliance with the Corporations Act, the organisation's Constitution, and the Funding Agreement with the Australian Government, within the framework of the Egg Industry Service Provision Act.

## Consultation with Stakeholders

A stakeholder is defined as any business, including government, that invests with AECL. The majority of funds are sourced from levy-paying egg farmers and as a result, this stakeholder group will be the core focus for AECL consultation.

AECL holds 6-monthly industry forums to update stakeholders on organisational projects and activities in line with associated programs implemented by AECL management. Each program area is designed, implemented and monitored by AECL management, with the involvement of Industry Consultative Committees (ICC's). The ICC model provides a valuable link between AECL management skilled in program/project management and service delivery functions with industry practitioners including consultants. The appointment of each ICC is for a term of two years and has a minimum of two levy paying egg farmers and a maximum of seven committee members.

## Recognition and alignment with government's R & D priorities

The Australian Government provides matching contributions to AECL for eligible R & D expenditure to a limit of 0.5% of the industry's gross value of production. As a result the Australian Government is an important and integral stakeholder of AECL.

Components of the strategic plan are consistent with a number of the government's national and rural R&D funding priorities. The plan reflects the dynamic and competitive nature of the Australian egg market and recognises the emergence of new developments and trends in research and production, quality assurance, vertically integrated supply chains and an increasing consumer emphasis on product quality and integrity.

Ongoing program development will be cognisant of all government R&D priorities as they pertain to the issues prevalent in the Australian egg industry.

The investment of AECL in the Poultry Cooperative Research Centre (CRC) supports the efforts of government authorities and commercial partners in improving disease preparedness, biosecurity, animal welfare, education and training for the Australian egg industry.

Strategies to address sustainable management and maintenance of Australia's natural resources remain a priority. Poultry farms have a smaller more intensive environmental 'footprint' than many other more extensive agricultural enterprises in Australia and environmental impacts are closely regulated by both state and local governments. As part of a holistic production strategy, AECL continues to assist develop environmental operating guidelines in close consultation with all regulators.

## Business best practice

AECL as an organisation adopts best business practice including adherence with relevant Australian standards and leading organisational management models. Key aspects include :

- Adherence to all relevant Australian accounting standards
- Development and implementation of a risk management plan in accordance with Australian standards
- Development and implementation of a fraud control plan
- Development and implementation of an intellectual property management plan
- Development and compliance with annual operation plans
- Measurement of organisational performance against specified strategic actions/outcomes and annual key performance measures
- Adoption of best practice in human resource and diversity management
- Adoption of best practice in managing compliance with legislative and regulatory requirements
- Development of internal policies and procedures in key areas such as Equal Employment Opportunities (EEO), Occupational Health and Safety (OHS) and privacy.

# Financial statements

for the year ended 30 June 2005

Directors' Report	26
Auditor's Independence Declaration	28
Directors' Declaration	29
Statement of Financial Performance	30
Statement of Financial Position	31
Statement of Cashflows	32
Notes to the Financial Statements	33
Auditor's Report	43

# Directors' Report

Your directors submit their report for the year ended 30 June, 2005.

## Directors

The names of the directors of the entity in office during the financial year and until the date of this report were :

Jeff Ironside  
Frank Pace  
Philip Steel  
Russell Ware  
John O'Hara (appointed 1 March, 2005)  
James Kellaway

## Directors Meetings

During the year to 30 June, 2005 there were 16 meetings of directors and the number attended by each director was :

Board Meetings	2004–2005	2003/2004
Total Number of Meetings	16	12
Jeff Ironside	16	12
Frank Pace	15	10*
Philip Steel	16	12
Russell Ware	16	9
John O'Hara (joined 1 March, 2005)	5	
James Kellaway	16	12

\* Alternate appointed – 2 meetings

## Audit Committee

During the year to 30 June, 2005 there were 5 committee meetings and the number attended by each director was :

Audit Committee Meetings	2004–2005	2003–2004
Total Number of Meetings	5	3
Jeff Ironside	5	3
Frank Pace	5	2*
Philip Steel	5	3
Russell Ware	5	2
John O'Hara (joined 1 March, 2005)	1	

\* Alternate appointed – 1 meeting

## Corporate Information

Australian Egg Corporation Limited is a company limited by guarantee that is incorporated and domiciled in Australia. The registered office of the company is:

Suite 4.02  
Level 4  
107 Mount Street  
North Sydney, N.S.W., 2060

The entity employed 6 employees at 30 June, 2005 (2004 : 6).

### Principal Activities

The principal activities during the year of the company were the collection of levies from egg producers and the Commonwealth Government and utilising these funds to promote the egg industry. There have been no significant changes in the nature of those activities during the year.

### Results

The profit of the entity for the year ended 30 June, 2005 was \$nil

(2004 : \$nil).

### Significant Changes in the State of Affairs

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

### Significant Events after the Balance Date

There have been no significant events occurring after balance date which may affect either the company's operations or results of those operations or the company's state of affairs.

### Future Developments and Results

The company does not expect changes to the business operations in the coming year.

### Environmental Regulation and Performance

The company is not subject to any particular or significant environmental regulation.

### Indemnification and Insurance of Directors

During the financial year the company has paid premiums in respect of a contract to indemnify the directors and insure against liability for the costs or expenses to defend legal proceedings.

The company is not permitted to disclose information regarding indemnification and insurance for directors and officers as it is prohibited under the terms of the insurance contract.

### Auditor's Independence Declaration

The Auditor's Independence Declaration for the year ended 30 June, 2005 has been received and can be found following the Directors' Report.

Signed in accordance with a resolution of the directors.



**Jeff Ironside**

Chairman



**James Kellaway**

Managing Director

Sydney

Date: 20 October 2005

# Auditor's independence declaration

**A Member Firm of PKF International**

**PKF**

Chartered Accountants  
& Business Advisers

**NSW Partnership**  
ABN 83 236 985 726

Level 10, 1 Margaret Street  
Sydney NSW 2000

DX 10173 Sydney Stock Exchange NSW

Tel: 61 2 9251 4100  
Fax: 61 2 9240 9821

[www.pkf.com.au](http://www.pkf.com.au)

Liability is limited by the Accountants  
Scheme, approved under the  
Professional Standards Act 1994 (NSW)

## **Lead auditor's independence declaration Under section 307C of the Corporations Act 2001**

To the Directors of Australian Egg Corporation Limited

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

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

*PKF*

**PKF**  
Chartered Accountants & Business Advisers  
NSW Partnership

*Arthur Milner*

**Arthur Milner**  
Partner

**Sydney**  
20 October 2005

# Directors' Declaration

In accordance with a resolution of the directors of Australian Egg Corporation Limited, we state :

In the opinion of the directors :

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including :
  - (i) giving a true and fair view of the company's financial position as at 30 June, 2005 and of its performance for the year ended on that date: and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



**Jeff Ironside**  
Chairman



**James Kellaway**  
Managing Director

Sydney

Date: 20 October 2005

# Statement of financial performance

	Notes	30 June 2005	30 June 2004
Revenues from Ordinary Activities	2	5,173,239	4,554,316
Occupancy Expenses		61,844	60,971
Administrative Expenses	3a	404,245	505,826
Research & Development Program Expenses	3b	1,554,775	2,349,121
Promotion Program Expenses	3c	2,667,494	1,230,680
Communication Program Expenses	3d	484,881	407,718
<b>Net Profit</b>		<b>0</b>	<b>0</b>
Net Profit Attributable to Members of AECL	10	0	0

# Statement of financial position

	Notes	30 June 2005	30 June 2004
<b>Current Assets</b>			
Cash Assets		2,738,879	2,746,482
Receivables	4	439,647	444,223
<b>Total Current Assets</b>		<b>3,178,526</b>	<b>3,190,705</b>
<b>Non-Current Assets</b>			
Other Financial Assets (AEEL)	5	1	1
Property, Plant and Equipment	6	136,512	142,171
<b>Total Non-Current Assets</b>		<b>136,513</b>	<b>142,172</b>
<b>Total Assets</b>		<b>3,315,039</b>	<b>3,332,877</b>
<b>Current Liabilities</b>			
Payables	7	3,278,802	3,298,640
Provisions	8	27,105	25,429
<b>Total Current Liabilities</b>		<b>3,305,907</b>	<b>3,324,069</b>
<b>Non-Current Liabilities</b>			
Provisions	9	9,132	8,808
<b>Total Non-Current Liabilities</b>		<b>9,132</b>	<b>8,808</b>
<b>Total Liabilities</b>		<b>3,315,039</b>	<b>3,332,877</b>
<b>Net Assets</b>		<b>0</b>	<b>0</b>
<b>Equity</b>			
Retained Profits	10	0	0
<b>Total Equity</b>		<b>0</b>	<b>0</b>

# Statement of cashflows

	Notes	30 June 2005	30 June 2004
<b>Cash Flows from Operating Activities</b>			
Receipts from Levies and Customers		5,129,782	4,831,669
Receipts from Transfer/Contribution of Assets		0	0
Payments to Suppliers and Employees		(3,777,017)	(959,215)
Interest Received		133,978	112,943
Research and Development Expenditure		(1,474,277)	(2,360,791)
<b>Net Cash Flows from Operating Activities</b>		<b>12,466</b>	<b>1,624,606</b>
<b>Cash Flows from Investing Activities</b>			
Advances to Related Parties		(312)	(11,946)
Purchase of Property, Plant and Equipment		(19,758)	(145,511)
Investment in Subsidiary		–	(1)
<b>Net Cash Flows used in Investing Activities</b>		<b>(20,070)</b>	<b>(157,458)</b>
<b>Cash Flows from Financing</b>			
Proceeds from Lease Incentive		–	106,250
<b>Net Cash Flows from Financing Activities</b>		<b>0</b>	<b>106,250</b>
<b>Net Increase/(Decrease) in Cash Held</b>		<b>(7,604)</b>	<b>1,573,398</b>
Add opening cash brought forward		2,746,482	1,173,084
<b>Closing Cash Carried Forward</b>	<b>11</b>	<b>2,738,878</b>	<b>2,746,482</b>

# Notes to the financial statements

## 1. Summary of Significant Accounting Policies

### Basis of Accounting

The financial report is a general purpose financial report which has been drawn up in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial report covers Australian Egg Corporation Limited as an individual entity.

This financial report has been prepared in accordance with historical cost convention.

### Principles of Consolidation

The company holds 100% of the issued ordinary shares in Australian Egg Export Pty Limited. The directors have elected not to prepare consolidated accounts due to materiality of this company to the group. The directors believe that there would be no benefit to the users in preparing consolidated financial statements at this stage.

### Classification of Expenses

For the year ended 30 June, 2005, there has been no change in the classification of expenses from the previous financial year. Salary and Employee Benefits continue to be allocated across each of the four expense functions of Administration, Research and Development, Marketing and Communications based upon each employee's relative utilisation in that function.

### Cash and Cash Equivalents

Cash on hand in banks are stated at nominal value.

For the purposes of the Statement of Cashflows, cash includes cash on hand and in banks.

### Receivables

Trade receivables are recognised and carried at original invoice amount less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due.

### Recoverable Amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount and where carrying values exceed this recoverable amount, assets are written down.

### Plant and Equipment

#### Cost and Valuation

Plant and equipment are measured at cost.

#### Depreciation

	2005	2004
Office Equipment	2 – 6 yrs	2 – 6 yrs
Leasehold Improvements	Term of Lease	Term of Lease

### Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the entity.

# Notes to the financial statements

## Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

The lease incentive liability in relation to the non-cancellable operating lease is being reduced on an imputed interest basis over the lease term (5 years) at the interest rate implicit in the lease.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

## Provisions

Provisions are recognised when the entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events. They are also recognised when it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

## Revenue Recognition

### Revenue

Revenue is recognised when the company has established the right to receive the revenue. Interest revenue is recognised on a proportional basis taking into account interest rates applicable to the asset.

### Commonwealth Matching Funds

The Commonwealth Government matches funding on a dollar for dollar basis on approved research and development projects, up to a level of 0.5% of the gross value of the industry's production, and not exceeding the amount of contributions provided by the industry. Commonwealth matching funds are recorded as unearned revenue until the lodgement of a claim relating to expenditure of approved research and development projects. Revenue is only recognised where project costs have been incurred.

### Levy Receipts

The Levies and Revenue Service of the Department of Agriculture, Fisheries and Forestry Australia collect statutory levies (research and development levies and promotional levies) on behalf of the company. Upon their receipt by the company, the levies are classified as unearned revenue until the expenditure has been incurred on the applicable research and development project or on approved promotional expenses.

### Transfer of Assets

Upon receipt of the transfer of cash and other assets provided by preceding entities, the entity has treated cash received as income after the appropriate approved expenditure. Until this expenditure has been incurred, the transfer of cash will be treated as unearned income in the hands of the entity.

## Taxes

### Income Taxes

The Australian Egg Corporation Limited is exempt from company income taxation.

### Goods and Services Tax (GST)

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

- \* the net amount of GST recoverable from, or payable to, the taxation authority is included as part of other assets or other liabilities in the Statement of Financial Position
  - \* cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.
- Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## Employee Entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee entitlement expenses and revenues arising in respect of the following categories:

- \* wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and
- \* other types of employee entitlements.

These are charged against profits on a net basis in their respective categories.

## Economic Dependency

The company is economically dependent on levies received from the egg industry and Commonwealth Government contributions.

## 2. Revenue from Ordinary Activities

	Notes	30 June 2005 \$	30 June 2004 \$
<b>Revenues from Ordinary Activities</b>			
Promotional Levies		3,473,509	2,304,908
Commonwealth Contributions		759,829	1,132,628
R & D Levies		749,278	952,571
Other Income	2a	281,144	219,504
		<b>5,263,760</b>	<b>4,609,611</b>
Less Levy Collection Costs (R & D)		15,002	11,670
Less Levy Collection Costs (Mktg)		75,519	43,625
<b>Total Revenue</b>		<b>5,173,239</b>	<b>4,554,316</b>
<b>2a. Other Income</b>			
Interest		133,978	112,943
Sales Publication		10,717	10,937
Co-Funder Contributions		76,869	59,177
Project Refunds		15,876	11,812
Royalties		43,704	24,635
<b>Total</b>		<b>281,144</b>	<b>219,504</b>

# Notes to the financial statements

## 3. Program Expenses

	Notes	30 June 2005 \$	30 June 2004 \$
<b>3a. Administrative Expenses</b>			
Accounting and Audit Fees		17,688	41,727
Directors' Fees		53,313	38,500
Meeting Costs		52,637	57,474
Office Management Costs		97,593	194,708
Recruitment Costs		2,528	43,297
Relocation Costs		–	22,228
Salary, Superannuation and Entitlements		180,486	107,892
<b>Total</b>		<b>404,245</b>	<b>505,826</b>
<b>3b. Research &amp; Development Program Expenses</b>			
Research Projects		1,459,276	2,245,366
Program Management		95,499	103,755
<b>Total</b>		<b>1,554,775</b>	<b>2,349,121</b>
<b>3c. Promotion Program Expenses</b>			
Media		1,204,435	339,604
Advertising and Design		294,219	564,276
Printing		247,916	–
Market Research		131,500	–
Retail Development		609,321	224,523
Program Management		180,103	102,277
<b>Total</b>		<b>2,667,494</b>	<b>1,230,680</b>
<b>3d. Communication Program Expenses</b>			
Promotions		56,223	71,865
Issues Management		40,415	–
Communication Expenses		225,795	160,072
Public Relations		33,165	88,774
Program Management		129,283	87,007
<b>Total</b>		<b>484,881</b>	<b>407,718</b>

#### 4. Receivables (Current)

	Notes	30 June 2005 \$	30 June 2004 \$
Trade Debtors		293,874	300,027
Other Debtors		1,514	250
Security Deposit	19	132,000	132,200
		427,388	432,477
<b>Amounts other than trade debts receivable from related parties :</b>			
Wholly owned Subsidiary :			
AEEL		1,919	1,607
Related Entity :			
AEIA		10,339	10,339
		12,258	11,946
<b>Total</b>		<b>439,646</b>	<b>444,423</b>

#### 5. Other Financial Assets

##### Controlled Entities – unlisted

AEEL	1	1
<b>Total</b>	<b>1</b>	<b>1</b>

As at 30 June 2005 Australian Egg Corporation Limited owned 100% of the capital in Australian Egg Export Pty Ltd being 1 fully paid ordinary share (2004 : 1)

#### 6. Property, Plant and Equipment

##### Office Equipment

At Cost	85,189	74,176
Accumulated Depreciation	(24,003)	(7,885)
	61,186	66,291

##### Leasehold Improvements

At Cost	88,619	79,874
Accumulated Depreciation	(13,293)	(3,994)
	75,327	75,880

##### Total Property, Plant and Equipment

At Cost	173,808	154,050
Accumulated Depreciation and Amortisation	(37,296)	(11,879)
<b>Total Written Down Amount</b>	<b>136,512</b>	<b>142,171</b>

# Notes to the financial statements

## 6. Property, Plant and Equipment (continued)

	Notes	30 June 2005 \$	30 June 2004 \$
<b>Reconciliations</b>			
<b>Office Equipment</b>			
Carrying Amount at Beginning		66,290	8,064
Additions		11,013	65,638
Depreciation Expense for Year		(16,117)	(7,411)
		<b>61,186</b>	<b>66,291</b>
<b>Leasehold Improvements</b>			
Carrying Amount at Beginning		75,880	0
Additions		8,746	79,874
Depreciation Expense		(9,299)	(3,994)
		<b>75,327</b>	<b>75,880</b>
<b>7. Payables (Current)</b>			
Trade Creditors		60,210	109,873
Other Creditors		925,300	1,072,332
Unearned Income – R & D		245,423	–
Unearned Income – Promotion Levy		799,318	842,884
Unearned Income – EIDF Transfer		180,508	180,508
Unearned Income – RIRDC Transfer		986,793	986,793
Lease Incentive		81,250	106,250
		<b>3,278,802</b>	<b>3,298,640</b>
<b>8. Provisions (Current)</b>			
Employee Entitlements	12	27,105	25,429
		<b>27,105</b>	<b>25,429</b>
<b>9. Provisions (Non-Current)</b>			
Employee Entitlements		9,132	8,808
	12	<b>9,132</b>	<b>8,808</b>

## 10. Reserves and Retained Profits

	Notes	30 June 2005 \$	30 June 2004 \$
<b>Retained Profits</b>			
Balance at Beginning of Year		0	0
Net Profit		0	0
Balance at End of Year		0	0

## 11. Statement of Cashflows

### (a) Reconciliation of net cash flows from operations

Net Profit		0	0
<b>Non-cash Items</b>			
Depreciation of non-current assets		25,416	11,405
<b>Changes in Assets and Liabilities</b>			
(Increase)/decrease in trade and other receivables		5,783	(114,666)
Increase/(decrease) in trade and other creditors		(20,735)	1,707,165
Increase/(decrease) in provisions		2,002	20,702
<b>Net cashflow from operating activities</b>		<b>12,466</b>	<b>1,624,606</b>

### (b) Reconciliation of Cash

Cash balance comprises :

Cash on hand		904	242
Cash at bank		2,737,975	2,746,240
<b>Closing Cash Balance</b>		<b>2,738,879</b>	<b>2,746,482</b>

## 12. Employee Entitlements

### Employee Entitlements

Provisions (Current)		27,105	25,429
Provisions (Non-Current)		9,132	8,808
		<b>36,237</b>	<b>34,237</b>

## 13. Expenditure Commitments

### Lease expenditure commitments

#### Operating Leases (non-cancellable)

##### Minimum lease payments

– not later than one year		94,121	74,370
– later than one year and not later than five years		206,297	241,703
<b>Aggregate lease expenditure contracted for at balance date</b>		<b>300,418</b>	<b>316,073</b>

# Notes to the financial statements

## 14. Contingent Liabilities

There are no contingent liabilities as at 30 June, 2005

## 15. Subsequent Events

There have been no significant events that have occurred since 30 June 2005 that require separate disclosure.

## 16. Remuneration of Directors

Income paid or payable, or otherwise made available, in respect of the financial year to 30 June, 2005, to all directors of Australian Egg Corporation Limited, directly or indirectly, from the entity or any related party.

	Notes	30 June 2005 \$	30 June 2004 \$
Directors' Remuneration		253,313	211,965

The number of directors of Australian Egg Corporation Limited whose income (including superannuation contributions) falls within the following bands :

	Number	Number
\$0	2	2
\$1 – \$9,999	1	1
\$10,000 – \$19,999		1
\$20,000 – \$29,999	2	
\$170,000 – \$179,999		1
\$200,000 – \$209,999	1	

## 17. Remuneration of Auditors

Amounts received by Ernst & Young for :

– an audit or review of entity	–	23,250
– other services in relation to the entity	–	18,477

Amounts received by PKF for :

–an audit or review of entity	15,000	–
	<hr/>	
	15,000	41,727

## 18. Related Party Disclosures

(a) The directors of Australian Egg Corporation Limited during the financial year were :

Jeff Ironside  
Frank Pace  
Philip Steel  
Russell Ware  
John O'Hara (joined 1 March, 2005)  
James Kellaway

(b) Interests in subsidiaries

As at balance date Australian Egg Corporation Limited owned 100% of the issued capital in Australian Egg Export Pty Limited being 1 ordinary share fully paid at \$1 (2004 : 1).

(c) The following related party transactions occurred during the financial year :

	30 June 2005	30 June 2004
	\$	\$
(i) Wholly owned group transactions		
Amounts loaned to Australian Egg Export Pty Limited	312	1,607
(ii) Transactions with other related entities		
Amounts loaned to Australian Egg Industry Association Inc.	0	10,339

## 19. Receivables – Security Deposit

Australian Egg Corporation Limited is obliged to maintain a security deposit for the rental of the business premises at Mount Street, North Sydney. Accordingly, these funds are not available for general use.

## 20. Segment Information

### Segment products and locations

The company operates predominantly in a single industry and geographical segment, being the provision of research and development and marketing programs for the egg industry within Australia.

## 21. Impact of Adopting AASB Equivalents to IASB Standards

The company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the company's financial statements for the year ending 30 June 2006. The directors have reviewed the impact of AIFRS on the company's accounting policies on conversion to AIFRS and the potential financial effect.

It is the view of the directors that conversion to AIFRS will have no material impact.

# Notes to the financial statements

## 22. Financial Instruments

### (a) Interest Rate Risk

The entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

Financial Instruments	Floating Interest		Non-interest		Total Carrying		Weighted Av Effective	
	Rate		Bearing		Amount		Interest Rate	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$	%	%
<b>(i) Financial assets</b>								
Cash	2,870,879	2,878,482	-	-	2,870,879	2,878,482	5.25	4.40
Trade & other receivables	-	-	307,647	312,223	307,647	312,223	N/A	N/A
Shares in subsidiary	-	-	1	1	1	1	N/A	N/A
Total Financial Assets	2,870,879	2,878,482	307,648	312,224	3,178,527	3,190,706		
<b>(ii) Financial Liabilities</b>								
Trade & other creditors	-	-	3,278,802	3,298,640	3,278,802	3,298,640	N/A	N/A
Total Financial Liabilities	0	0	3,278,802	3,298,640	3,278,802	3,298,640		

### (b) Terms, conditions and accounting policies

Trade and other receivables are recognised at the nominal amounts due.

Trade and other creditors are recognised at the nominal amounts, being the amounts at which the liabilities will be settled.

### (c) Net fair values of financial instruments

The net fair values of all financial instruments approximates their carrying values.

### (d) Credit risk exposure

The company's maximum exposure to credit risk at reporting date in relation to each class of financial asset is the carrying amount of these assets in the statement of financial position.

# Auditor's Report

A Member Firm of PKF International

**PKF**

Chartered Accountants  
& Business Advisers

**NSW Partnership**  
ABN 83 236 985 726

Level 10, 1 Margaret Street  
Sydney NSW 2000

DX 10173 Sydney Stock Exchange NSW

Tel: 61 2 9251 4100

Fax: 61 2 9240 9821

[www.pkf.com.au](http://www.pkf.com.au)

Liability is limited by the Accountants  
Scheme, approved under the  
Professional Standards Act 1994 (NSW)

## INDEPENDENT AUDIT REPORT

### TO THE MEMBERS OF AUSTRALIAN EGG CORPORATION LIMITED

#### **Scope**

##### ***The financial report and directors' responsibility***

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Australian Egg Corporation Limited, for the year ended 30 June 2005.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

##### ***Audit approach***

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

##### ***Independence***

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

# Auditor's Report

## **Audit Opinion**

In our opinion, the financial report of Australian Egg Corporation Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



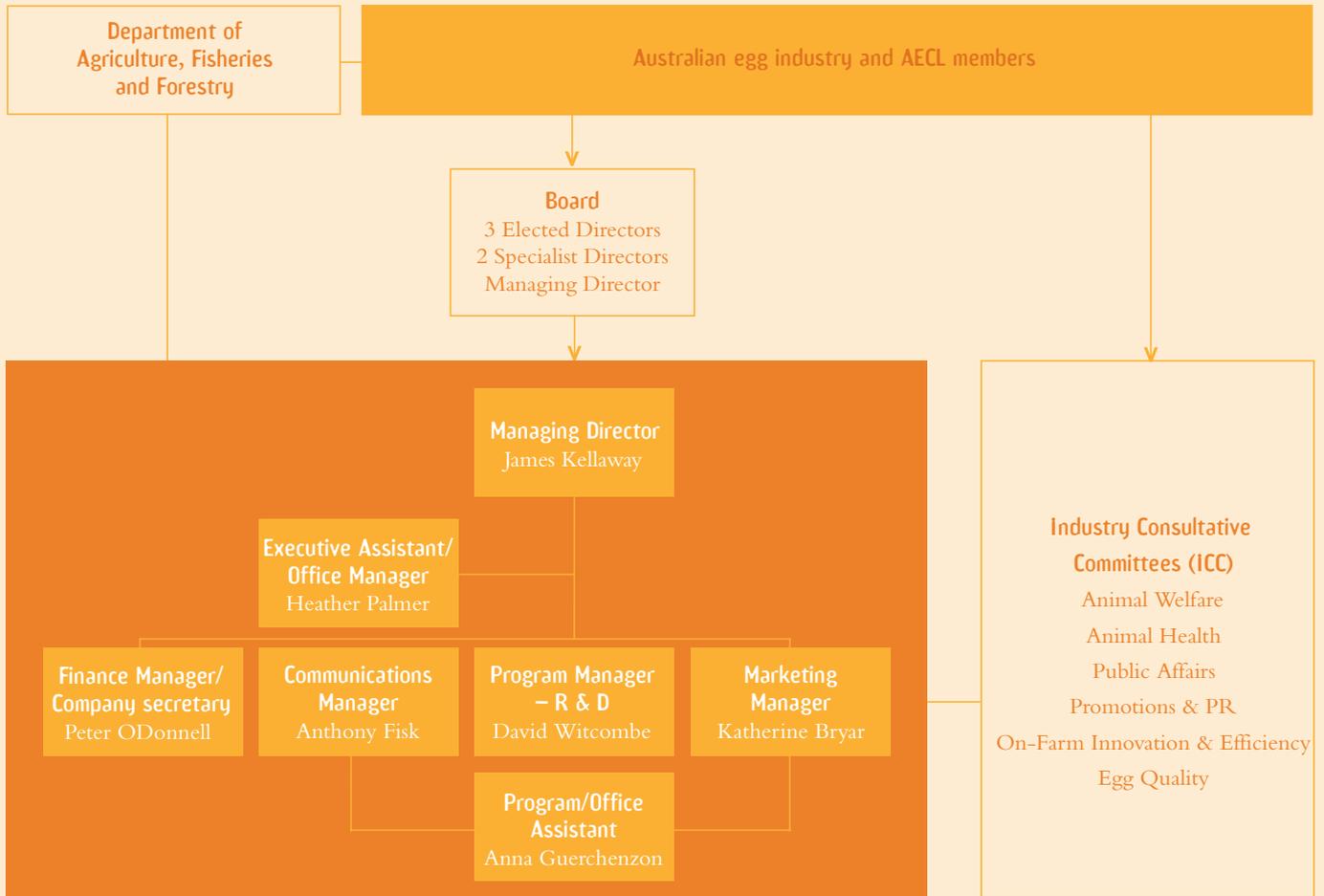
**PKF**



**ARTHUR MILNER**  
Partner

**SYDNEY: 20 October 2005**

# Organisational structure



Suite 4.02  
107 Mount St  
North Sydney  
NSW 2060  
tel 02 9409 6999  
fax 02 9954 3133  
contact@aecl.org  
www.aecl.org  
ISSN 1832-2441

**AUSTRALIAN EGG**  
CORPORATION LIMITED

