



# Annual Report 2020

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# Annual Report 2020

## Chair's Report

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2019-20 was another year marked by challenge and opportunity for the egg industry.

The year began with the threat of *Salmonella* Enteritidis front of mind and it was an enormous relief to see the series of incidents halted between July 2019 and March 2020.

While this is primarily driven by the actions of egg farmers, it was pleasing to see Australian Eggs contribute to this outcome through biosecurity extension, industry support and engagement with key government stakeholders.

This process was repeated in March 2020 with the emergence of COVID-19 as a threat to industry and the community at large. Along with our representative bodies, Australian Eggs worked hard in this period to investigate the steps required to ensure farms could manage the treat to their teams and continue to operate and extend this guidance out to industry.

While COVID-19 has brought substantial disruption to our community, markets and egg farming businesses, it has been pleasing to see Australian Eggs' services have continued across this difficult period. This has required new ways of working but the same determination to positively impact the egg industry.



This year also saw a greater focus on the operation of the Australian Eggs board, including through the ballot process for nominated director positions at the 2019 AGM. While this is a healthy process under the constitution, it highlighted that the pathway for new directors could use additional transparency and this became a theme of an independent review of the board in 2019, and the Australian Eggs independent performance review in 2020.

In response, the board has made changes to the board charter to introduce a term limit of 10 years for specialist and nominated directors, which is intended to align with good corporate governance and signal a process of renewal to prospective directors.

The board has also established a standing Nominations and Culture Committee, which will oversee board succession with a view to more actively managing this process. To ensure transparency over these arrangements, the board and committee charters are now available on the Australian Eggs website.

With these improvements, I look to next year with the expectation that Australian Eggs can continue to position the egg industry for a better future as it emerges from this difficult period. In this context, I thank my fellow directors and the dedicated team at Australian Eggs for their ongoing commitment to our industry.

A handwritten signature in black ink, appearing to read 'DJ', written over a horizontal line.

Danny Jones  
**Chair**

# Egg Industry Overview

## Egg production - Australia

**507.39m**

dozen eggs 2020 FY  
(Source: Australian Eggs)

## Flock size - as at June 2020

**28,845,730**

pullets and layers

**20,862,104**

layers  
(Source: Australian Eggs)

## Gross value of egg production (farm gate equivalent)

**\$832.9m**

2020 FY  
(Source: ABS, cat. no. 7503)

## Major supermarket grocery chains egg sales volume - 2020 FY

**252,145.31m**

million dozens  
(Source: AZTEC)

## State flock percentages - as at June 2020

**28.29%**

NSW / ACT

**8.73%**

WA

**31.36%**

QLD

**5.65%**

SA / NT

**24.35%**

VIC

**1.62%**

TAS

(Source: ABS, cat. no. 7121)

## Major supermarket grocery chains egg sales value

**\$A1,112.8m**

2020 FY  
(Source: AZTEC)

### Major supermarket grocery chains egg sales farming system market share - 2020 FY

(Source: AZTEC)

|                 | Volume | Value |
|-----------------|--------|-------|
| Cage eggs       | 39%    | 30%   |
| Free Range eggs | 50%    | 57%   |
| Barn-Laid eggs  | 10%    | 10%   |
| Specialty eggs  | 1%     | 3%    |

### Growth by segment in dozens (000s) and percentage over - FY 2020

(Source: AZTEC)

|                 | 000s      | %   |
|-----------------|-----------|-----|
| Cage eggs       | 5,546.0   | 6%  |
| Free Range eggs | 16,144.64 | 15% |
| Barn-Laid eggs  | 89.59     | 0%  |
| Specialty eggs  | 90.21     | 2%  |

### Major supermarket grocery chains egg sales branding market share - 2020 FY

(Source: AZTEC)

|                    | Volume | Value |
|--------------------|--------|-------|
| Private label      | 52%    | 46%   |
| Proprietary labels | 48%    | 54%   |

### Major supermarket grocery chains egg sales pack size market share - 2020 FY

(Source: AZTEC)

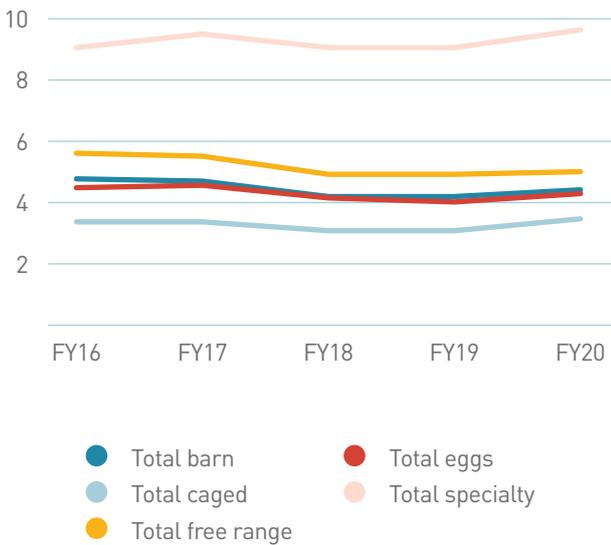
|                     | Volume | Value |
|---------------------|--------|-------|
| 6 (half dozen) pack | 8%     | 6%    |
| 10 pack             | 1%     | 1%    |
| 12 (dozen) pack     | 87%    | 84%   |
| 15 pack             | 1%     | 1%    |
| 18 pack             | 3%     | 6%    |
| 30 (tray) pack      | 1%     | 2%    |

### Major supermarket grocery chains egg pack weight market share - 2020 FY

(Source: AZTEC)

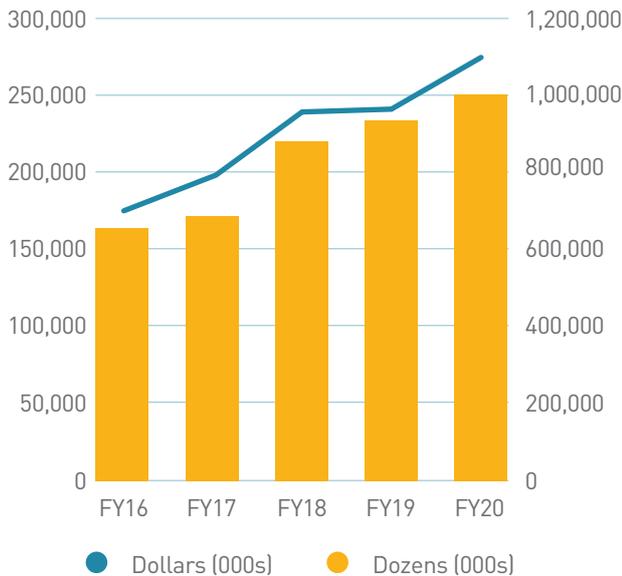
|            | Volume | Value |
|------------|--------|-------|
| <= 350g    | 7%     | 6%    |
| 351 - 400g | 0%     | 0%    |
| 401 - 600g | 20%    | 19%   |
| 601 - 700g | 61%    | 58%   |
| 701 - 800g | 6%     | 8%    |
| >= 801g    | 5%     | 9%    |

### Nominal Retail Price of Eggs by Segment



(Source: AZTEC)

### Grocery Sales of Eggs - Volume & Value

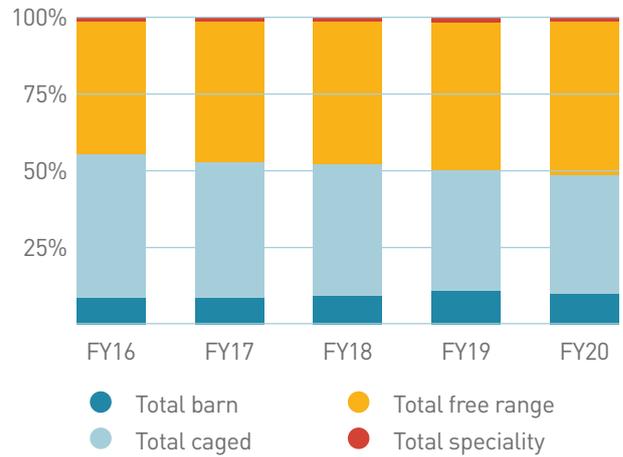


(Source: AZTEC)

FOB = Free On Board  
 m = million  
 FY = Fiscal Year (Jul to Jun)  
 CIF = Cost Insurance Freight

mt = metric tonne  
 A\$ = Australian dollars  
 g = grams  
 % = percent

### Grocery Volume Market Share of Eggs By Segment



(Source: AZTEC)

### Egg product exports (FOB equivalent) - 2020 FY

(Source: ABS)

|                 | Volume  | Value    |
|-----------------|---------|----------|
| Shell eggs      | 237.8mt | \$1.195m |
| Egg pulp/liquid | 485.2mt | \$2.146  |
| Egg powder      | 22.3mt  | \$33,821 |

### Egg product imports (CIF equivalent) - 2020 FY

(Source: ABS)

|                       | Volume  | Value      |
|-----------------------|---------|------------|
| Eggs preserved/cooked | 518.6mt | A\$2.809m  |
| Egg pulp/liquid       | 685.3mt | A\$3.100m  |
| Egg powder            | 1,887mt | A\$14.413m |

# Vision and Strategy

## Vision

Proactively support egg farmers to increase egg consumption and ensure industry sustainability

## Goals

Increased Consumption

Sustainable Production

Effective Engagement

Value for money



## Key Focus Areas

Matching Market Cycles

Next Generation

Nutrition

Eating Eggs

Flock Health / Biosecurity

Food Safety

Hen Welfare

Research Collaborations

Farmer Consultation

Proactive Extension

Market Development

IRB Consultation

Stakeholder Focus

Efficient, Well-Resourced Team

Clear Work Program

# Board of Directors



## Danny Jones

Chair  
Elected Director, GAICD

Danny has had more than 25 years of egg industry experience having acted as Business Manager and Managing Director of Pure Foods Eggs Pty Ltd – Tasmania’s largest egg producer. His egg industry experience covers business administration, pullet rearing, layers, grading, packing, distribution, feed milling and quality assurance.

In 2014, Danny won the inaugural Australian Egg Farmer of the Year award at the ABC Rural and Kondinin Group Australian Farmer of the Year Awards in Melbourne.

Danny has extensive board experience in both roles of Non-Executive Director and Managing Director. He has studied and completed an Advanced Diploma in Business, is a graduate of the Australian Institute of Company Directors and is a Fellow of the Institute of Public Accountants.



## Bede Burke AM

Elected Director  
B. Sc., Grad. Dip. Bus.

Bede has run a successful grain and livestock farming business, including laying hens and pullet rearing as well as ewes and breeding cattle, with his wife, Narelle, for more than 35 years. The farm not only produces most of its own feed requirements with an on-farm feed mill but has an extensive on-farm compost system as part of the fertiliser program for grain production. In 2009, Bede and Narelle’s farm was awarded the Brownhill Cup for Sustainable Farming, while the couple were also finalists in the same year for the NSW Farmer of the Year awards.

Bede has always been involved in numerous industry and community projects. Until recently he was Chairman of the NSW National Party, Chairman of the NSW Farmers Egg Committee and Chairman of Tamworth Rural, an unlisted public rural merchandising company. He is a Deputy Captain of the Tamworth branch of the NSW Rural Fire Services. Bede is also an active promoter of the industry representative body, Egg Farmers Australia.

In 2020, Bede was appointed a Member of the Order of Australia (AM) in recognition of his service to the egg production industry, and to the community of Tamworth.



## Catherine Cooper

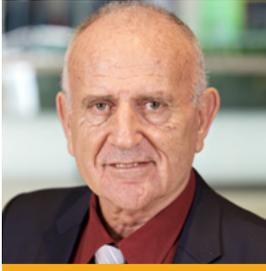
Corporate Governance  
Deputy Chair  
Specialist Director  
/ Audit and Risk Committee Chair  
LLB

Catherine has a background in commercial law and business and is an experienced non-executive director and chair. She has extensive experience at management and board level in diverse industries with expertise spanning agribusiness, animal health, biosecurity, food security, finance and audit, together with water, energy, waste management, health and education, research and development, with significant exposure to both domestic production and export markets.

Catherine is a pragmatic director with a strong focus on integrity, transparency and credibility.

Catherine’s executive management experience includes Fosters Brewing Group, Elders Limited, Futuris Corporation, and past positions as chair of SA Fisheries Council and SA Dairy Regulator. Her current roles include Commissioner at Australian Fisheries Management Authority, Director of Wine Australia and Director of Grains Australia.

Catherine has twice been a finalist in the Telstra Business Women’s Awards, and was awarded a position in the AICD ASX 200 Chairs Mentoring Program 2015.



### **Frank Pace AM**

Elected Director

Frank Pace is the founder of Pace Farm Pty Ltd – the largest producer, marketer and distributor of eggs in Australia.

In the past, Frank has been the Honorary President of the International Egg Commission (IEC) and was the Chairman of the IEC from 2007-2010. He was honoured as the recipient of the 2010 Lindsay Bell award in recognition of his tireless work in both the Australian and International egg industries and was awarded the Dennis Wellstead Memorial Trophy for International Egg Person of 2004.

Frank Pace was previously the chairman of the Seven Hills branch of the Livestock and Grain Producers Association (LPGA) in NSW and a member of the NSW Farmers' Association Egg Committee. He was also a previous committee of management member and Vice President of the former Australian Egg Industry Association (AEIA). Frank was also a member of the Agriculture Ministerial Advisory Council (AMAC).

In 2011, Frank was appointed a Member of the Order of Australia (AM) for his contribution to the egg industry, both domestically and internationally.



### **Charmaine England**

Marketing Specialist Director  
Nominations & Culture  
Committee Chair  
BBus, Member AICD

Charmaine England is a non-executive 'specialist' director (marketing), who was appointed to the AECL Board on 3 November 2016.

Charmaine is a food marketing expert, having worked at leading food companies in Australia such as Unilever and The Daily Drinks Co. and previously as Chair of the Australian Fruit Juice Association. Charmaine joined Johnson & Johnson Pacific in August 2019, after helping to strengthen sustainable growth for the PACT Group as Executive General Manager.

Charmaine has many years of marketing, board and senior management experience in consumer products in Asia, New Zealand, UK and Australia. She is a specialist in developing and delivering business turnaround.

Charmaine is currently the Managing Director of Pacific, Johnson & Johnson, overseeing the development of the company's well-known healthcare products within Australia, New Zealand and the Pacific.



### **Rowan McMonnies**

Managing Director  
GAICD LLB, MCom

Rowan has a legal and compliance background and is an experienced executive director in the agriculture sector. As Managing Director of Australian Eggs, he has led the development of a new strategic direction by the board and guided Australian Eggs management team through a comprehensive rejuvenation. Rowan has developed a strong understanding of the nature and structure of the agriculture sector as well as having developed relationships with a range of key stakeholders.

Rowan is a former Commercial Partner at Baker & McKenzie with 20 years' of experience practicing in commercial and regulatory law. Using this experience, he has guided corporates and government agencies through complex regulatory frameworks in a range of industries with a particular focus on the agriculture sector.

Rowan holds a Bachelor of Laws from the University of Technology, Sydney, a Masters of Commerce from the University of Sydney and is a graduate of the Australian Institute of Company Directors. Rowan commenced with Australian Eggs on 31 October 2016.

# Managing Director's Report

## Introduction

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The financial year was another productive and challenging year for the egg industry and Australian Eggs. As the drought continued to put pressure on egg farming businesses, the threat of *Salmonella* Enteritidis (SE) remained live and was followed by the disruption of the COVID-19 pandemic.

Despite these headwinds Australian Eggs was able to continue the process of improvement in our services, achieving significant positive change in both the marketing and innovation programs.

In addition, Australian Eggs also contributed to ongoing improvement to enhance the sustainability of the egg industry. This was achieved through the Sustainability Framework which proved in its second year to be an effective process for engaging with the community and aligning with community expectations.

After establishing a strong benchmark for community trust in 2018, the 2019 CSIRO community research report found that trust in the egg industry had increased, demonstrating that it is possible to establish a positive relationship with the mainstream community by listening to their perspectives and responding through action at a practical level.

This recipe for success was then drawn upon by Australian Eggs in planning its next phase of research, extension and engagement activities to ensure the egg industry will be best positioned for sustainability and growth going forward.

## *Salmonella* Enteritidis eradication

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The 2019/20 financial year began with some important extension work by the Australian Eggs innovation team to assist industry and authorities with the eradication of *Salmonella* Enteritidis (SE) from commercial egg supply chains.

Using the learnings from the series of incidents in New South Wales and Victoria up to June 2020, extension material and workshops were delivered to egg farmers in all states with a view to strengthen their ability to protect their farms and the industry at large.

The process coincided with the halting of the SE incidents for a period of nine months which was a remarkable outcome and a testament to the commitment of the industry to biosecurity and food safety compliance.

## COVID-19

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The 2019/20 financial year was also characterised by the COVID-19 pandemic which delivered significant challenges for the egg industry. As the threat to the community emerged, egg farmers had to urgently assess their farming and grading operations to ensure that a safe workplace could be maintained, and business continuity ensured.

Australian Eggs assisted with this process by working closely with food safety authorities, egg industry representative bodies and other intensive industries to determine the requirements of a COVIDSafe workplace. This was then extended to industry through guidelines and industry briefings to build an understanding of the rapidly evolving situation.

Through the responsiveness of egg farmers, this process was successful and the egg industry did not incur significant disruption to supply continuity in the initial phase of COVID-19, a period in which there was substantial surge in retail demand for groceries, including eggs.

## Australian Eggs performance

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The evaluation framework 2020 provides an assessment of Australian Egg activities across the 2019/20 financial year against performance indicators set out in the annual operating plan (AOP).

The Evaluation Framework indicates that consumption per capita was flat across 2019-20 with an initial figure of 248 revised to 246 upon the receipt of final chick placements and revised population figures. While it was disappointing to arrive at a lower figure than the 247 in 2018-19, the gains from previous years have been largely retained and the industry remains positioned for growth.

In the innovation program, the average benefit/cost assessment for research and development projects was a ratio of 3.06 which was an increase on the ratio of 2.88 last year. This ratio is calculated using a common Biostatistics Collaboration of Australia methodology applied across the research and development corporations. From a commercial perspective, this means that for every levy/commonwealth matching dollar invested, the completed projects delivered a return of \$3.06.

In the effective engagement program, Australian Eggs continued to obtain feedback through engagement with egg farmers and other stakeholders. This included 89 farmer engagements, 45 engagements with egg industry representative bodies and the distribution of 30 publications to industry stakeholders. The public engagement program achieved an audience reach of over 23 million Australians and a substantial increase in engagements with young people through the schools program to 44,112, almost triple the number last year.

Australian Eggs also continued the industry snapshot survey process in late 2019 which included performance indicators. The snapshot results included industry average ratings (out of 10) of 7.1 that egg farmers are satisfied with Australian Eggs performance, up from 6.6 last year.

# Managing Director's Report (cont.)

## Performance review

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The 2019/20 year also included the funding contract requirement that Australian Eggs conduct an independent performance review prior to the negotiation of new funding arrangements with the Department of Agriculture and Water Resources. The review took place between February and June 2020 and involved a thorough examination of Australian Eggs, activities and processes, as well as direct engagement with stakeholders.

The independent review found Australian Eggs is committed and dedicated to delivering high quality services to levy payers and close engagement with stakeholders. In addition, a number of areas of improvement were identified with recommendations made to pursue them. Australian Eggs will now consider the best way to incorporate these recommendations in our operating context.

## Sustainability Framework

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The Sustainability Framework continued to form the centrepiece of Australian Eggs, engagement activities for both the public and industry stakeholders. The CSIRO community research process was conducted again in July 2019 with the results available in October 2019. It was very encouraging that the initial outcome on the level of community trust from 2018 of 56% was increased to 60% in this survey.

This strong outcome served as an endorsement of the transparent community engagement strategy and fuelled extension activities across the remainder

of the year. This included engaging with egg farmers on the findings and the steps they were taking to respond to community expectations and demonstrate improvement.

These actions were then fed into the sustainability framework report released in March 2020. Through media engagement, the Sustainability Framework report and the key issues of environment and welfare, Australian Eggs achieved a substantial audience reach across March to June, demonstrating the relevance to the community of the process and the issues the industry was focusing on.

## Marketing

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Australian Eggs sought to build on improvements to the Marketing Program in 2019/20 by embedding the successful 'Get Cracking Australia!' campaign and developing additional content strategies to increase the reach of earned media.

'Get Cracking Australia!' was deployed in spring with a substantive campaign in the same form as 2018 with strong results. This was driven by the added momentum of a second year of the campaign and the influence of a new media buying agency which delivered demonstrably better value for money.

However, as autumn approached the context had changed. With eggs the subject of retail panic buying as COVID-19 took hold, the need for consumption messaging dissipated.

Working with urgency, the Marketing team were able to recast the 'Get Cracking Australia!' campaign to focus on longer term objectives of demonstrating the health benefits of eggs. This ensured the campaign was able to focus consumers on the contribution eggs make in supporting health at a time when health was a major focus in the community.

2019/20 also saw the evolution of the Eggscellence Awards, an egg recipe competition held on World Egg Day, to a substantially larger media event. By involving high profile food, nutrition and lifestyle journalists and social media influencers, Australian Eggs was able to deliver a remarkable outcome in terms of media reach as well as building relationships with key opinion leaders that delivered significant momentum across the year.

## Engagement

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Australian Eggs continued to undertake significant Engagement activities in 2019/20 with the objective of enhancing the standing of the egg industry in the community as a platform for industry growth.

The primary focus of this program continued to be emphasising the contributions of the egg industry to human health and nutrition. Fuelled by outputs from the Innovation Program, Australian Eggs was able to highlight the contribution eggs can make in meeting vitamin D and choline requirements. Given the links to topical issues of mental health and foetal brain development, there was strong resonance on these issues with the media and the community, leading to significant media reach.

Broader community engagement was centred around the issues and initiatives identified in the Sustainability Framework. Australian Eggs created content and media opportunities to demonstrate the way in which the industry was responding to community expectations on important issues such as welfare and the environment. This revealed a virtuous process as by speaking to issues of interest to the community, there was strong media interest in the content created with very good results.

Australian Eggs also played an important role in monitoring media issues as they arose in the media. This included responding to issues arising in connection with the *Salmonella* Enteritidis incidents and COVID-19 to ensure that they were not sensationalised by the media and that community confidence in the industry and egg supply could be maintained.

# Managing Director's Report (cont.)

## Innovation

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2019/20 saw further improvement in the Innovation Program as it evolved to become more closely aligned with the commercial perspectives and objectives of egg farmer stakeholders

and a continued focus on shorter term, lower risk and adaptive innovation.

The process of pre-investment egg farmer consultation that was implemented across 2019 resulted in strong positive feedback and has been embedded in our processes going forward. In addition, processes have been developed to provide for egg farmer engagement across the project cycle to guide projects and provide for additional points of communication on project objectives, outputs and timeframes.

In 2019, the Innovation team again relied on the industry snapshot survey to gather feedback from industry. With broad participation, this process has proven invaluable in road testing the proposed direction of the program and specific options for implementation.

The snapshot, and farmer engagement generally, has also enhanced the capacity of the team to consider the right options to pursue industry issues at an early stage, whether that is desktop analysis to harness existing knowledge, new research initiatives or technology based solutions. This flexible approach contrasts with the historical research focus of the Innovation Program and puts Australian Eggs in a position to contribute to industry challenges and opportunities more efficiently and in shorter timeframes.

The 2019-20 year also saw a greater focus on collaboration to maximise the efficiency and leverage of our levy funds and commonwealth contributions. This resulted in a substantial proportion of the program, 30%, attracting co-investment, evidencing that every opportunity had been taken to collaborate with other participants in the agriculture innovation system.

This outcome was achieved through direct engagement with other investors and participation in the Emerging National Rural Issues process to explore, test and refine opportunities for collaboration. Australian Eggs has also taken steps to expand the capacity for future collaboration by working with a group of RDCs to develop the business case for a new investment vehicle to more efficiently pursue cross-sector innovation on national issues.

# Managing Director's Report (cont.)

## IP, commercialization, subsidiaries and joint ventures



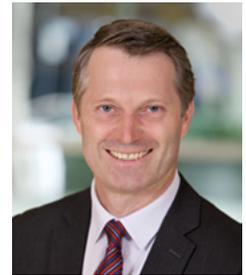
Australian Eggs has continued its long-term focus on the development of industry applicable know-how which was protected through contractual arrangements with research partners. Australian Eggs did not pursue commercialisation of intellectual property or trademark protections in the 2019/20 year.

Australian Eggs did consider commercialisation in relation to a vaccine for spotty liver disease, with research projects achieving a breakthrough in vaccine efficacy during the year.

However, difficulties were encountered in securing accredited laboratories to develop and distribute the vaccine on a commercial basis. In response, Australian Eggs worked with our research partners to make the research IP available to all laboratories so that the industry could benefit from the research as soon as possible.

No subsidiaries or joint ventures were formed by Australian Eggs in 2019/2020. There were no directions made by the Minister relating to the egg industry.

Rowan McMonnies  
Managing Director



**Egg production has the lowest carbon footprint of common animal protein sources and is comparable to some plant-based foods. With industry innovation, a hen laying in Australia now consumes five percent less feed than a hen 20 years ago.**

# Evaluation Framework Overview

In the year 2019/20 Australian Eggs invested:

**\$5,315,060**

in marketing activities

**\$2,893,389**

in research and development activities

**\$3,048,725**

in engagement and extension

**\$1,480,819**

in value for money projects

**1,433,030**

website recipe page views

The **Appetite Stimulation Program** provides inspiring and enticing egg recipes to increase the number of egg dishes cooked and eaten at home.

**26**

Egg farmer engagement opportunities

**14**

Workshops



**416%** increase in website page views

**47%** increase in time spent on website

**264,646** page views of content about egg farming and the egg industry

In the year 2019-20 Australian Eggs had

**26**

RD&E projects on foot

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# 246.2

eggs consumed per capita

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# 68%

**campaign recall**

Australian Eggs' **Market Insights Program** maximises the effectiveness of marketing activities to improve responsiveness to market developments and target audiences.

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## 25% families

## 20% baby boomers

## 32% millennials

The **Families, Baby Boomers & Millennials Programs** aim to promote the life-long enjoyment of eggs across each of these specific market segments.

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# 43%

**HCPs believe you can eat eggs daily**

The **Health Care Professionals Program** seeks to ensure key opinion leaders have awareness and contemporary research on the nutritional benefits of eggs.

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# 3.06

**The average outcomes of the BCA**

of completed projects in FY 2019-20.

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# 12.4%

growth for 2019/20

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The **Consumer Research Program** aims to increase the level of retail grocery and non-retail volume growth.

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# 44,112

**engagements with school students on farming practices**

Australian Eggs aims to engage and educate school children on the nutritional benefits of eggs as well as egg farming via the **All About Eggs Program**.

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# 93%

**positive coverage**

The **Nutrition Research Program** aims to provide contemporary nutritional research to support health benefits of eggs and remove barriers to consumption.

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# 30%

Australian Eggs' **Research Strategies Program** seeks to maximise efficiency by collaborating with other agencies on poultry, animal welfare and biosecurity research.

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# National science & research priorities

| Project   | Number | Investment     |
|---|--------|----------------|
| <b>Food</b><br>Develop internationally competitive, sustainable, profitable, high intensity and high production capacity in new and existing food products, and maintain Australia's reputation for clean, safe and quality controlled food production. | 32     | \$3,064,065.55 |
| <b>Soil and water</b><br>Focusing on Australia's critical soil and water assets, build capacity for improved accuracy and precision in predicting change to inform better decision making.  | 4      | \$107,716.75   |
| <b>Environmental Change</b><br>Build Australia's capacity to respond to environmental change and integrate research outcomes from biological, physical, social and economic systems.  | 3      | \$370,528.00   |

# Rural RD&E priorities

| Project   | Number | Investment     |
|---|--------|----------------|
| <b>Advanced technology</b><br>To enhance innovation of products, processes and practices across the food and fibre supply chains through technologies such as robotics, digitisation, big data, genetics and precision agriculture. | 4      | \$207,711.00   |
| <b>Biosecurity</b><br>To improve understanding and evidence of pest and disease pathways to help direct biosecurity resources to their best uses, minimising biosecurity threats and improving market access for primary producers. | 10     | \$844,581.74   |
| <b>Soil, water &amp; managing natural resources</b><br>To manage soil health, improve water use efficiency and certainty of supply, sustainably develop new production areas, and improve resilience to climate events and impacts. | 5      | \$356,472.25   |
| <b>Adoption of R&amp;D</b><br>Focusing on flexible delivery of extension services that meet primary producers' needs and recognise the growing role of private service delivery.  | 20     | \$2,133,545.31 |

# Performance Review

Under Australian Eggs' funding arrangements with the Department of Agriculture, Water and the Environment, an independent performance review must be undertaken prior to the expiry and renewal of each funding contract.

As Australian Eggs' current funding contract concludes in early 2021, the independent performance review process commenced in March 2020 and concluded in July 2020. The review was conducted by Anwen Lovett Consulting and a copy of the final report is available on the Australian Eggs website.

The review found that Australian Eggs is appropriately governed, managed and led, and that Australian Eggs is committed to delivering high quality services to the egg industry.

In addition, the review identified areas that could be explored to further improve in the form of recommendations. Each of the recommendations has been adopted by the Australian Eggs board with steps taken to implement them. A summary of the recommendations and implementation plan is available on the Australian Eggs website and set out below.

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**The Australian egg industry is formed by 277 egg farming businesses that fulfill the demand of over 17 million eggs that are consumed in Australia every day**

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| Recommendation  | Actions  | Progress  |
|---|--|---|
| Provide for greater transparency over board tenure limits                   | <ul style="list-style-type: none"> <li>• Provide transparency over board tenure limits in annual report</li> <li>• Publish board and committee charters on Australian Eggs website</li> </ul>  | Charters posted on website in September 2020 and annual report published October 2020   |
| Make greater use of nominations committee in director succession            | <ul style="list-style-type: none"> <li>• Establish Nominations and Culture Committee</li> <li>• Committee Charter to provide for oversight of director succession</li> </ul>   | Nominations and Culture Committee established August 2020 with first meeting October 2020                                       |
| Support board skills diversity through development of a skills matrix       | <ul style="list-style-type: none"> <li>• Establish Nominations and Culture Committee</li> <li>• Nominations and Culture Committee to have oversight of director succession</li> </ul>  | Nominations and Culture Committee established August 2020 with first meeting October 2020                                       |
| Develop more specific targets as measures of success against strategic plan | <ul style="list-style-type: none"> <li>• Outcome-based performance indicators incorporated into 2020/21 annual operating plan and evaluation framework</li> <li>• Outcome-based performance indicators under consideration for new strategic plan</li> </ul> | 2020/21 annual operating plan published July 2020 and new strategic plan under development for early 2021                       |
| Continue engagement on culture and develop statement of values              | <ul style="list-style-type: none"> <li>• Establish Nominations and Culture Committee</li> <li>• Committee charter to provide for oversight of culture and values</li> </ul>  | Nominations and Culture Committee established August 2020 with first meeting October 2020                                       |
| Ensure positive staff environment by aligning staffing levels to workload   | <ul style="list-style-type: none"> <li>• Establish Nominations and Culture Committee</li> <li>• Committee charter to provide for oversight of culture and values and workload assessment</li> </ul>  | Nominations and Culture Committee established August 2020 with first meeting October 2020                                       |
| Investigate financial models for sustainable industry representation        | <ul style="list-style-type: none"> <li>• Australian Eggs to engage with Egg Farmers Australia and Department of Agriculture, Water and the Environment on any proposals that can be identified</li> </ul>  | Potential options to be explored during funding contract negotiations with Department of Agriculture, Water and the Environment |

# Corporate governance and compliance

**Australian Eggs is a not-for-profit public company limited by guarantee and is not listed on the Australian Stock Exchange (ASX) but has developed its framework for corporate governance in line with the Corporate Governance Principles and Recommendations as developed by the ASX Corporate Governance Council.**

Australian Eggs is committed to conducting its business in a way that is open and accountable to all stakeholders. Corporate governance describes the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled with corporations. It encompasses the mechanisms by which companies, and those in control,

are held to account. Australian Eggs is committed to effective governance and ongoing improvements.

Australian Eggs believes its corporate governance practices are rigorous and of a high standard and as a result is willing to report against the recognised principles of corporate governance on an annual basis.

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Relevant interests of all directors are reviewed on an annual basis, as well as notified as and when they arise in relation to any issues. After consultation with the Chair, 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.

The Board undergoes a performance review using ACID governance analysis tools annually and undertakes external review every three years. The Board considers renewal and succession planning annually.

Australian Eggs is assisted by the Australian Eggs Audit & Risk Committee to carry out its responsibilities. When a Board vacancy arises the Australian Eggs Board compels the Australian Eggs Nominations Committee to meet.

## Principle One: Lay solid foundations for management and oversight

---

1

The Australian Eggs Board is responsible for ensuring that the management of Australian Eggs is conducted in a manner that

ensures the long term benefit of levy paying egg producers and more broadly, all stakeholders, consistent with the Australian Eggs Constitution (the Constitution), the Funding Contract with the Australian Government (the Funding Contract) and the Egg Industry Service Provision Act 2002.

The Australian Eggs Board Charter governs the Board. The Board strives to create member value by constructively engaging with management to ensure the appropriate development, execution and monitoring of Australian Eggs agreed strategies in line with the Australian Eggs industry-agreed Strategic Plan. The Board strives to ensure leadership and resources for the Company. It also ensures the performance of Australian Eggs is monitored and improved.

The Australian Eggs Board meets at least 8 times a year, to perform its duties 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. The Board delegates responsibility for the implementing of the strategic direction and for managing the day-to-day operations of the Company to the Managing Director.

The Australian Eggs Board's functions include:

- Providing leadership and setting the strategic objectives of Australian Eggs;
- Approving operating budgets and major capital expenditure;
- Overseeing management's implementation of Australian Eggs' strategic objectives and its performance generally;
- Ensuring Australian Eggs acts legally and responsibly on all matters and that the highest ethical standards are maintained;
- Ensuring that Australian Eggs has in place an appropriate risk management framework and setting the risk appetite within which the Board expects management to operate;
- Ensuring Australian Eggs operates within the requirements of the Constitution, the Corporations Act 2001, the Funding Contract and the Egg Industry Service Provision Act 2002;
- Appointing or removing the Managing Director/Chief Executive Officer;
- Approving Australian Eggs' remuneration framework;
- Monitoring the effectiveness of Australian Eggs' governance practices; and
- Appointing the Chair and Deputy Chair.

## Principle Two: Structure the Board to add value

---

2

In accordance with the Constitution, the Australian Eggs Board comprises three Elected Directors and three Specialist Directors, one of whom is the Managing Director.

Specialist Directors are sought by a Nominations Committee and appointed by the Australian Eggs Board then ratified by members at the first available General Meeting of the Company. Appointments are made to ensure a balance of skills and expertise in accordance with the criteria set out in the

Directors collectively have skills and experience in the following areas and that at least one Director can demonstrate from his or her experience that he or she is highly skilled on legal, compliance and corporate governance:

- production and/or processing of the egg industry;
- product promotion, marketing and international market development and trade;
- business and financial management;
- R&D administration, technology transfer, commercialisation of R&D and innovation; and
- conservation and management of natural resources.

## Principle Three: Act ethically and responsibly

---

3

Australian Eggs wishes to conduct all its business ethically and responsibly. Equally important is the encouragement of ethical conduct by example from all involved in Australian Eggs. It is the Board's objective that all its dealings with staff, stakeholders, regulatory authorities and the community should be conducted with integrity, fairness and diligence.

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

All Australian Eggs staff and directors are bound by the Australian Eggs Code of Conduct Policy, the Diversity and Harassment Policy and the Code of Ethics.

Acting ethically and responsibly goes beyond mere compliance with legal obligations. As a good corporate citizen, Australian Eggs strives to:

- Respect the human rights of employees;
- Create a safe non-discriminatory workplace; and
- Deal honestly and fairly with suppliers and stakeholders.

## Principle Four: Safeguard integrity in corporate reporting



The Audit & Risk Committee meets four times each year. It is governed by the Board Committee Charter. The Managing Director and Company Secretary attend all committee meetings at the invitation of the Committee. The Audit & Risk Committee is chaired by a Specialist Director. The Committee also meets privately with the external auditor without Australian Eggs management present.

The minutes of all committee meetings are reviewed at the subsequent meeting of the Board and the resolutions of the Committee are reviewed and considered by the Board for endorsement.

The role and responsibilities of the Audit & Risk Committee include:

### **Financial Statements**

Reviews Australian Eggs' financial statements, effectiveness and compliance with accounting policies and standards, adequacy of disclosures and reconciliation of all bank accounts.

### **Investments**

Reviews matters relating to the investment of assets in line with Australian Eggs policy. The Committee obtains advice from external investment advisors when necessary.

### **Appointment of External Auditor**

Reviews the scope and adequacy of the external auditor annually and can recommend to the Board any changes to the appointment it deems appropriate. The external auditor may attend member meetings and may be available to answer questions from members about the conduct of the audit and the preparation and content of the audit report and Australian Eggs' accounts.

### **Audit**

Reviews the auditors' performance, the professional independence of the auditors, audit policies, procedures and reports, as a direct link between the Board and Australian Eggs auditors.

### **Risk**

See Principle #7

## Principle Five: Make timely and balanced disclosure

---

5

Australian Eggs is not a publicly listed company and is not subject to ASX Listing Rule disclosure requirements. It does however, report to its members and the Australian Securities and Investments Commission (ASIC) in the form required by the Corporations Act 2001. Australian Eggs undertakes regular disclosure of current business matters to its stakeholders through its fortnightly newsletter, EggsPress, quarterly publication of Eggstra and its Annual Report. It also holds annual Australian Eggs industry forums rotating through all State jurisdictions.

Under the Funding Contract with the Australian Government, Australian Eggs is required to report to the Department of Agriculture. In addition, the Chair and Managing Director meet bi-annually with the Minister, or their nominated delegate, to report on Australian Eggs performance against the Funding Contract. Any significant matters are to be reported to the Department.

## Principle Six: Respect the rights of shareholders

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6

Australian Eggs does not have shareholders, it has members as defined in Section 231 of the Corporations Act 2001.

A person is eligible to be a member of Australian Eggs if they are an Australian egg producer and a levy payer and 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 on any motion, including the election of directors, the ratification of Specialist Director appointments and the total remuneration payable to the directors of the Company.

Australian Eggs seeks stakeholder input to inform its strategic planning process and its corporate performance review.

The Board encourages full participation of members and other stakeholders at the AGM to ensure a high level of accountability and understanding of Australian Eggs strategy, goals and achievements. In the event that a member is unable to attend the AGM they are encouraged to appoint proxies to express their views at the AGM by completing and lodging an approved Proxy Form.

## Principle Seven: Recognise and manage risk

---

7

The Australian Eggs Audit & Risk Committee reviews all internal controls and policies, the practice of good governance, management procedures employed and the systems of risk management employed by the Company.

Australian Eggs 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 adoption of a Strategic Plan covering a period of 3 to 5 years.
- Development of a framework to identify and manage risk via the 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 Operating 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), Workplace Health and Safety (WHS) and privacy.

## Principle Eight: Remunerate fairly and responsibly

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8

Australian Eggs conducts annual performance appraisals and goal setting for all staff which assists in determining remuneration levels for all staff which is reviewed once each year.

Total remuneration for non-executive directors has been set in Australian Eggs Constitution at a maximum of \$150,000 per annum. Aggregate Board remuneration can only be increased with the consent of Australian Eggs members. Australian Eggs' Constitution also provides for non-executive directors to be paid additional

remuneration where they perform services outside the scope of the ordinary duties of an Australian Eggs director.

Total remuneration for the Managing Director comprises of short term benefits (cash salary and an at-risk bonus) and post-employment benefits (statutory superannuation entitlement). The Board reviews the performance of the Managing Director on an annual basis in line with outcomes delivered and of the achievements reached across the Company.

# 2020 Australian Eggs Board Calendar

|  | JAN   | FEB    | MAR   |
|--|-------|--------|-------|
| Date   | 23    | 20     | 19    |
| Day  | THURS | THURS  | THURS |
| Location   |       | Sydney |       |
| Note   |       |        |       |
| Papers distributed   |       | 14     |       |
| <b>Meeting</b>   |       |        |       |
| Only if required (OIR)   | OIR   |        | OIR   |
| Audit & Risk Committee   |       | ●      |       |
| <b>Strategy formation</b>  |       |        |       |
| Board Strategy Session   |       |        |       |
| Approve AOP  |       |        |       |
| Review Strategic Plan  |       |        |       |
| Approve Budgets  |       |        |       |
| Approve Evaluation Framework Report  |       |        |       |
| <b>Management presentations</b>  |       |        |       |
| MD's report  |       | ●      |       |
| Program Manager Presentation   |       | ●      |       |
| <b>Managing Director</b>   |       |        |       |
| Assess performance & approve remuneration  |       |        |       |
| Approve MD's KPIs & review succession plan   |       |        |       |
| <b>Corporate governance</b>  |       |        |       |
| Approve audited accounts   |       |        |       |
| Review Board reporting requirements (calendar)   |       |        |       |
| Review Board performance (self assessed annually with external formal assessment every 3 years) and Board succession |       |        |       |
| Review Board Committee Charter   |       |        |       |
| Review Board Charter   |       |        |       |
| <b>Membership and AGM</b>  |       |        |       |
| Approval of AGM Advance Notice   |       |        |       |
| Approval of AGM documentation (notice and director nominations)  |       |        |       |
| Approve Registration Forms, Return Date and process for member renewals  |       |        |       |
| 2020 AGM (11 November 2020 – Tasmania)   |       |        |       |

| APR                 | MAY    | JUN    | JUL   | AUG    | SEP   | OCT    | NOV      | DEC        |
|---------------------|--------|--------|-------|--------|-------|--------|----------|------------|
| 23                  | 21     | 18     | 23    | 27     | 24    | 22     | 10       | 17         |
| THURS               | THURS  | THURS  | THURS | THURS  | THURS | THURS  | TUES     | THURS      |
| Sydney              | Sydney | Sydney |       | Sydney |       | Sydney | Tasmania | XMAS Lunch |
| Easter<br>10-13 Apr |        |        |       |        |       |        |          |            |
| 17                  | 15     | 12     |       | 14     |       | 16     | 6        | 11         |
|                     |        |        | OIR   |        | OIR   |        |          |            |
| ●                   | ●      |        |       | ●      |       |        |          |            |
|                     |        |        |       |        |       | ●      |          |            |
|                     |        | ●      |       |        |       |        |          |            |
| ●                   |        |        |       |        |       |        |          |            |
|                     | ●      |        |       |        |       |        |          |            |
|                     |        | ●      |       |        |       |        |          |            |
| ●                   | ●      | ●      |       | ●      |       | ●      | ●        | ●          |
| ●                   |        | ●      |       | ●      |       | ●      |          | ●          |
|                     |        |        |       |        |       | ●      |          |            |
|                     |        |        |       |        |       | ●      |          |            |
|                     |        |        |       | ●      |       |        |          |            |
|                     |        |        |       |        |       |        |          | ●          |
|                     |        |        |       |        |       | ●      |          |            |
| ●                   |        |        |       |        |       |        |          |            |
|                     |        |        |       | ●      |       |        |          |            |
| ●                   |        |        |       |        |       |        |          |            |
|                     |        |        |       |        |       |        | ●        |            |

# Collaboration

Collaboration is undertaken in order to fund research and development to address the Australian Government's Rural RD&E Priorities and to deliver research projects or promotions services in a more efficient and effective way. Australian Eggs' contribution, as a percentage, is calculated by reference to cash contribution and does not include allocation of in-kind contributions. Collaborative projects for the 2019-20 year are tabled below:

| Project Name  | Expenditure 2019/20 | Partners  | Australian Eggs |
|---|---------------------|---|-----------------|
| Review of rodent control for the Australian Poultry Industries                      | 15,000              | AgriFutures Australia   | 38%             |
| Assessment of the efficacy of an autogenous vaccine in Spotty Liver Disease Control | 145,903             | AgriFutures Australia   | 94%             |
| A killed whole cell bacterin vaccine against Spotty Liver Disease                   | 67,814              | AgriFutures Australia   | 93%             |
| National Animal Welfare RD&E Strategy   | 2,697               | AgriFutures Australia, MLA, AWI, AMPC, APL, DA, Livecorp  | 15%             |
| Feed Grain Partnership  | 5,000               | APL, MLA, GRDC, DA, AgriFutures Australia, Pork CRC, SFMCA  | 10%             |
| University Capacity Building – Horizon Scholarship                                  | 20,000              | APL, CRDC, GRDC, AgriFutures Australia, HIAL, MLA, DAFF   | 15%             |
| Joint RDC Community Trust Program   | 70,000              | APL, CRDC, DA, FRDC, GRDC, MLA  | 9%              |
| Black Soldier Fly   | 30,000              | APL, AgriFutures, DA, AMPC, DAF QLD, FRDC, Future Green Solutions, UWA  | 11%             |
| People in Ag  | 9,000               | Dairy, APL, CRDC, GRDC, MLA   | 8%              |
| Rural Health and Safety Alliance  | 20,000              | AgriFutures, CRDC, MLA, GRDC, AWI, DA, FRDC, APL  | 10%             |
| CRSPI   | 5,000               | RIRDC, AMPC, APL, AWI, CRDC, DA, GRDC, Wine, MLA, SRA, Western Australian Agriculture Authority, Minister for Agriculture and Fisheries SA, DPI TAS, DPI NSW, DJPR, Department of Ag QLD, DPI NT, DAWE, CSIRO | 2%              |
| Nutrient Review   | \$48,142            | AgriFutures Australia   | 71%             |

# Organisational Structure



# Industry Consultative Committees

| Marketing ICC  | Sustainability ICC | R&D ICC           |
|----------------|--------------------|-------------------|
| Grant Dearden  | Paul Pace          | Phil Szepe        |
| Sarah McLeod   | Greg Quinn         | Peter Bell        |
| Laura Manion   | Phil Szepe         | Dr Peter Scott    |
| Isabelle Dench | Anne Andary        | Dr Juliet Roberts |
|                | Ian Wilson         | Position vacant   |
|                | John Coward        | Position vacant   |
|                | Melinda Hashimoto  |                   |

## Expert Groups

| Egg Labelling Integrity Panel (ELIP) |
|--------------------------------------|
| Sharon Natoli                        |
| John Furbank                         |
| Sarah Dixon                          |
| Geoffrey Annison                     |



# Financial Statements

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### General Information

The financial statement covers Australian Eggs Limited ("the Company") as an individual entity. The financial statement is presented in Australian dollars, which is Australian Eggs Limited's functional and presentation currency.

Australian Eggs Limited is a not-for-profit unlisted public company limited by guarantee, incorporated and domiciled in Australia.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 September 2020. The directors have the power to amend and reissue the financial statements.

# Director's Report

Your directors submit their report, together with the financial statements of Australian Eggs Limited ("the Company") for the year ended 30 June 2020.

## Directors

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

- Frank Pace
- Charmaine England
- Danny Jones
- Bede Burke
- Catherine Cooper
- Rowan McMonnies

## Meeting of directors

During the year to 30 June 2020 there were eight meetings of directors.

During the year to 30 June 2020 the Audit & Risk Committee met four times.

The number of meetings attended by each director was:

|                   | Board Meetings<br>2019 - 2020 |          | Audit & Risk Committee Meetings<br>2019 - 2020 |          |
|-------------------|-------------------------------|----------|--|----------|
|                   | Attended                      | Eligible | Attended                                       | Eligible |
| Frank Pace        | 8                             | 8        | 4  | 4        |
| Danny Jones       | 8                             | 8        | 4  | 4        |
| Catherine Cooper  | 7                             | 8        | 4  | 4        |
| Rowan McMonnies   | 8                             | 8        | 4  | 4        |
| Charmaine England | 7                             | 8        | 4  | 4        |
| Bede Burke        | 8                             | 8        | 4  | 4        |

# Director's Report (cont.)

## Objectives, Principal Activities, Strategies for achieving objectives

The principal activities during the year were the provision of marketing and research and development and industry services on behalf of the egg industry in Australia.

The principal activities of Australian Eggs are in line with the objects of the Company as described in Section 2 of the Company's Constitution. The long term objective of the Company is to provide leadership in Industry Service Provision including, Promotion and R&D services that advance the interest of the Australian Egg Industry.

The objectives are carried out via short term programs and projects. Programs in marketing across a range of media both to consumers and to healthcare professionals. The principal measure of the success of promotion activities is increased egg consumption. Other measures and performance indicators are found on the Company's website, in the Annual Operating Plan and the Evaluation Framework.

Research and Development programs and projects are selected for their value of contribution towards the goal of sustainable production in Australian egg farms.

The Australian Eggs Limited deficit for the year ended 30 June 2020 was \$1,334,720 (2019: \$1,756,073).

All projects undertaken by the Company including their purpose, funding and measurement criteria are approved in the Australian Eggs Annual Operating Plan (AOP)

by the Australian Government department of Agriculture. Australian Eggs reports on the progress of all projects annually in the Evaluation Framework on the Australian Eggs website in the Australian Eggs publication Eggstra!, in twice yearly meeting with the Department of Agriculture and in the Company's Annual Report.

On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus disease 2019 (COVID-19) a pandemic. The pandemic has adversely affected the global economy, including an increase in unemployment, decrease in consumer demand, interruptions in supply chains, and tight liquidity and credit conditions. Consequently, governments around the world have announced monetary and fiscal stimulus packages to minimise the adverse economic impact. However, the COVID-19 situation is still evolving, and its full economic impact remains uncertain.

The company has minimal assets where the value may be impacted by COVID-19. At the date these financial statements were approved by the directors the extent of the impact that COVID-19 may have on the company's future operations cannot be reasonably estimated at this time.

While the COVID-19 situation has created economic uncertainty, the directors consider that the company will be able to continue as a going concern as it has as at 30 June 2020 net assets of \$4,372,528, working capital of \$4,028,906 and cash & cash equivalents of \$2,926,879.

## Directors' qualifications

The Company's constitution s13.1(c) states that the Company may have up to four elected directors and three specialist directors, one of whom will be the Managing Director. In accordance with s13.4(h) of the Company's Constitution, the Company's Board consists of three elected and three specialist directors who have demonstrated skills in egg production, the three specialist directors who have demonstrated skills in egg production, the processing of egg products, product promotion and business and financial management, with at least one director highly skilled in corporate governance.

The Managing Director, Rowan McMonnies, holds a Bachelor of Laws degree, a Master of Commerce and is a graduate of the Australian Institute of Company Directors.

The Chair, Danny Jones, has over 25 years experience in the egg industry and holds an Advanced Diploma in Business. He is a graduate of the Australian Institute of Company Directors and a Fellow of Institute of Public Accountants.

Frank Pace has many years of experience in the egg industry and as a former Chair of the International Egg Commission. Frank was appointed a Member of the Order of Australia ("AM") for his contribution to the egg industry, both in Australia and internationally.

Bede Burke has been a partner in a successful mixed farming, including egg, business for many years. He holds a Bachelor of Science degree and a Graduate Diploma of Business. Bede was appointed a Member of the Order of Australia ("AM") for significant service to the egg production industry.

Catherine Cooper has a Bachelor of Laws degree and is a Fellow of the Australian Institute of Company Directors.

Charmaine England holds a Bachelor of Business degree, specialising in marketing. She is a graduate of the Australian Institute of Company Directors.

Directors' qualifications are further detailed in the Annual Report.

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## Company secretary

Carron Elvin has held the role of Company Secretary since December 2018. She is a member of the Governance Institute of Australia (GIA).

## Corporate Information

Australian Eggs Limited is a company limited by guarantee that is incorporated and domiciled in Australia. Australian Eggs Limited employed 8 employees at 30 June 2020 (2019:10).

## Contributions on winding up

As per Rule 4 of the Company's Constitution, in the event of the Company's being wound up, each member is liable for Australian Eggs Limited debts and liabilities for an amount not exceeding \$1.

At 30 June 2020 Australian Eggs Limited had 81 members (2019: 95). Were Australian Eggs Limited to have been wound up on that date, members would be liable to contribute a total of \$81 (2019: \$95).

# Directors Report (cont.)

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

On behalf of the directors

A handwritten signature in black ink, appearing to be 'D Jones', is written over a horizontal line.

D Jones

**Director**

15 September 2020

Sydney, NSW



**Independent Auditor's Declaration**

To the directors of Australian Eggs Limited:

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

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Sydney, NSW  
15 September 2020

K L Luong  
Director

[hlb.com.au](http://hlb.com.au)

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Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd is a member of HLB International, the global advisory and accounting network.

# Statement of comprehensive income

For the year ended 30 June 2020

|   | Note     | 2020<br>\$         | 2019<br>\$         |
|---|----------|--------------------|--------------------|
| <b>Revenue</b>                                      | <b>3</b> | <b>11,643,214</b>  | <b>11,668,793</b>  |
| <b>Expenses</b>                                     |          |                    |                    |
| Value for money                                     | 4        | (1,644,944)        | (1,363,807)        |
| Increase consumption                                | 4        | (5,293,942)        | (5,743,564)        |
| Sustainable production                              | 4        | (2,893,391)        | (2,863,410)        |
| Effective engagement                                | 4        | (3,058,355)        | (3,205,925)        |
| Levy collection costs                               | 4        | (7,106)            | (18,044)           |
| Egg Farmers of Australia                            | 4        | (80,196)           | (230,116)          |
| <b>Deficit before income tax</b>                    |          | <b>(1,334,720)</b> | <b>(1,756,073)</b> |
| Income tax  |          | -                  | -                  |
| <b>Deficit after income tax for the year</b>        |          | <b>(1,334,720)</b> | <b>(1,756,073)</b> |
| Other comprehensive income for the year, net of tax |          | -                  | -                  |
| <b>Total comprehensive deficit for the year</b>     |          | <b>(1,334,720)</b> | <b>(1,756,073)</b> |

The above statement of comprehensive income should be read in conjunction with the accompanying notes

# Statement of financial position

As at 30 June 2020

|                                      | Note | 2020<br>\$       | 2019<br>\$       |
|--------------------------------------|------|------------------|------------------|
| <b>Assets</b>                        |      |                  |                  |
| <b>Current assets</b>                |      |                  |                  |
| Cash and cash equivalents            | 6    | 2,926,879        | 4,642,051        |
| Trade and other receivables          | 7    | 2,876,171        | 1,764,221        |
| <b>Total current assets</b>          |      | <b>5,803,050</b> | <b>6,406,272</b> |
| <b>Non-current assets</b>            |      |                  |                  |
| Trade and other receivables          | 7    | 86,086           | 86,086           |
| Property, plant and equipment        | 9    | 210,859          | 296,571          |
| Right-of-use assets                  | 8    | 320,790          | -                |
| Intangibles                          | 10   | 33,146           | 39,173           |
| <b>Total non-current assets</b>      |      | <b>650,881</b>   | <b>421,830</b>   |
| <b>Total assets</b>                  |      | <b>6,453,931</b> | <b>6,828,102</b> |
| <b>Liabilities</b>                   |      |                  |                  |
| <b>Current liabilities</b>           |      |                  |                  |
| Trade and other payables             | 11   | 1,508,106        | 968,703          |
| Lease liabilities                    | 12   | 136,846          | -                |
| Employee benefits                    | 13   | 129,192          | 100,596          |
| <b>Total current liabilities</b>     |      | <b>1,774,144</b> | <b>1,069,299</b> |
| <b>Non-current liabilities</b>       |      |                  |                  |
| Lease liabilities                    | 12   | 214,303          | -                |
| Employee benefits                    | 13   | 59,216           | 51,555           |
| Provisions                           | 14   | 33,740           | -                |
| <b>Total non-current liabilities</b> |      | <b>307,259</b>   | <b>51,555</b>    |
| <b>Total liabilities</b>             |      | <b>2,081,403</b> | <b>1,120,854</b> |
| <b>Equity</b>                        |      |                  |                  |
| <b>Net Assets</b>                    |      | <b>4,372,528</b> | <b>5,707,248</b> |
| Retained surpluses                   |      | 4,372,528        | 5,707,248        |
| <b>Total equity</b>                  |      | <b>4,372,528</b> | <b>5,707,248</b> |

The above statement of comprehensive income should be read in conjunction with the accompanying notes

# Statement of changes in equity

For the year ended 30 June 2020

|   | Retained surpluses<br>\$ | Total Equity<br>\$ |
|---|--------------------------|--------------------|
| <b>Balance at 1 July 2018</b>                       | <b>7,463,321</b>         | <b>7,463,321</b>   |
| Deficit after income tax for the year               | (1,756,073)              | (1,756,073)        |
| Other comprehensive income for the year, net of tax | -                        | -                  |
| <b>Total comprehensive deficit for the year</b>     | <b>(1,756,073)</b>       | <b>(1,756,073)</b> |
| <b>Balance at 30 June 2019</b>                      | <b>5,707,248</b>         | <b>5,707,248</b>   |

|   | Retained surpluses<br>\$ | Total Equity<br>\$ |
|---|--------------------------|--------------------|
| <b>Balance at 1 July 2019</b>                       | <b>5,707,248</b>         | <b>5,707,248</b>   |
| Deficit after income tax for the year               | (1,334,720)              | (1,334,720)        |
| Other comprehensive income for the year, net of tax | -                        | -                  |
| <b>Total comprehensive deficit for the year</b>     | <b>(1,334,720)</b>       | <b>(1,334,720)</b> |
| <b>Balance at 30 June 2020</b>                      | <b>4,372,528</b>         | <b>4,372,528</b>   |

The above statement of comprehensive income should be read in conjunction with the accompanying notes

# Statement of cash flows

For the year ended 30 June 2020

|   | Note | 2020<br>\$         | 2019<br>\$         |
|---|------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                             |      |                    |                    |
| Receipts from customers (inclusive of GST)                              |      | 13,164,142         | 12,202,828         |
| Payments to suppliers and employees (inclusive of GST)                  |      | (13,201,513)       | (14,043,926)       |
|   |      | (37,371)           | (1,841,098)        |
| Interest received   |      | 91,415             | 89,253             |
| Interest paid   |      | (105,764)          | -                  |
| <b>Net cash used in operating activities</b>                            |      | <b>(51,720)</b>    | <b>(1,751,845)</b> |
| <b>Cash flows from investing activities</b>                             |      |                    |                    |
| Payments for term deposits  |      | (1,540,330)        | -                  |
| Payments for property, plant and equipment                              | 9    | -                  | (17,201)           |
| Payments for intangibles  | 10   | -                  | (9,040)            |
| <b>Net cash used in investing activities</b>                            |      | <b>(1,540,330)</b> | <b>(26,241)</b>    |
| <b>Cash flows from financing activities</b>                             |      |                    |                    |
| Repayment of lease liabilities  |      | (123,122)          | -                  |
| <b>Net cash used in financing activities</b>                            |      | <b>(123,122)</b>   | <b>-</b>           |
| <b>Net decrease in cash and cash equivalents</b>                        |      | <b>(1,715,172)</b> | <b>(1,778,086)</b> |
| <b>Cash and cash equivalents at the beginning of the financial year</b> |      | <b>4,642,051</b>   | <b>6,420,137</b>   |
| <b>Cash and cash equivalents at the end of the financial year</b>       | 6    | <b>2,926,879</b>   | <b>4,642,051</b>   |

The above statement of comprehensive income should be read in conjunction with the accompanying notes



# Notes to the financial statements

30 June 2020

## 1. Significant accounting policies

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

### New or amended Accounting Standards and Interpretations adopted

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

Any significant impact on the accounting policies of the Company from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

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

### AASB 16 Leases

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The Company has adopted AASB 16 from 1 July 2019 which replaces AASB 117 Leases ("AASB 117"). AASB 16 has been applied using the modified retrospective approach and comparative information has not been restated, as permitted under the specific transition provisions in the standard.

The adoption of AASB 16 has resulted in the Company recognising right-of-use assets and related lease liabilities in connection with all former leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. Operating lease expense is also no longer recognised for these operating leases and is now replaced by interest

and depreciation expense in the statement of profit or loss and other comprehensive income. For classification within the statement of cash flows, the interest portion is disclosed in operating activities as finance costs paid and the principal portion of the lease payments are separately disclosed in financing activities, as repayment of lease liabilities.

On adoption, lease liabilities were measured at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate that applied to the lease liabilities on 1 July 2019 was 6.5%.

Right-of-use assets were measured at their carrying amounts as if the standard had been applied since the commencement date of each lease, but discounted using the incremental borrowing rate that applied on 1 July 2019.

### Practical expedients applied

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In applying AASB 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review
- There were no onerous contracts as at 1 July 2019
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

## Measurement of lease liabilities

Below is a reconciliation between the operating lease commitments reported as at 30 June 2019 and lease liabilities recognised under AASB 16 Leases on 1 July 2019.

|  | 2019<br>\$     |
|--|----------------|
| <b>Measurement of lease liabilities</b>  |                |
| Operating lease commitments 30 June 2019   | 561,796        |
| Less: GST  | (51,072)       |
|  | <b>510,724</b> |
| Discounted using the incremental borrowing rate at 1 July 2019                       | 493,095        |
| Add photocopier lease discounted using the incremental borrowing rate at 1 July 2019 | 14,916         |
|  | <b>508,011</b> |

The difference of \$53,785 between the lease liability \$508,011 as at 1 July 2019 and the discounted operating lease commitments as at 30 June 2019 \$561,796 comprises GST of \$51,702 being included in the operating lease commitments which is excluded in the lease liability as well as photocopier lease being excluded from the operating lease commitments as at 30 June 2019. The photocopier lease discounted using the incremental borrowing rate at 1 July 2019 was \$14,916.

The company's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 6.5%. The difference between the undiscounted amount of property operating lease commitments at 30 June 2019 of \$561,796 excluding GST and the discounted operating lease commitments as at 1 July 2019 of \$493,095 was \$17,629 which is due to discounting the operating lease commitments as at 1 July 2019 of \$493,095 was \$17,629 which is due to discounting the operating lease commitments at the company's incremental borrowing rate.

Australian Eggs has the following leases in place:

- For the premises located at Suite 602, Level 6 132 Arthur Street, North Sydney (office premises)
- Konica Minolta printer/photocopier

### Adjustments recognised in the condensed consolidated statement of financial position on 1 July 2019

- right-of-use assets – increase by \$454,011
- lease liabilities – increase by \$508,011
- provision for lease make good
- increase by \$33,740

There was no impact on retained surpluses on 1 July 2019 as the Company has used the practical expedients permitted by the standard.

### Basis of preparation

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

# 1. Significant accounting policies (cont.)

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## Historical cost convention

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

## Revenue recognition

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

## Australian government matching funds

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The Australian Government matches funding on a dollar basis on approved research and development funded projects, up to a level of half of the total expenditure on research and development or up to 0.5% of the industry's gross production, and not exceeding the cumulative amount of contributions provided by the industry. Government matching funds are recognised as revenue upon incurring the eligible research and development program expenditure.

## Levy receipts

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The Levies Revenue Service of the Department of Agriculture collects statutory levies (Laying Chicken levies and Egg Promotion levies) on behalf of the Company. Revenue from levies is recognised as revenue upon accrual of the levy amounts.

## Application of funds

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In accordance with the Statutory Funding Agreement between the Commonwealth of Australia and the Company, the Company must spend levies collected in a manner that is consistent with the Strategic Plan and annual operating plans approved by the Australian Government.

Laying Chicken levies and Government matching payments may only be applied by Australian Eggs Limited for research and development activities related to the industry, for the benefit of the industry and, in the case of the Government matching funds, also for the benefit of the Australian community generally.

The Company must ensure there is a clear distinction between expenditure on research and development expenses and other expenses. This distinction is noted via the annual operating plans approved by the Government and tracked via the accounting system.

## Government grants

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A number of the Company's projects are supported by grants received from the government. If conditions are attached to a grant which must be satisfied before the Company is no longer required to repay the grant, recognition of the grant as revenue is deferred until the conditions are satisfied.

## Interest revenue

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Interest revenue is recognised on a proportional basis taking into account interest rates applicable to the asset.

## Other revenue

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

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## Income tax

Australian Eggs Limited is exempt from company income taxation.

## Cash and cash equivalents

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

## Trade and other receivables

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

The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

## Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any identified impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the items.

Property, plant and equipment are depreciated on a straight-line basis over its useful life.

## Useful lives

|                        |               |
|------------------------|---------------|
| Office Equipment       | 2-10 years    |
| Leasehold improvements | Term of lease |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses between the carrying amount and the disposal proceeds are taken to surplus or deficit.

## Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

## 1. Significant accounting policies (cont.)

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### Impairment of non-financial assets

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

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

### Trade and other payables

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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 Company.

### Lease liabilities

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A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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 and are expensed on a straight line basis.

### Provisions

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

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## Employee benefits

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 and inclusive of associated on costs.

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 and inclusive of associated on-costs.

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 are charged against surplus or deficit on a net basis in their respective categories.

## Economic dependency

The Company is economically dependent on statutory levies received from the egg industry and Australian Government contributions.

## Goods and Services Tax ('GST') and other similar taxes

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

\* the 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 authorities 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.

## 2. Critical accounting judgements, estimates and assumptions

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Coronavirus (COVID-19) pandemic

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

### 3. Revenue

|  | 2020              | 2019              |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <b>Revenue from operating activities</b> |                   |                   |
| Egg Promotion Levies                     | 5,384,794         | 5,352,672         |
| Laying Chicken (R&D) Levies              | 2,365,906         | 2,489,454         |
| Government Contributions                 | 3,223,265         | 3,513,966         |
|  | <b>10,973,965</b> | <b>11,356,092</b> |
| <b>Other revenue</b>                     |                   |                   |
| Advertising                              | 57,667            | (1,863)           |
| Associate Membership                     | 75,206            | 72,516            |
| Functions                                | 15,977            | 35,323            |
| Grant Income                             | 182,000           | -                 |
| Interest                                 | 91,415            | 118,715           |
| Licence Fees                             | -                 | 2,600             |
| Reimbursed Expenses Income               | 143,331           | 12,816            |
| Royalties                                | 89,534            | 41,013            |
| Training                                 | 4,828             | 9,700             |
| Other                                    | 9,291             | 21,881            |
|  | <b>669,249</b>    | <b>312,701</b>    |
| <b>Revenue</b>                           | <b>11,643,214</b> | <b>11,668,793</b> |

## 4. Program expense by operating goal

### 4(a) Value of money

The Key Focus Areas within the Value for Money goal are:

|                               | 2020             | 2019             |
|-------------------------------|------------------|------------------|
|                               | \$               | \$               |
| Accounting and Administration | 498,089          | 248,305          |
| Premises                      | 178,135          | 64,337           |
| Board/AGM expenses            | 173,875          | 184,140          |
| Employment expenses           | 794,845          | 867,025          |
|                               | <b>1,644,944</b> | <b>1,363,807</b> |

### 4(b) Increase consumption

The Key Focus Areas with the Increased Consumption goal are:

Matching Market Cycles

Next Generation

Nutrition

Eating Eggs

|                          | 2020             | 2019             |
|--------------------------|------------------|------------------|
|                          | \$               | \$               |
| Projects / activities    | 4,957,385        | 5,525,419        |
| Project travel           | 11,021           | 11,257           |
| Program management costs | 325,536          | 206,888          |
|                          | <b>5,293,942</b> | <b>5,743,564</b> |

## 4. Program expense by operating goal (cont.)

### 4(c) Sustainable production

The Key Focus Areas within the Sustainable Production goal are:

| Flock Health and Biosecurity | Food Safety | Hen Welfare      | Research Collaboration |
|------------------------------|-------------|------------------|------------------------|
|                              |             | <b>2020</b>      | <b>2019</b>            |
|                              |             | <b>\$</b>        | <b>\$</b>              |
| Projects / activities        |             | 2,440,379        | 2,242,330              |
| Project travel               |             | 18,366           | 7,323                  |
| Program management costs     |             | 434,646          | 613,757                |
|                              |             | <b>2,893,391</b> | <b>2,863,410</b>       |

### 4(d) Effective engagement

The Key Focus Areas within the Effective Engagement goal are:

| Farmer Consultation      | Proactive Extension | Market Development | IRB Consultation |
|--------------------------|---------------------|--------------------|------------------|
|                          |                     | <b>2020</b>        | <b>2019</b>      |
|                          |                     | <b>\$</b>          | <b>\$</b>        |
| Projects / activities    |                     | 2,666,159          | 2,652,513        |
| Project travel           |                     | 108,847            | 231,121          |
| Program management costs |                     | 283,349            | 322,291          |
|                          |                     | <b>3,058,355</b>   | <b>3,205,925</b> |

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## 4(e) Levy collection costs

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|  | 2020         | 2019          |
|--|--------------|---------------|
|  | \$           | \$            |
| Levy Collection Cost - Egg Promotion Levy  | 5,884        | 10,773        |
| Levy Collection Cost - Laying Chicken Levy | 1,222        | 7,271         |
|  | <b>7,106</b> | <b>18,044</b> |

## Research & Development Expenditure

Aggregate research and development expenditure includes all project expenditure funded by the Laying Chicken Levy and Corporate overheads applicable to those projects.

|  | 2020      | 2019      |
|--|-----------|-----------|
|  | \$        | \$        |
| Aggregate research and development expenditure | 7,234,018 | 7,027,932 |

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## 5. Net deficit

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The net deficit has been arrived at inclusive of these items:

|                               | 2020             | 2019             |
|-------------------------------|------------------|------------------|
|                               | \$               | \$               |
| Depreciation and Amortisation | 223,184          | 90,797           |
| Employee Costs                | 1,688,590        | 1,637,982        |
| Lease Expenses                | -                | 174,680          |
| Interest Expense              | 105,764          | -                |
|                               | <b>2,017,538</b> | <b>1,903,459</b> |

## 6. Cash and cash equivalents

|              | 2020             | 2019             |
|--------------|------------------|------------------|
|              | \$               | \$               |
| Cash on hand | 250              | 250              |
| Cash at bank | 2,926,629        | 4,641,801        |
|              | <b>2,926,879</b> | <b>4,642,051</b> |

## 7. Trade and other receivables

|                           | 2020             | 2019             |
|---------------------------|------------------|------------------|
|                           | \$               | \$               |
| <b>Current assets</b>     |                  |                  |
| Trade receivables         | 375,853          | 476,127          |
| Other receivables         | 953,210          | 885,271          |
| Term deposits             | 1,540,330        | -                |
|                           | <b>2,493,540</b> | <b>885,271</b>   |
| Prepayments               | 6,778            | 16,022           |
| GST receivable            | -                | 386,801          |
|                           | <b>2,876,171</b> | <b>1,764,221</b> |
| <b>Non-current assets</b> |                  |                  |
| Security Deposit          | 86,086           | 86,086           |
|                           | <b>2,962,257</b> | <b>1,850,307</b> |

Australian Eggs Limited is obliged to maintain a security deposit for the rental of the business premises at Arthur Street, North Sydney. The security deposit will be returned on the end of the lease on 31 October 2022.

## 8. Right-of-use assets

|                                    | 2020<br>\$     | 2019<br>\$ |
|------------------------------------|----------------|------------|
| <b>Non-current assets</b>          |                |            |
| Plant and equipment - right-of-use | 439,095        | -          |
| Less: Accumulated depreciation     | (131,729)      | -          |
|                                    | <b>307,366</b> | -          |
| Office equipment - right-of-use    | 14,916         | -          |
| Less: Accumulated depreciation     | (1,492)        | -          |
|                                    | <b>13,424</b>  | -          |
|                                    | <b>320,790</b> | -          |

AASB 16 was adopted using the modified retrospective approach and comparatives for right-of-use assets have not been provided. Refer to note 1.

### Reconciliations

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

|                                  | Plant and<br>equipment<br>\$ | Furniture and<br>fittings<br>\$ | Total<br>\$    |
|----------------------------------|------------------------------|---------------------------------|----------------|
| <b>Balance at 1 July 2019</b>    | -                            | -                               | -              |
| Recognised on adoption of AASB16 | 439,095                      | 14,916                          | 454,011        |
| Depreciation expense             | (131,729)                    | (1,492)                         | (133,221)      |
| <b>Balance at 30 June 2020</b>   | <b>307,366</b>               | <b>13,424</b>                   | <b>320,790</b> |

## 9. Property, plant and equipment

|                                | 2020           | 2019           |
|--------------------------------|----------------|----------------|
|                                | \$             | \$             |
| <b>Non-current assets</b>      |                |                |
| Office equipment - at cost     | 58,989         | 58,989         |
| Less: Accumulated depreciation | (25,052)       | (17,972)       |
|                                | <b>33,937</b>  | <b>41,017</b>  |
| Leasehold improvement          | 393,160        | 393,160        |
| Less: Accumulated depreciation | (216,238)      | (137,606)      |
|                                | <b>176,922</b> | <b>255,554</b> |
|                                | <b>210,859</b> | <b>296,571</b> |

### Reconciliations

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

|                                | Office<br>Equipment | Leasehold<br>Improvements | Total          |
|--------------------------------|---------------------|---------------------------|----------------|
|                                | \$                  | \$                        | \$             |
| <b>Balance at 1 July 2019</b>  | <b>41,017</b>       | <b>255,554</b>            | <b>296,571</b> |
| Additions                      | -                   | -                         | -              |
| Disposals                      | -                   | -                         | -              |
| Depreciation expense           | (7,080)             | (78,632)                  | (85,712)       |
| <b>Balance at 30 June 2020</b> | <b>33,937</b>       | <b>176,922</b>            | <b>210,859</b> |

## 10. Intangibles

|                                | 2020          | 2019          |
|--------------------------------|---------------|---------------|
|                                | \$            | \$            |
| <b>Non-current assets</b>      |               |               |
| Web application - at cost      | 45,200        | 45,200        |
| Less: Accumulated amortisation | (12,054)      | (6,027)       |
|                                | <b>33,146</b> | <b>39,173</b> |

## 11. Trade and other payables

|                            | 2020             | 2019           |
|----------------------------|------------------|----------------|
|                            | \$               | \$             |
| <b>Current liabilities</b> |                  |                |
| Trade payables             | 1,237,361        | 581,073        |
| Accruals                   | 36,533           | 40,067         |
| Lease Incentive liability  | -                | 46,800         |
| Deferred grant income      | 168,000          | 261,749        |
| GST and other payables     | 66,212           | 39,014         |
|                            | <b>1,508,106</b> | <b>968,703</b> |

## 12. Lease liabilities

|                                | 2020           | 2019     |
|--------------------------------|----------------|----------|
|                                | \$             | \$       |
| <b>Current liabilities</b>     |                |          |
| Lease liability                | 136,846        | -        |
| <b>Non-current liabilities</b> |                |          |
| Lease liability                | 214,303        | -        |
|                                | <b>351,149</b> | <b>-</b> |

## 13. Employee benefits

|                                | 2020           | 2019           |
|--------------------------------|----------------|----------------|
|                                | \$             | \$             |
| <b>Current liabilities</b>     |                |                |
| Annual leave                   | 113,495        | 86,483         |
| Long service leave             | 15,697         | 14,113         |
|                                | <b>129,192</b> | <b>100,596</b> |
| <b>Non-current liabilities</b> |                |                |
| Long service leave             | 59,216         | 51,555         |
|                                | <b>188,408</b> | <b>152,151</b> |

## 14. Provisions

|                                | 2020   | 2019 |
|--------------------------------|--------|------|
|                                | \$     | \$   |
| <b>Non-current liabilities</b> |        |      |
| Lease make good                | 33,740 | -    |

## 15. Financial risk management

The company is not exposed to any significant financial risks in respect to the financial instruments that it held at the end of the reporting period.

The board of directors have the overall responsibility for identifying and managing operational and financial risks.

The company's financial instruments consist mainly of deposits with banks, trade receivables, trade payables and lease liabilities.

The carrying amounts for each category of financial statements are as follows:

|  | 2020<br>\$                 | 2019<br>\$                 |
|--|----------------------------|----------------------------|
| <strong>Financial assets</strong>      |                            |                            |
| Cash and cash equivalents              | 3,695,211                  | 4,642,051                  |
| Trade and other receivables            | 2,962,257                  | 1,850,307                  |
|  | <strong>6,657,468</strong> | <strong>6,492,358</strong> |
| <strong>Financial liabilities</strong> |                            |                            |
| Trade and other payables               | 1,508,106                  | 968,703                    |
| Lease liabilities                      | 351,149                    | -                          |
|  | <strong>1,859,255</strong> | <strong>968,703</strong>   |

## 16. Remuneration of key management personnel

Income paid or payable, or otherwise made available to all directors and key management personnel of Australian Eggs Limited, directly or indirectly, from Australian Eggs Limited or any related party.

|   | 2020<br>\$ | 2019<br>\$ |
|---|------------|------------|
| Total key management personnel compensation | 602,407    | 619,914    |

## 17. Related party disclosures

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

|                 |                   |                  |
|-----------------|-------------------|------------------|
| Frank Pace      | Danny Jones       | Catherine Cooper |
| Rowan McMonnies | Charmaine England | Bede Burke       |

### Key management personnel

Disclosures relating to key management personnel are set out in note 16.

(b) Transactions with related parties

There were no related party transactions which occurred during the current and previous financial year.

## 18. Auditor's remuneration

|  | 2020          | 2019          |
|--|---------------|---------------|
|  | \$            | \$            |
| <b>HLB Mann Judd Assurance (NSW) Pty Ltd</b> |               |               |
| Audit of financial report                    | 26,500        | 27,400        |
| Non-assurance services                       | 4,500         | -             |
|  | <b>31,000</b> | <b>27,400</b> |

## 19. Events after the reporting period

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

## 20. Impact of COVID-19

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The Coronavirus disease 2019 (“COVID-19”) has been declared a pandemic by the World Health Organisation and has had a significant impact on domestic and global markets and economies. The impact of the COVID-19 pandemic which continues to evolve on a daily basis has significantly affected market volatility, exchange rates, supply chains, consumer demand, liquidity and credit conditions and unemployment rates and in a bid to curtail the spread of COVID-19, travel, trade and social restrictive measures have been imposed by the Australian Government.

In addressing and implementing the necessary changes to ensure the company complies with these measures, the Board and Management are continually monitoring the situation, however the extent of the impact COVID-19 may have on the company’s future liquidity, financial performance and position and operations is uncertain and cannot be reasonably estimated.

It is anticipated that COVID-19 will have minimal, if any, impact on the revenue streams of the organization. Management will continue to monitor and review the impacts of COVID on an ongoing basis, making and communicating adjustments accordingly.

The Australian Federal, NSW and Local Governments have also released monetary and fiscal stimulus packages to minimise the adverse economic impact of COVID-19 on the Australian economy, the efficacy of which is not yet certain. The company continues to assess its eligibility and apply for available Government relief packages which, as at the date of this report, continue to evolve.

As a result of COVID19, the ability of the company to continue as a going concern depends on generating sufficient revenue and other cash inflows to cover all expenses, and/or reducing expenses so that these are less than revenue and other cash inflows generated. The company is implementing plans to carefully monitor cashflow and the company is working towards implementing these and other

actions. However, should these revenues and other cash inflows not be generated, and/or expenses not be reduced below revenue and other cash inflows, there is a material uncertainty as to the company’s ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors and Management are continually monitoring and managing the company’s operations closely in response to COVID-19 however the extent of the impact COVID-19 may have on the company’s future liquidity, financial performance and position and operations is uncertain and cannot be reasonably estimated at the date these financial statements were issued.

Other than the matter described above, since the end of the reporting period, there were no other matters or circumstances that have arisen which have significantly affected, or may significant affect, the operations of the company, the results of those operations or the state of affairs of the company in future financial periods.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had any material impact on the Company as per 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

# Directors Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 22 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;  
and
  - (ii) giving a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- (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.

Signed in accordance with a resolution of directors made pursuant to s295(5)(a) of the Corporations Act 2001.

On behalf of the directors



D Jones

**Director**

15 September 2020

Sydney, NSW

## Independent Auditor's Report



### Independent Auditor's Report to the Members of Australian Eggs Limited

#### Opinion

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

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

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

#### Basis for Opinion

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

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

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

#### **Emphasis of Matter – Current and Possible Effects and Uncertainties of COVID-19**

We draw attention to Note 20 to the financial report, which describes the current and possible effects and uncertainties on the Company arising from the on-going issues associated with COVID-19. Our opinion is not modified in respect of this matter.

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

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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HLB Mann Judd is a member of HLB International, the global advisory and accounting network.

## Independent Auditor's Report (cont.)



### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

## Independent Auditor's Report (cont.)



We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

HLB Mann Judd Assurance (NSW) Pty Ltd  
Chartered Accountants

Sydney, NSW  
16 September 2020

A handwritten signature in black ink that reads 'K L Luong'.

K L Luong  
Director



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