

ANNUAL REPORT

2018/19



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CHAIR'S REPORT

2018-19 was an important year for the egg industry and Australian Eggs.

We faced many challenges in ongoing drought, retailer pressure and biosecurity threats. While the strain of these developments was felt across the industry, great resilience was shown and the industry demonstrated that it has the capacity to meet and overcome its challenges.

Australian Eggs sought to contribute to this at every opportunity. We had to be flexible enough to deal with rapid change and good enough to make a positive contribution, and I'd like to think this was the case.

From time to time, there will be problems faced by egg farmers that they cannot resolve individually, and the importance of industry contributors and the dedicated resources of peak bodies was demonstrated on a number of fronts across the year.

2018-19 was also a year in which Australian Eggs took more territory on its ongoing improvement agenda. New approaches to our research, extension, marketing and public engagement activities could be seen and stakeholder engagement and feedback was generally positive.

It was a great pleasure to be part of the Board overseeing this process, whilst ensuring that our corporate governance obligations were met. I hope for a less volatile year ahead and that Australian Eggs can continue to support the industry in seizing opportunities.

Finally, I thank my fellow directors, and in particular our Managing Director, Rowan, and the small but dedicated team at Australian Eggs for their ongoing commitment to our industry.



Danny Jones
Chair

We are harnessing resilience, innovation and agility to support our egg farmers through adversity, and into a buoyant future.



EGG INDUSTRY OVERVIEW

JUNE 2019

2

EGG PRODUCTION – AUSTRALIA

518.08m

DOZEN EGGS 2019 FY

(Source: Australian Eggs)

FLOCK SIZE – AS AT JUNE 2019

28,605,990

PULLETS & LAYERS

20,946,659

LAYERS

(Source: Australian Eggs)

GROSS VALUE OF EGG PRODUCTION (FARM GATE EQUIVALENT)

A\$828.2m

2019 FY

(Source: ABS, cat. no. 7503)

MAJOR SUPERMARKET GROCERY CHAINS EGG SALES VOLUME – 2019 FY

230.781m

MILLION DOZENS

(Source: AZTEC)

STATE FLOCK PERCENTAGES – AS AT JUNE 2018

32.96% NSW/ACT

8.30% WA

25.15% Queensland

6.69% SA/NT

25.70% Victoria

1.20% Tasmania

(Source: ABS, cat. no. 7121)

MAJOR SUPERMARKET GROCERY CHAINS EGG SALES VALUE

A\$961.345m

2019 FY

(Source: AZTEC)

EGG CONSUMPTION

247.1

EGGS PER CAPITA (MAT) – AS AT JUNE 2019

(Source: Australian Eggs)

MAT = Moving Annual Total
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

MAJOR SUPERMARKET GROCERY CHAINS EGG SALES FARMING SYSTEM MARKET SHARE – 2019 FY
 (Source: AZTEC)

	VOLUME	VALUE
Cage eggs	40%	30%
Free Range eggs	47%	56%
Barn-Laid eggs	11%	11%
Specialty eggs	2%	3%

GROWTH BY SEGMENT IN DOZENS (000s) AND PERCENTAGE OVER FY 2019 (Source: AZTEC)

	000s	%
Cage eggs	92,553	-7%
Free Range eggs	109,997.1	5%
Barn-laid eggs	24,596.6	15%
Specialty eggs	3,600.8	3%

MAJOR SUPERMARKET GROCERY CHAINS EGG SALES BRANDING MARKET SHARE – 2019 FY
 (Source: AZTEC)

	VOLUME	VALUE
Private label	50%	44%
Proprietary labels	50%	56%

MAJOR SUPERMARKET GROCERY CHAINS EGG SALES PACK SIZE MARKET SHARE – 2019 FY
 (Source: AZTEC)

	VOLUME	VALUE
6 (half dozen) pack	8%	7%
10 pack	1%	1%
12 (dozen) pack	86%	83%
15 pack	1%	1%
18 pack	3%	6%
30 (tray) pack	1%	2%

MAJOR SUPERMARKET GROCERY CHAINS EGG PACK WEIGHT MARKET SHARE – 2019 FY
 (Source: AZTEC)

	VOLUME	VALUE
<= 350g	8%	7%
351 – 400g	0%	0%
401 – 600g	19%	18%
601 – 700g	63%	59%
701 – 800g	6%	8%
>= 801g	4%	8%

EGG PRODUCT EXPORTS (FOB EQUIVALENT) – 2019 FY (Source: ABS)

	VOLUME	VALUE
Shell eggs	802mt	\$3,130m
Egg pulp/liquid	26mt	\$135,844
Egg powder	19mt	\$132,707

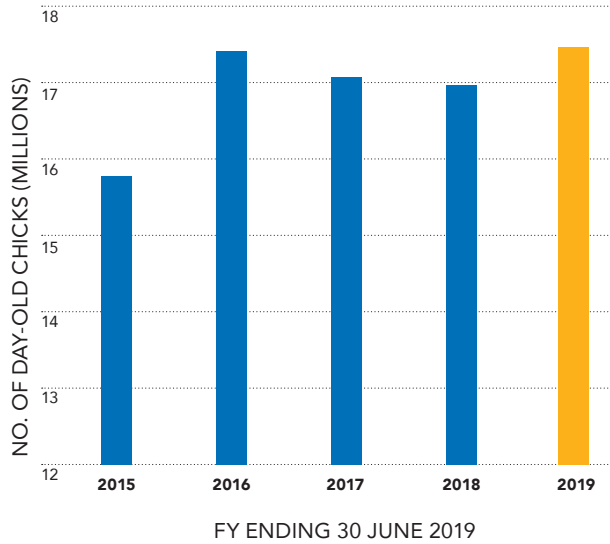
EXPORTS OF FRESH SHELL EGGS SHARE BY COUNTRY OF DESTINATION – 2019 FY
 (Source: ABS)

	VALUE (FOB)
Hong Kong (SAR of China)	\$1,148,479
New Zealand	\$749,158
Singapore	\$638,803
New Caledonia	\$499,037
Netherlands	\$133,088
Nauru	\$116,713

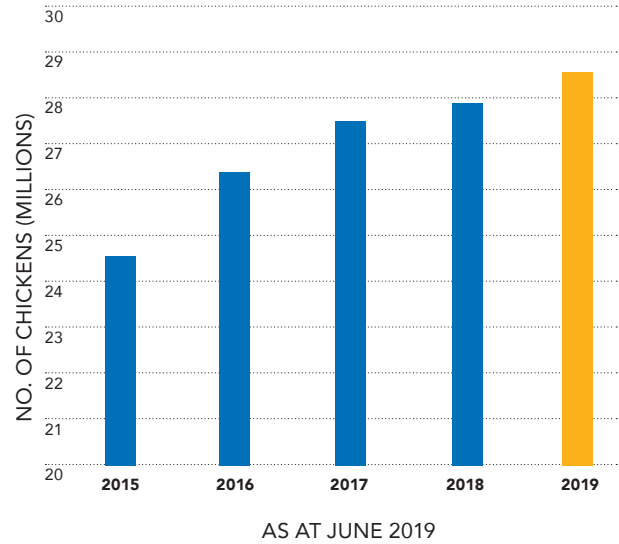
EGG PRODUCT IMPORTS (CIF EQUIVALENT) – 2019 FY (Source: ABS)

	VOLUME	VALUE
Eggs preserved/cooked	1,157mt	A\$4.771m
Egg pulp/liquid	214mt	A\$1.15m
Egg powder	1,118mt	A\$8.782m

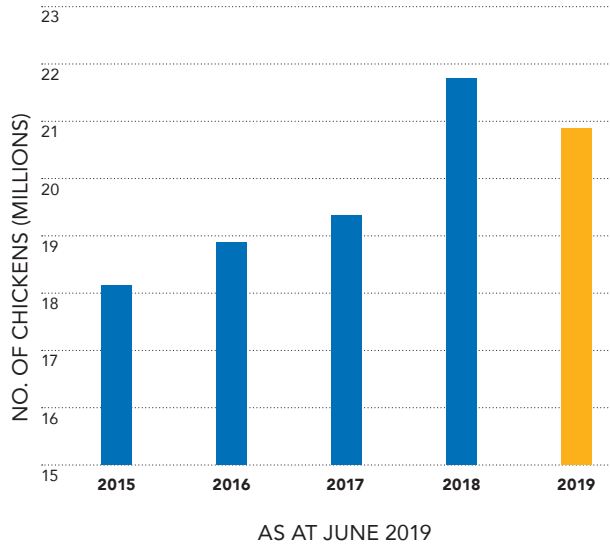
LAYING CHICKS HATCHED



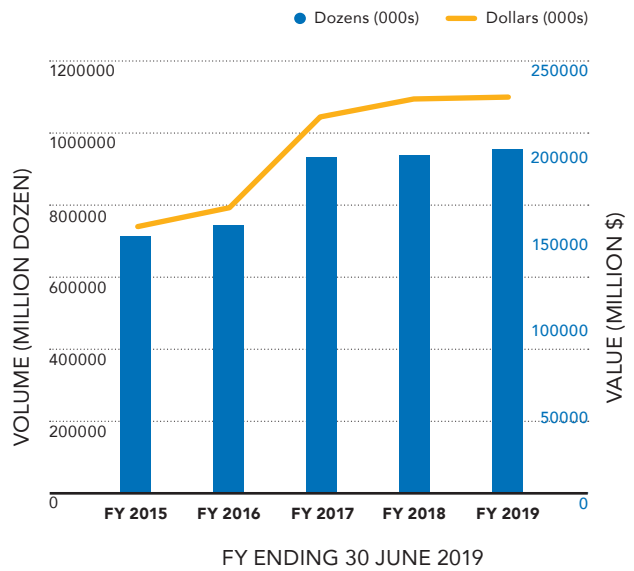
CHICKENS – PULLETS & LAYERS



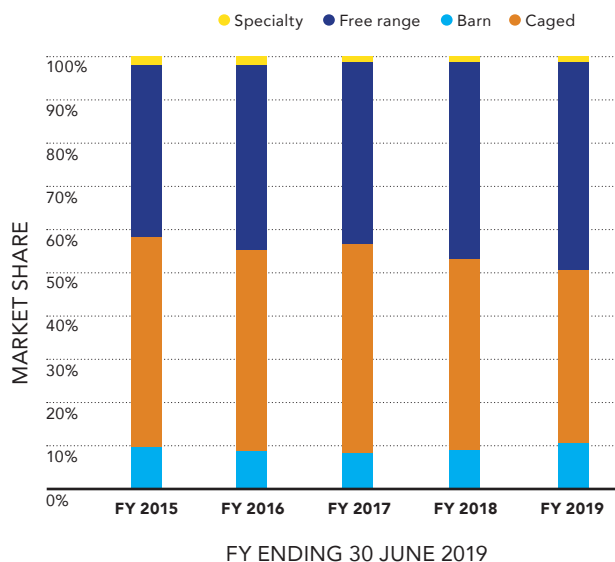
CHICKENS IN EGG PRODUCTION – LAYERS



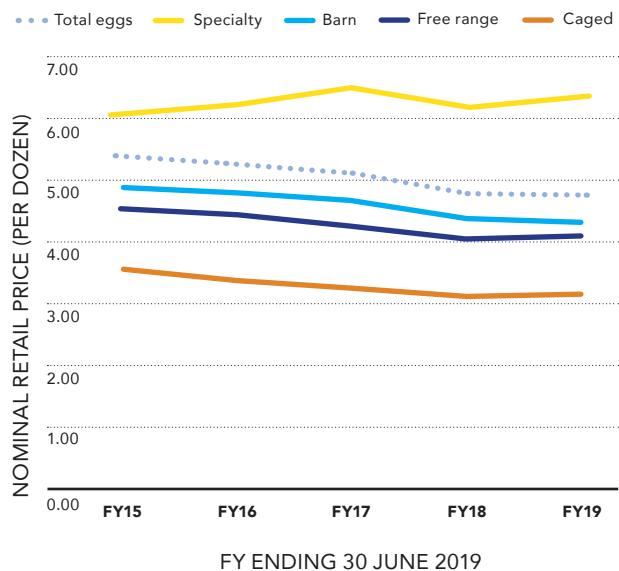
GROCERY SALE OF EGGS – VOLUME & VALUE



GROCERY VOLUME SHARE OF EGGS BY SEGMENT



NOMINAL RETAIL PRICE OF EGGS BY SEGMENT



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

FLOCK
HEALTH/
BIOSECURITY

FARMER
CONSULTATION

STAKEHOLDER
FOCUS

NEXT
GENERATION

FOOD
SAFETY

PROACTIVE
EXTENSION

EFFICIENT,
WELL-RESOURCED
TEAM

NUTRITION

HEN
WELFARE

MARKET
DEVELOPMENT

CLEAR WORK
PROGRAM

EATING
EGGS

RESEARCH
COLLABORATIONS

IRB
CONSULTATION



BOARD OF DIRECTORS

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Danny Jones

Chair
Elected Director

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

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.



Charmaine England

Marketing Specialist Director
Bachelor of Business,
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 recently joined Johnson & Johnson Pacific in August of this year, after helping to strengthen sustainable growth for the PACT Group as Executive General Manager. It is there she looked after numerous manufacturing facilities across NSW and Victoria, producing key household, personal care and nutraceutical products for a diverse range of customers from Aldi, Woolworths and Swisse.

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 Johnson & Johnson Pacific, overseeing the development of the company's well-known healthcare products within Australia, New Zealand and the Pacific. Charmaine is also a current Independent Director of Citrus Australia, the peak industry body representing Australia's citrus growers.





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.



Catherine Cooper

Corporate Governance Specialist Director/Audit and Risk Committee Chair

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 positions as chair of SA Fisheries Council and SA Dairy Regulator. She is currently Commissioner at Australian Fisheries Management Authority, Director at Energy Consumer Australia and Director at Beston Global Food Company.

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.



Rowan McMonnies

Managing Director

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

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The notable absence of major events in 2017/18 was reversed in 2018/19 with a number of developments making it a challenging year for the industry.

The first was the drought, which started to build in late Autumn to Winter 2018 and quickly became a crisis with the failure of the Winter crop in the Eastern States. This placed immediate and substantial pressure on egg farmers in a period where supply continued to be strong, and there was limited ability to pass on all or some of the increased input costs. The timing proved even more challenging, as farmers now faced a double hit to their profitability and sustainability.

This pressure came to bear in circumstances where the industry faced ongoing uncertainty arising from regulatory processes and the retailer policies on cage eggs. The poultry welfare Standards and Guidelines process experienced further delays in 2018, only to re-emerge in early 2019 with alternative proposals for welfare reform that would both result in a phase out of conventional production. Meanwhile, the major retailers continued with their commitment to phase out cage by 2023 or 2025, while simultaneously requiring steady cage egg supply, to meet consumer demand. Thus making it difficult to expand alternative production systems with any confidence.

The financial pressures on the industry were demonstrated very clearly through the impact on Egg Farmers of Australia, which suffered a contraction in revenue to the point where it was unable to continue with dedicated resources. This was a great loss to the industry in both time and continuity, but the EFA Board was able to use the learnings to develop a more sustainable model which was put in place at the end of the financial year.

Shortly after Christmas, the scale of the threat of *Salmonella enteritidis* (SE) was revealed. These incidents had a devastating effect on the impacted farms and are addressed in detail below. Finally, when it seemed that everything that could happen already had, egg supply shortened in early Autumn. Whether this was a result of the prolonged drought and over supply dynamic or the SE incidents is unclear, although both are likely to be a factor.

In this volatile environment, Australian Eggs sought to act on stakeholder feedback and respond quickly to developments. Adjustments were made to marketing, research and extension activities across the year to ensure our services were as relevant as possible.

We also progressed our workplan of improvement in our core program areas as well as strategic initiatives, such as completing the first annual cycle of the Sustainability Framework.

SE INCIDENTS

The *Salmonella enteritidis* incidents framed the year as they demonstrated that no matter how tough things got, there was still more to lose. It is fair to say that all parties missed the significance of the early incident in September 2018. There had been isolated SE detections before and it seemed reasonable to authorities, experienced egg farmers and Australian Eggs that this was an isolated case, presumably linked to international travel.

In early 2019, it became clear that the risks were significant and the scale of the threat emerged more prominently with each new premises impacted. Put simply, it was difficult to imagine that this strain of salmonella could have such broad transmission pathways. As the evidence built, a very concerning picture formed, as there was no safe place or practice other than strict biosecurity protocols.

Through this period, Australian Eggs worked closely with authorities and industry representative bodies to inform the investigation of trace properties and the incident response process. This included making biosecurity expertise available to provide preliminary advice to impacted properties on decontamination steps and biosecurity plans.

This service proved to be critical in learning from each incident and ensuring that knowledge could be captured. It also accelerated Australian Eggs' ability to create and commence an extension program specifically targeting the threat of SE, including making improvements to response plans going forward.

247

EGG CONSUMPTION
PER CAPITA (AS AT
JUNE 2019)

Australian Eggs also put focus and resources into communicating with the public about the SE incidents to ensure that public health was protected, and confidence could be maintained through an understanding of the relatively limited impact of the incidents on egg supply.

AUSTRALIAN EGGS PERFORMANCE

Despite the volatility, Australian Eggs was able to deliver on a substantive Annual Operating Plan across 2018-19. This was a result of improvements made in preceding years and the advantage of an established team that understand their roles well.

The 2018-19 Evaluation Framework provides an assessment of our activities and indicates that:

- Consumption increased from 245 to 247 eggs per capita as at June 2019, holding the substantial gains from the previous year despite shortages in the last quarter;
- The average benefit/cost assessment for R&D projects was a ratio of 2.88 which was slightly below the long term average;
- There were significant Effective Engagements with 35 opportunities for feedback created, 29 direct engagements with egg farmers on R&D outputs and 51 publications distributed;
- The schools engagement program created 15,509 engagements with young people on farming practices; and
- the Value for Money ratio was approximately 10%, a reduction of 2% on last year which is consistent with the long term average.

Australian Eggs also conducted the Industry Snapshot survey of egg farmers in Spring 2018, which included performance indicators. The Snapshot was highly informative and has provided a valuable input to the development of our programs going forward, as well as including performance measures indicating industry average ratings (out of 10) of:

- 8.5 that it is important to have an organisation like Australian Eggs;
- 6.6 that egg farmers are satisfied with Australian Eggs performance; and
- 6.7 that egg farmers would be likely to recommend the services of Australian Eggs.

ENGAGEMENT AND COLLABORATION

Australian Eggs worked more closely with egg industry representative bodies (IRBs) across 2018-2019, both to obtain feedback on Australian Eggs activities, and to provide administrative support to the EFA Directors in the period in which EFA was without dedicated resources.

The main IRBs that Australian Eggs has close contact with are: Egg Farmers of Australia, Queensland United Egg Producers, Commercial Egg Producers of Western Australia, Commercial Egg Farmers of South Australia and Tasmania, New South Wales Farmers Egg Committee and Victorian Egg Farmers Egg Group.

Consultation with IRBs included:

- attending and presenting at IRB meetings to report on activities
- IRB representative participation in Australian Eggs industry consultative committees
- maintaining regular contact with IRB representatives on emerging industry issues
- providing periodical and electronic newsletters, opportunities to attend forums and participate in workshops

Australian Eggs also continued to work closely with the Council for Rural Research & Development Corporations, to develop a project focused on building community trust in Australian Rural Industries, as well as proposals for improvements to the innovation system.



MARKETING

Australian Eggs marketing activities across 2018-19 were influenced by market conditions. With very strong supply in mid 2018, a major marketing campaign was conducted in Spring 2018 and extended into November and the Christmas period.

Plans were made for a campaign of a similar scale in Autumn 2019, but stakeholder feedback through the ICC indicated that this needed to be adjusted. With supply now short, Australian Eggs was able to transition some of the mass media television spend towards more targeted social media activity focused on consumer confidence, and building the next generation of egg consumers.

This activity was crucial as there was a risk that the SE incidents in Autumn 2019 could erode consumer confidence in the safety of eggs. Through proactive and transparent media on the SE incidents and supported messaging on the benefits of eggs, this was able to be avoided with no material drop in consumption.

2018-19 also involved some major improvement milestones for the Marketing program. The new 'Get Cracking' campaign was launched in Spring 2018 and was very successful. Importantly, the campaign is structured to target the three key audience groups – millennials, families and baby boomers – giving the messaging much greater resonance and efficacy.

October 2018 also marked the inaugural Eggscellence Awards, an egg dish competition held on World Egg Day (WED) with our star influencer, Manu Feildel. This PR activation was designed to create efficiencies through a WED event we could conduct over multiple years and build public awareness around. The event was well contested by professional chefs and successful in obtaining considerable media coverage, providing a solid base to build upon in subsequent years.



INNOVATION

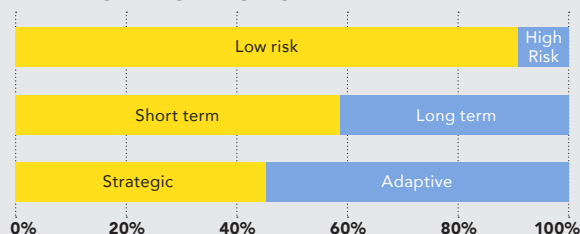
2018-19 was an important period for our research, development and extension activities. Through previous changes we had put egg farmers front and centre in our program development, with the objective of delivering more commercially adoptable outcomes. While this was an achievement, there was a broader debate taking place about the role of RDCs in driving transformational innovation to agricultural industries.

Australian Eggs sought to harness this perspective and reshape our research activities into an Innovation Program that was more focused on problem identification through stakeholder engagement. The benefit of this approach is that by obtaining more insights from egg farmers, we are able to better understand problems and potential solutions, as well as identify future opportunities.

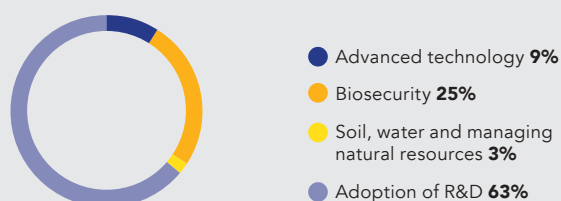
This process was accelerated with Gemma Wyburn taking the Innovation Program Manager position, with a strong commitment to driving positive change. Australian Eggs has the ambitious goal of being recognised by egg farmers as being able to progress important industry issues that cannot be easily resolved by egg farmers alone.

As the innovation process is fueled by engagement, it involves a redefinition of extension from a post research activity, to a loop that is heavy on initial engagement so that when answers are generated, the questions and context are already understood. The extension team brought this to life across the year with strong feedback from egg farmers.

BALANCED PORTFOLIO



AUSTRALIAN GOVERNMENT R&D PRIORITIES – AUSTRALIAN EGGS EXPENDITURE 2018/19



SCIENCE & RESEARCH PRIORITIES – AUSTRALIAN EGGS EXPENDITURE 2018/19



IP, COMMERCIALISATION, 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 trade mark protections in the 2018-19 year. No subsidiaries or joint ventures were formed.



SUSTAINABILITY FRAMEWORK

2018-19 was a landmark year for the egg industry as the first annual cycle of the Sustainability Framework was completed. While the project began in the preceding year, all of the risk and opportunity associated with the process was navigated between August 2018, (when the CSIRO conducted the community survey), October 2018, (when the CSIRO research outputs were released) and February 2019 (when Australian Eggs released the Sustainability Framework Report in response).

The outcome of the process was a great relief to Australian Eggs and egg farmers, as the research findings indicated a higher level of trust and acceptance than anticipated. Importantly, the CSIRO also found priority issues for the community that the egg industry needs to progress, and that the recipe for success in building trust is demonstrating that the industry is responsive to community sentiment.

Australian Eggs was able to bring this to life in the Sustainability Framework Report, which proved to be a very effective way to engage with the public on complex issues of interest to them that are often given superficial treatment in the media. Australian Eggs was also able to incorporate the opportunities identified in the Sustainability Framework Report into the planning process for the new year Annual Operating Plan, ensuring that progress can be made and demonstrated.

In the toughest of years, the Sustainability Framework process emerged as one thing to smile about, as it indicates that there are processes available to navigate the contentious issues that have confounded the industry in the past.

Rowan McMonnies
Managing Director



OVERVIEW

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IN THE YEAR 2018-2019 AUSTRALIAN EGGS INVESTED

\$5,743,563

IN MARKETING
ACTIVITIES

\$2,863,410

IN RESEARCH
AND
DEVELOPMENT
ACTIVITIES

\$3,205,925

IN ENGAGEMENT
AND EXTENSION

\$1,363,808

IN VALUE FOR
MONEY PROJECTS

OVER
3,000
STUDENTS
PARTICIPATED IN
THE AUSTRALIAN
EGGS "GET CRACKING,
GET COOKING"
ACTIVATION AT THE
ROYAL EASTER
SHOW

10

MARKETING
AND R&D ICC
MEETINGS

22%

OF MILLENNIALS RECALL KEY
CAMPAIGN MESSAGES

IMPACT OF AUSTRALIAN EGGS PARTICIPATION IN MAJOR SHOWS



Royal Easter Show, Sydney

900,000
Show attendance

585,000
People saw Get Kids Cooking

3,000
Children made quiches

13,000
Journey of an Egg storybooks given to families



Ekka, Brisbane

413,000
Show attendance

111,510
Get Kids Cooking

2,000
Children made quiches

9,000
Journey of an Egg storybooks given to families



Perth Royal Show

325,000
Show attendance

2,500
Journey of an Egg storybooks given to families



Royal Adelaide Show

440,000
Show attendance

300
Virtual Reality 3D Farming Experiences

247

EGG CONSUMPTION PER CAPITA

25

R&D STEERING COMMITTEE MEETINGS

51

EGG FARMER ENGAGEMENT OPPORTUNITIES

13

WORKSHOPS

25

FARM VISITS

WORLD EGG DAY IMPACT (2018)

PIECES OF COVERAGE

642



MEDIA REACH

30.4m



SOCIAL REACH

2.4m



TOTAL REACH

32.8m



37%

OF HEALTH CARE PROFESSIONALS ARE AWARE THAT EGGS CAN BE EATEN EVERYDAY

IN THE YEAR 2018 TO 2019 AUSTRALIAN EGGS HAD 24 RD&E PROJECTS ON FOOT

7,509

STUDENTS PARTICIPATED IN THE AUSTRALIAN EGGS ALL ABOUT EGGS PROGRAM

RURAL RD&E PRIORITIES

18

RURAL R&D PRIORITY

RURAL RD&E FOCUS

Projects Investments

1. Advanced technology

4

\$347,158

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.

2. Biosecurity

9

\$1,015,501

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.

3. Soil, water & managing natural resources

3

\$98,979

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.

4. Adoption of R&D

21

\$2,531,331

Focusing on flexible delivery of extension services that meet primary producers' needs and recognise the growing role of private service delivery.



NATIONAL SCIENCE & RESEARCH PRIORITIES

PRIORITY

Projects

Investments

1. Food

33

\$3,938,294

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.

2. Soil and water

4

\$201,432

Focusing on Australia's critical soil and water assets, build capacity for improved accuracy and precision in predicting change to inform better decision making.



2016 PERFORMANCE REVIEW – UPDATE

20

Australian Eggs has finalised its implementation of the recommendations arising from the 2016 Performance Review undertaken by SED Advisory (**SED**).

In accordance with the recommendations of SED, Australian Eggs has:

Reviewed the Audit & Risk Committee Terms of Reference in line with recommended three lines-of-defence risk model;

Developed a clear position on the strategy of retained earnings and reinvestment strategy;

Incorporated strategic risk areas into regular Board reporting;

Strengthened the alignment of PDs to the AOP with the use of individual scorecards;

Focused some future communications to levy payers on education of the role of Australian Eggs to better manage expectations;

Implemented more effective KPI monitoring to measure effectiveness in addition to the traditional measures;

Continued to work on establishing a separate representative egg industry body (Egg Farmers of Australia) and reframed its media communication strategy;

Developed exception reporting and dashboard reporting for the Board;

Strengthened the nexus between risk and strategy at Board level by adopting more formal risk appetite statement and a priority assessment matrix that assesses risk in strategic decisions;

Formalised directors' succession plan for the impending retirement of long-term chair;

Investigated options to complement the ROI model of performance measurement with an R&D measure for justification of investment;

Continued with Independent Board assessment every three years and annual internal Board reviews using and agreed governance scorecard; and

Implement more formal Board renewal processes with usual nominations committee guidelines.

The following recommendations were not approved by the Australian Eggs Board on the basis that they were deemed unnecessary or inapplicable at this time:

Investigate implementation of compliance/risk management software to systemise processes and provide controlled audit trails and reporting; and

Pursue development and innovation initiatives to support renewal of established senior management.



CORPORATE GOVERNANCE AND COMPLIANCE

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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.

PRINCIPLE 1

Lay solid foundations for management and oversight

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 2

Structure the Board to add value

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 Constitution and Funding Contract.

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.

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 3

Act ethically and responsibly

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 4

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 5

Make timely and balanced disclosure

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 6

Respect the rights of shareholders

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 7

Recognise and manage risk

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 8**Remunerate fairly and responsibly**

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.



BUSINESS PLANNING CALENDAR

	JAN 24	FEB 21	MAR 21	APR 17	MAY 23	JUN 20	JUL 25	AUG 22	SEP 26	OCT 17	NOV 12	DEC 19
2019 Australian Eggs Board Calendar												
Day	THUR	THUR	THUR	WED	THUR	THUR	THUR	THUR	THUR	THUR	THUR	THUR
MEETING												
Only if required	✓		✓				✓		✓			
Audit & Risk Committee		✓		✓	✓			✓				
STRATEGY FORMATION												
Board strategic planning										✓		
Approve AOP						✓						
Review Strategic Plan				✓								
Approve budgets					✓							
Approve Evaluation Framework Report						✓						
MANAGEMENT PRESENTATIONS												
MD's report		✓		✓	✓	✓		✓		✓	✓	✓
Program Manager Presentation		✓		✓		✓		✓		✓		✓
MANAGING DIRECTOR												
Assess performance & approve remuneration										✓		
Approve MD's KPIs & review succession plan										✓		
CORPORATE GOVERNANCE												
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										✓		
MEMBERSHIP AND AGM												
Approval of AGM Advance Notice					✓							
Approval of AGM documentation (notice and director nominations)								✓				
Approve Registration Forms, Return Date and process for member renewals					✓							
2019 AGM (13 November 2019 - Adelaide)											✓	

COLLABORATION

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Australian Eggs has several projects that are undertaken in collaboration with industry, other research providers and other RDCs.

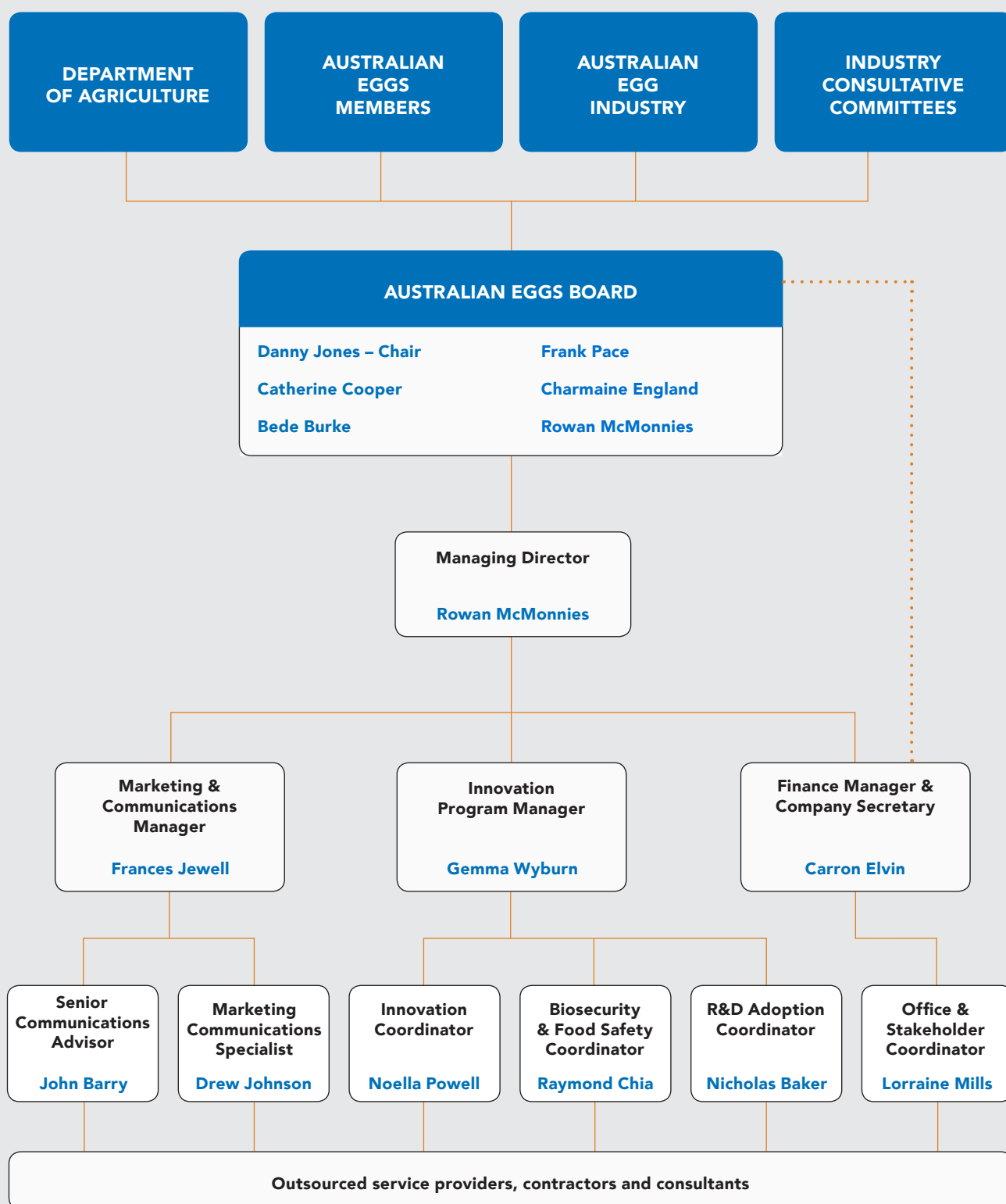
Collaboration is undertaken in order to fund research and development to address the Australian Government's Rural RD&E Priorities and to deliver research projects or promotions services in a more efficient and effective way.

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 2018-19 year are table below:

PROJECT NAME	EXPENDITURE 2018/19	PARTNERS	AUSTRALIAN EGGS
Review of rodent control for the Australian Poultry Industries	\$65,000	AgriFutures Australia	38%
Mass disposal preparedness	\$60,000	AgriFutures Australia	50%
Rapid whole genome sequencing and bio-informatic analysis of Pasturella Multicida	\$52,666	AgriFutures Australia	30%
Assessment of the efficacy of an autogenous vaccine in Spotty Liver Disease Control	\$149,304	AgriFutures Australia	94%
A killed whole cell bacterin vaccine against Spotty Liver Disease	\$128,184	AgriFutures Australia	93%
Salmonella epidemiology and intervention strategies	\$105,540	NSW Food Authority	75%
National Animal Welfare RD&E Strategy	\$10,000	AgriFutures Australia, MLA, AWI, AMPC, APL, DA, Livecorp	15%
Precision to Decision Agriculture 2 – Growing a Digital Future	\$20,000	CRDC, SRA, FRDC, AQI, AgriFutures, APL, Wine Australia, DA, HIAL	4%
Feed Grain Partnership	\$8,000	APL, MLA, GRDC, DA, AgriFutures Australia, Pork CRC, SFMCA	10%
University Capacity Building – Horizon Scholarship	\$30,000	APL, CRDC, GRDC, AgriFutures Australia, HIAL, MLA, DAFF	15%
Joint RDC Community Trust Program	\$90,000	APL, CRDC, DA, FRDC, GRDC, MLA	9%

ORGANISATIONAL STRUCTURE

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AUSTRALIAN EGGS' INDUSTRY CONSULTATIVE COMMITTEES AND EXPERT GROUPS AS AT 30 JUNE 2019

MEMBERSHIP

Industry Consultative Committees:

Marketing

Julie Proctor	Sunny Queen
Grant Dearden	Pace Farm
Laura Manion	Pure Foods Eggs
Sarah McLeod	Farm Pride Foods

Research, Development and Extension

Phil Szepe	Kinross Farms
Peter Bell	AAA Egg Co
Dr Peter Scott	Scolexia
Dr Juliet Roberts	Juliet Roberts Consulting
Dr Susan Bibby	2 Bridges Consulting

Sustainability Framework

Paul Pace	Pace Farm
Greg Quinn	McLean Farms
Phil Szepe	Kinross Farms
Anne Andary	Days Eggs
Ian Wilson	Bodalla Holdings
John Coward	Egg Farmers of Aust
Melinda Hashimoto	Egg Farmers of Aust

Expert Groups:

Animal Health (Technical Working Group)

Dr Peter Scott	Scolexia
Dr Peter Groves	Zootechny
Dr Clive Jackson	Biological Technology Transfer
Dr Tom Grimes	Grimes Consultancy

Egg Labelling Integrity Panel (ELIP)

Sharon Natoli	Food Nutrition Aust.
John Furbank	Retail Compliance
Andros Chrysiliou	Chrysiliou IP
Geoffrey Annison	Aust. Food & Grocery Council

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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DIRECTORS' REPORT

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Your directors submit their report, together with the financial statements, of Australian Eggs Limited ("the Company") for the year ended 30 June 2019.

Directors

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

Frank Pace

Danny Jones

Catherine Cooper

Charmaine England

Bede Burke

Rowan McMonnies

Meetings of Directors

During the year to 30 June 2019 there were eight meetings of directors.

During the year to 30 June 2019 the Audit & Risk Committee met four times.

The number of meetings attended by each director was:

	Board Meetings		Audit & Risk Committee Meetings	
	2018–2019		2018–2019	
	Attended	Eligible	Attended	Eligible
Frank Pace	8	8	4	4
Danny Jones	8	8	4	4
Catherine Cooper	8	8	4	4
Rowan McMonnies	8	8	4	4
Charmaine England	8	8	4	4
Bede Burke	8	8	4	4

DIRECTORS' REPORT (CONTINUED)

Results and Performance Indicators

Objectives, Principal Activities, Strategies for achieving objectives

The principal activities during the year were the provision of marketing, 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 objectives 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 interests of the Australian Egg Industry.

The objectives are carried out via shorter term programs and projects. Programs in marketing are 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 2019 was \$1,756,073 (2018: deficit \$431,916). 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 and in the Australian Eggs publication Eggstra, in twice yearly meetings with the Department of Agriculture and in the Company's Annual Report.

Contributions on Winding up

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

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

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 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 the Institute of Public Accountants.

Frank Pace has many years of experience in the egg industry and was 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.

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.

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).

DIRECTORS' REPORT (CONTINUED)

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Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 5.

Signed in accordance with a resolution of the directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.



Danny Jones
Chair

Dated 22 August 2019

Auditor's Independence 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 2019, 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
22 August 2019

A handwritten signature in black ink, appearing to read 'K L Luong', with a stylized flourish at the end.

K L Luong
Director

hlb.com.au

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HLB Mann Judd Assurance (NSW) Pty Ltd ABN 96 153 077 215

Level 19, 207 Kent Street Sydney NSW 2000 Australia

T: +61 (0)2 9020 4000 **F:** +61 (0)2 9020 4190 **E:** mailbox@hlbnsw.com.au

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.

DIRECTORS' DECLARATION

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In the opinion of the directors:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001*, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes hereto give a true and fair view of Australian Eggs Limited's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that Australian Eggs Limited 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



Danny Jones
Chair

Dated 22 August 2019

Statement of Surplus or Deficit & Other Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue	2	11,668,793	11,208,655
Expenditure			
Value for Money	3a	(1,363,808)	(1,395,635)
Increased Consumption	3b	(5,743,563)	(5,268,979)
Sustainable Production	3c	(2,863,410)	(2,237,025)
Effective Engagement	3d	(3,205,925)	(2,639,794)
Levy Collection Costs	3e	(18,044)	(26,390)
Egg Farmers of Australia		(230,116)	(72,748)
Total Expenses		(13,424,866)	(11,640,571)
Deficit for the year		(1,756,073)	(431,916)
Other Comprehensive Income for the year, net of tax		-	-
Total Comprehensive Deficit for the year	9	(1,756,073)	(431,916)

The above Statement of Surplus or Deficit & Other Comprehensive Income should be read in conjunction with the accompanying notes. For further information on the restatement refer to Note 17.

Statement of Financial Position

at 30 June 2019

	Notes	30 June 2019 \$	30 June 2018 \$
Current Assets			
Cash and Cash Equivalents	9	4,642,051	6,420,137
Trade and Other Receivables	4	1,764,221	1,368,073
Total Current Assets		6,406,272	7,788,210
Non-Current Assets			
Property, Plant and Equipment	5	296,571	364,140
Intangible Asset		39,173	36,160
Security Deposit	15	86,086	86,086
Total Non-Current Assets		421,830	486,386
Total Assets		6,828,102	8,274,596
Current Liabilities			
Trade and Other Payables	6	968,703	688,849
Employee Benefits	7	100,596	82,234
Total Current Liabilities		1,069,299	771,083
Non-Current Liabilities			
Employee Benefits	8	51,555	40,192
Total Non-Current Liabilities		51,555	40,192
Total Liabilities		1,120,854	811,275
Net Assets		5,707,248	7,463,321
Equity			
Retained Surplus		5,707,248	7,463,321
Total Equity		5,707,248	7,463,321

The above Statement of Financial Position should be read in conjunction with the accompanying notes. For further information on the restatement refer to Note 17.

Statement of Changes in Equity

For the year ended 30 June 2019

	Notes	Retained surplus \$	Total Equity \$
Balance as at 1 July 2017		7,895,237	7,895,237
Total comprehensive deficit for the year (Restated)		(431,916)	(431,916)
Balance as at 30 June 2018 (Restated)		7,463,321	7,463,321
Balance as at 1 July 2018		7,463,321	7,463,321
Total comprehensive deficit for the year	9	(1,756,073)	(1,756,073)
Balance as at 30 June 2019		5,707,248	5,707,248

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2019

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	Notes	2019 \$	2018 \$
Cash Flows from Operating Activities			
Receipts from funding and other sources (inclusive of GST)		10,183,768	10,785,121
Payments to suppliers and employees (inclusive of GST)		(12,024,866)	(11,121,755)
Interest received		89,253	121,984
Net Cash Flows from Operating Activities	9	(1,751,845)	(214,650)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(17,201)	(370,557)
Purchase of intangible asset		(9,040)	(36,160)
Net Cash Flows from Investing Activities		(26,241)	(406,717)
Net Decrease in Cash and Cash Equivalents			
		(1,778,086)	(621,367)
Cash and Cash Equivalents at the beginning of the year		6,420,137	7,041,504
Cash and Cash Equivalents at The End of The Year	9	4,642,051	6,420,137

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2019

1. Summary of Significant Accounting Policies

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

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 22 August 2019. The directors have the power to amend and reissue the financial report.

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, revised or amended Accounting Standards and Interpretations adopted

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

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

Any significant impact on the accounting policies of Australian Eggs Limited from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of Australian Eggs Limited.

Basis of preparation

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

Historical cost convention

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

1a. Cash and Cash Equivalents

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

1b. 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.

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

1c. Impairment

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.

1d. 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 is depreciated on a straight line basis over its useful life.

Useful lives

Office Equipment	2 - 10 yrs
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.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

1e. Trade and Other Payables

Liabilities for trade creditors and other amounts payable 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.

1f. Operating Leases - Rental Premises and Photocopier

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.

The Company entered into a operating lease regarding its premises at Level 6, 132 Arthur Street, North Sydney NSW 2060, commencing 1 November 2017. Under the terms of the lease agreement, the entity was entitled to receive a fitout to the value of \$72,000 plus a rental rebate to the value of \$107,998. A lease incentive liability has been entered to reflect the lease incentive. Lease payments are allocated between the rental expense and the reduction over the lease term (5 years). This lease expires 31 October 2022. Rental payments will be expensed in the financial year in which they occur. Contingent rentals for the year ended 30 June 2019 are recognised as an expense in the financial year incurred.

1g. Provisions

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

1h. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

The following specific recognition criteria must also be met before revenue is recognised:

Australian Government Matching Funds

The Australian Government matches funding on a dollar for 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

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

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

Layer Chick 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.

Australian Eggs Limited 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

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

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

Other Revenue

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

1i. Income Taxes

Australian Eggs Limited is exempt from company income taxation.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

1j. Goods and Services Tax ('GST')

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

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

1k. 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.

1l. Intangible assets

Costs associated with software or technology platforms are deferred and amortised on a straight line basis over the period of their expected benefit, being their finite life of 5 years.

1m. Economic Dependency

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

1n. Critical Accounting Estimates and Judgements

In the application of the Company's accounting policies, management is required to make judgements, 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 judgements. 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.

1o. Comparatives

Where required by the Accounting Standards and / or for improved presentation purposes, comparative figures have been adjusted to conform to changes in presentation for the current year.

1p. Winding up

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

At 30 June 2019 the Company had 95 members (2018: 78). Were Australian Eggs Limited to have been wound up on that date, members would be liable to contribute a total of \$95 (2018: \$78).

1q. Registered Office

The registered office of the Australian Eggs Limited is:

Suite 602
Level 6
132 Arthur Street
North Sydney, NSW 2060

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

2. Revenue

	Notes	2019 \$	2018 \$
Revenue from Operating Activities			
Egg Promotion Levies		5,352,672	5,576,574
Laying Chicken (R&D) Levies		2,489,454	2,487,826
Government Contributions		3,513,966	2,593,778
Other Revenue	2a	312,701	550,477
		11,668,793	11,208,655

2a. Other Revenue

Advertising	(1,863)	28,908
Associate Membership	72,516	72,210
Co-funder Contributions	-	50,000
Functions	35,323	10,078
Grant Income	-	7,200
Interest	118,715	154,781
Licences Fees	2,600	9,400
Reimbursed Expenses Income	12,816	61,801
Royalties	41,013	37,381
Training	9,700	5,420
Other	21,881	113,297
Total	312,701	550,476

3. Program Expenses by Operating Goal

3a. Value for Money

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

Accounting and Administration	302,438	316,532
Premises	65,938	62,798
Board/AGM expenses	154,510	165,348
Employment expenses	840,922	850,957
Total	1,363,808	1,395,635

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

	Notes	2019 \$	2018 \$
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3b. Increased Consumption

The Key Focus Areas within the Increased Consumption goal are:

Matching market cycles

Next Generation

Nutrition

Eating Eggs

Projects / activities	5,525,418	5,097,483
Project travel	11,257	4,659
Program management costs	206,888	166,837
Total	5,743,563	5,268,979

3c. Sustainable Production

The Key Focus Areas within the Sustainable Production goal are:

Flock Health and Biosecurity

Food Safety

Hen Welfare

Research Collaboration

Projects / activities	2,242,330	1,676,818
Project travel	7,323	1,067
Program management costs	613,757	559,140
Total	2,863,410	2,237,025

3d. Effective Engagement

The Key Focus Areas within the Effective Engagement goal are:

Farmer Consultation

Proactive Extension

Market development

IRB Consultation

Projects / activities	2,652,513	2,128,796
Project travel	231,120	194,814
Program management costs	322,291	316,184
Total	3,205,925	2,639,794

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

	Notes	2019 \$	2018T \$
3e. Levy Collection Costs			
Levy Collection Cost - Egg Promotion Levy		10,773	15,800
Levy Collection Cost - Laying Chicken levy		7,271	10,590
Total		18,044	26,390

3f. 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.

Aggregate research and development expenditure	7,027,932	5,187,497
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3g. Net Surplus

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

Depreciation and Amortisation	90,797	59,514
Employee Costs	1,637,982	1,649,982
Lease Expenses	174,680	172,215

4. Trade and Other Receivables (Current)

Trade Receivables	476,127	1,234,444
Other Receivables	885,271	113,598
GST Receivable	386,801	13,915
Prepayments	16,022	6,116
Total	1,764,221	1,368,073

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

	2019 \$	2018 \$
5. Property, Plant and Equipment		
Office Equipment		
At Cost	41,788	41,788
Additions	17,202	-
Accumulated Depreciation	(17,973)	(11,834)
	41,017	29,954
Leasehold Improvements		
At Cost	393,160	393,160
Accumulated Depreciation	(137,606)	(58,974)
	255,554	334,186
Total Property, Plant and Equipment		
At Cost	452,150	434,948
Accumulated Depreciation and Amortisation	(155,579)	(70,808)
Total Written Down Amount	296,571	364,140
Reconciliations		
Office Equipment		
Opening Carrying Amount	29,954	27,962
Additions	17,201	7,351
Depreciation	(6,138)	(5,359)
Closing Carrying Amount	41,017	29,954
	29,954	27,962
Leasehold Improvements		
Opening Carrying Amount	334,186	55,996
Additions	-	363,206
Disposals	-	(30,861)
Depreciation	(78,632)	(54,155)
Closing Carrying Amount	255,554	334,186

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

	2019 \$	2018 \$
6. Trade and Other Payables (Current)		
Trade Payables	581,073	504,229
Accruals	40,067	86,298
Other Payables	39,014	37,122
Lease Incentive Liability	46,800	61,200
Deferred Grant Income	261,749	-
	968,703	688,849

7. Employee Benefits (Current)

Annual Leave	86,483	68,803
Long Service Leave	14,113	13,431
	100,596	82,234

8. Employee Benefits (Non-Current)

Long Service Leave	51,555	40,192
	51,555	40,192

9. Cash flow Information

(a) Reconciliation of net cash flows from operations

Deficit for the year	(1,756,073)	(431,916)
<i>Non-cash Items</i>		
Depreciation & amortisation of non-current assets	90,797	59,514
Loss on disposal of non-current assets		30,860
<i>Changes in Assets and Liabilities</i>		
Increase in trade and other receivables	(396,148)	(372,238)
Increase in trade and other payables	279,854	464,989
Increase in employee benefits	29,725	34,141
Net cash flows from operating activities	(1,751,845)	(214,650)

(b) Reconciliation of Cash

Cash balance comprises:

Cash on hand	250	250
Cash at bank	4,641,801	6,419,887
Closing Cash Balance	4,642,051	6,420,137

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

	2019 \$	2018 \$
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10. Expenditure Commitments

Lease expenditure commitments

Operating leases (non-cancellable)

Minimum lease payments

– not later than one year	160,074	138,518
– later than one year and not later than five years	401,722	344,468
Aggregate lease expenditure contracted for at balance date	561,796	482,986

11. Contingent Liabilities

There are no known contingent liabilities as at 30 June 2019 and 30 June 2018.

12. Remuneration of Key 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.

Remuneration - Short-term Benefits	529,198	497,498
Remuneration - Post-employment Benefits	90,716	75,873
	619,914	573,371

13. Remuneration of Auditors

Amounts received by HLB Mann Judd Assurance (NSW) Pty Ltd for:

– audit of the financial statements	17,400	16,000
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14. 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

(b) There were no related party transactions which occurred during the financial year (2018:Nil).

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

2019
\$

2018
\$

15. Receivables – Security Deposit

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.

86,086

86,086

16. Financial Risk Management Policies

Australian Eggs Limited's financial instruments comprise cash, cash equivalents, receivables and payables.

The main risks arising from Australian Eggs Limited's financial instruments are interest rate risk, liquidity risk and credit risk. Australian Eggs Limited does not hold financial instruments denominated in foreign currencies and does not use derivative instruments to manage risks associated with its financial instruments. Australian Eggs Limited is not exposed to fluctuations in foreign currency.

Australian Eggs Limited's policies for managing each of these risks are summarised below. The policies are approved by the Board and are reviewed regularly.

Interest rate risk

Australian Eggs Limited is exposed to interest rate fluctuations on its cash at bank. Australian Eggs Limited actively monitors interest rates for cash at bank to maximise interest income.

Australian Eggs Limited maintains cash reserves to a level considered prudent to offset any fluctuations in interest rates received.

Sensitivity Analysis:

Australian Eggs Limited has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on current year results which could result from a change to these risks.

At 30 June 2019, the effect on interest received, with all other variables remaining constant would be as follows:

	Surplus \$	Equity \$
Year ended 30 June 2019		
– Increase in interest rate by 2%	2,374	2,374
– Decrease in interest rate by 2%	(2,374)	(2,374)
Year ended 30 June 2018		
– Increase in interest rate by 2%	3,096	3,096
– Decrease in interest rate by 2%	(3,096)	(3,096)

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

	2019 \$	2018 \$
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15. Financial Risk Management Policies (continued)

Liquidity risk

Australian Eggs Limited manages liquidity by monitoring forecast cash flows and ensuring that adequate liquid funds are maintained. Australian Eggs Limited does not hold overdraft facilities.

The majority of amounts receivable from trade receivables are under a Statutory Funding Agreement with the Australian Government.

Australian Eggs Limited maintains cash reserves to a level considered prudent to offset any fluctuations in the Government's collection of and distribution to Australian Eggs Limited of levy funds.

	2019 \$	2018 \$
Trade and other payables are expected to be paid as follows:		
Less than 6 months	620,087	541,351
6 months to 1 year	-	-
1 year to 2 years	-	-
	620,087	541,351

Credit risk

Credit risk arises from exposures to customers as well as through deposits with financial institutions.

Australian Eggs Limited is exposed to two main sources of credit risk - amounts receivable in respect of levy funds collected and distributed to Australian Eggs Limited by the Australian Government and funds on deposit with banks.

The Board of directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties.

Funds are deposited only with those banks and financial institutions approved by the Board. Such approval is only in respect of banks that hold an A rating from Standard and Poor's or an equivalent rating from another reputable ratings agency.

Australian Eggs Limited's maximum exposure to credit risk at reporting date in relation to each class of financial asset is the carrying amount of these assets.

Ageing of trade receivables is as follows:

	30 June 2019	0-30 days	31-60 days	61+ days
Total Trade Receivables	476,127	473,591	2,186	350
	30 June 2018	0-30 days	31-60 days	61+ days
Total Trade Receivables	1,234,444	1,209,731	9,333	15,380

Price Risk

Australian Eggs Limited is not exposed to any material commodity price risk.

Net Fair Values

The net fair values of all financial instruments approximate their carrying amounts.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

	2019	2018
	\$	\$

17. Restatement of comparatives

During the year, the Company identified two errors relating to the prior year which were subsequently corrected.

- Lease incentives receivable with a corresponding lease incentive liability totalling \$91,798 that related to future periods were incorrectly recognised. The receivable/payable was derecognised with no impact on the reported surplus or deficit or cash flows for the 2018 year.
- Development expenditure totalling \$36,160 was expensed however it was determined the costs were attributable to an intangible asset.

The expenditure was capitalised and there was no impact on the reported cash flows for the 2018 year.



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 2019, the statement of surplus or deficit and other 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 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards 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.

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 2019, 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.

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 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.

hlb.com.au

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HLB Mann Judd Assurance (NSW) Pty Ltd ABN 96 153 077 215

Level 19, 207 Kent Street Sydney NSW 2000 Australia

T: +61 (0)2 9020 4000 **F:** +61 (0)2 9020 4190 **E:** mailbox@hlbnsw.com.au

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.



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.

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
23 August 2019

A handwritten signature in black ink that appears to read 'K L Luong'.

K L Luong
Director



Australian Eggs Limited

Suite 602, Level 6
132 Arthur Street
North Sydney, NSW 2060

T 02 9409 6999 **F** 02 9954 3133

W australianeggs.org.au

