

AUSTRALIAN EGG
CORPORATION LIMITED



Annual Report 2003



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Chairman's Message

In my capacity as President of the former Australian Egg Industry Association (AEIA), I am glad to report that the initiative to establish the Australian Egg Corporation Limited (AECL) has now finally come to fruition. This inaugural annual report provides my first opportunity to formally thank all of those industry participants who assisted to establish the AECL for the benefit of all levy paying egg producers.

While the AECL was registered with the Australian Securities and Investments Commission (ASIC) in November 2002, funds were not received until February 2003. As a result, corporate activities associated with the 2002/03 fiscal period were limited to establishing the company and implementing the Constitution.

The AECL is now made up of the previous Research & Development (R&D) program area that was transferred from the Rural Industries Research & Development Corporation (RIRDC) and a new marketing and promotional program area. Both programs exist to directly assist all stakeholders of the new company.

As you are no doubt aware, the Australian egg industry has made several attempts to address the need for generic promotion through voluntary levies over the past 15 years. However, the levies have ultimately failed. The industry believes that increased demand and consumption of eggs can be generated through promoting the egg category and as such, the cost should be shared by all

beneficiaries, egg producers.

The egg industry has experienced a difficult period since deregulation of State marketing arrangements in the late 1980s. Further pressures in recent years have resulted from the Newcastle Disease outbreaks and changes to layer hen housing to meet animal welfare requirements. In particular, egg producers have suffered from an inability to adopt a whole-of-industry approach on crucial issues, to communicate the health benefits of egg consumption to consumers and to benefit substantially from industry R&D, market promotion and other service provision.

Over the last decade, eggs as a food source have suffered from negative consumer perceptions regarding dietary issues and animal welfare. Nutritional research is increasingly showing the benefits of eggs, but there has been no avenue through which to promote this information effectively to consumers. Whilst the industry has been fighting to retain the place of eggs as a preferred food category in the face of dramatically changing consumption and lifestyle preferences, declining consumption has forced some producers to leave the industry, and those remaining to question their viability.

Between 1989 and 1999, Australia's average annual egg consumption decreased from 146 to 137 eggs per person (source ABS), well below the industry's target of 200. The former AEIA argued strongly that this decline is a result of a market failure in egg promotion. Whilst there are some

producers large enough to carry out marketing and create brand recognition, this has not proved enough to redress the declining per capita egg consumption. In addition, the structure of the industry and the nature of the product mean that the marketing efforts of individual firms benefits other egg marketers, without the latter's contribution to the cost.

This "free-riding" problem results in a commercial disadvantage to the investing firm, and as a result, category promotion is hindered.

We now have an independent, third party service provider that is owned by the industry to carry out appropriate functions to help address the many challenges and issues faced by all Australian egg producers. Suffice to say that the Australian egg industry is now evolving into a professional, well organised and mature industry that can now rival some of the more traditional and established food industries in Australia.

After the completion of the set-up and establishment phase, it is envisaged that tangible industry benefits will begin being realised by stakeholders over the next 12 month period. As Chairman and on behalf of the AECL Board, I look forward to representing your interests for the benefit of all AECL members over the next 12 months.

Managing Director's Message

I commenced with the Australian Egg Corporation Limited (AECL) on 6 May this year resulting in my employment spanning just over 7 weeks for the 02/03 fiscal period.

While only limited industry achievements have been made by the AECL during the year in review, the industry has been busy and proactive establishing AECL as the service provider of industry programs for the direct benefit of levy payers, egg producers. As a result of industry's efforts, a public non-listed business entity established under Corporations law was formed during the year and commenced operations on 1 February, 2003.

At this stage, I wish to acknowledge the voluntary commitment that many egg producers, both large and small, have made to the former Australian Egg Industry Association (AEIA) in managing a number of key challenges currently facing all egg producers. Without this ongoing support and

direct involvement from egg producers, the AECL will be unable to maximise the focus of all projects and activities undertaken with the aim of developing commercially-responsive program outcomes.

I have spent the short time involved this year learning about the Australian egg industry and commencing to establish the operational and governing procedures of the AECL. This has been done in line with the Egg Industry Service Provision Act 2002, the Agreement between the Commonwealth and the AECL and our Constitution. These three documents form the basis of our legal framework. AECL has also developed an interim Annual Operating Plan (AOP) for the 03/04 year. However, this annual plan will be reviewed after the establishment of the three year strategic plan in September, 2003.

While the initial work program has been associated with establishing the AECL, we can look forward to implementing programs over the next 12 months and beyond in line with the strategic plan and revised AOP.

I look forward to establishing solid working relationships with egg producers and delivering tangible program outcomes for the benefit of all levy payers in the new operating period.

Board of Directors

Jeff Ironside AECL Chairman

Jeff Ironside is a non-executive 'elected' Director and the Chairman of AECL. Jeff has been a medium-sized egg producer in North Queensland since 1976 investing technology and innovation into his egg production system.

A supplier to Sunny Queen Limited, Jeff was elected to the Board of Sunny Queen Limited in 1993 and became Chairman in 1996, a position Jeff held until 1999. Jeff has also been a member of the Rural Industries Research and Development Corporation (RIRDC) Egg Committee from 1996 to 2000 and resigned after being elected as President of the former Australian Egg Industry Association (AEIA) in November 2000 a post he held until June 2003 when the functions of the AEIA were subsumed by the newly-formed egg industry service provider, the Australian Egg Corporation Limited (AECL).

Frank Pace AECL Director

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

Frank is one of only four officers of the International Egg Commission (IEC), a previous committee of management member and vice-President of the former Australian Egg Industry Association (AEIA) and a Director of the former Incredible Egg Company. Frank Pace was previously the Chairman of the Seven Hills branch of the Livestock and Grain Producers Association (LPGA) and a member of the NSW Farmers' Association Egg Committee.

Frank's marketing achievements were recognised through winning the Crystal Egg Award for the launch of 'Liberty' brand, barn laid, RSPCA eggs. Frank has also made an active contribution to the Sydney community and was honoured by being named a life member and Paul Harris Fellow of the Rotary Club of Mount Druitt.

Philip Steel – B App Sci AECL Director

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

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

Ivy Inwood AECL Director

Ivy Inwood was a founding Director of AECL who resigned at the first meeting of AECL delegates on 16 December 2002.

Ivy is a free-range and organic egg producer based in Queensland and represents the interests of the Australian egg industry on a number of issues.

Ivy is the President of the Free-Range Egg and Poultry Association of Queensland, Secretary of the Queensland Egg Farmers Association and a Director of Sunny Queen Limited. Ivy was a committee of management member of the former Australian Egg Industry Association (AEIA) and elected Treasurer in 2001. During Ivy's tenure with the AEIA, she took carriage of animal welfare and egg labelling issues.

James Kellaway – B App Sci (Agr), GDMM, MBA AECL Managing Director

James Kellaway is the executive Director of AECL and has extensive experience in rural commodity and product marketing, with key industry organisations including Horticulture Australia Limited (HAL), Meat & Livestock Australia (MLA), the former Australian Meat & Livestock Corporation (AMLC) and the NSW Meat Industry Authority (MIA).

James has been responsible for implementing industry based marketing communication programs and member services with HAL and MLA – each of which underwent restructures, bringing each industry's marketing and R&D functions together in the one organization. These roles had a key focus on delivering commercial results to all company shareholders.

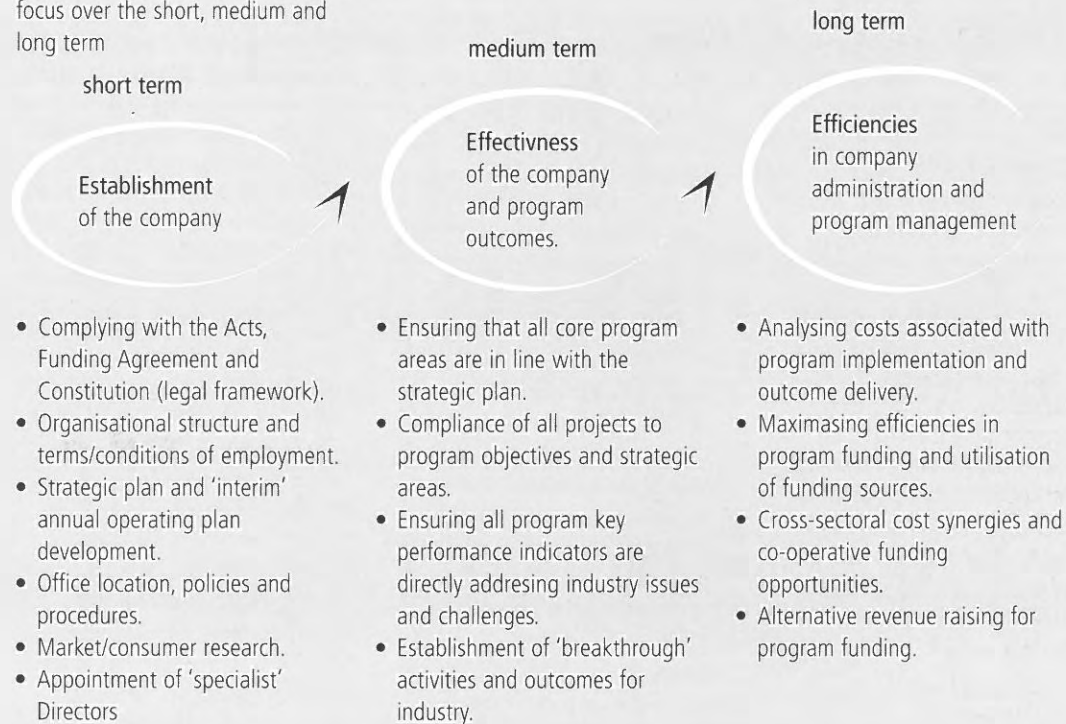
James has a Master of Business Administration (MBA) from the University of Technology Sydney Graduate School of Business, a Graduate Diploma in Marketing Management from Macquarie University Graduate School of Management and a Bachelor of Applied Science in agriculture from the University of Western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



AECL Board Members (left to right) Phil Steel, Jeff Ironside, Frank Pace and James Kellaway as at 30 June, 2003.

AECL Work Program

Given the new formation and structure of the Australian Egg Corporation Limited (AECL), the following work program provides an outline of the organisation's focus over the short, medium and long term



Marketing Program

Funding for the marketing program for the egg industry is derived from a statutory industry levy of 32.5 cents per chick purchased.

Marketing levy collection commenced on 1 February 2003 and appropriations began in April 2003. As a result, the marketing program for the year in review was minimal due to funds not being available. This aside, AECL commissioned consumer research during the year.

The key aim of the research is to provide detailed background on consumer attitudes and behaviour with respect to purchase and consumption of eggs and egg products. This will provide input into the development of a comprehensive, targeted marketing strategy and on-going performance monitoring. To achieve this overall aim the following is being addressed in the study:

1. To identify consumer purchase behaviour with respect to eggs, especially in terms of who buys, where they buy, what they buy, when they buy.
2. To understand behaviour with respect to the usage and consumption of eggs and egg products in terms of the: what, who, where, when, why, and how of consumption.
3. To gain an understanding of key drivers for purchase, be they convenience, nutrition, enjoyment, etc.

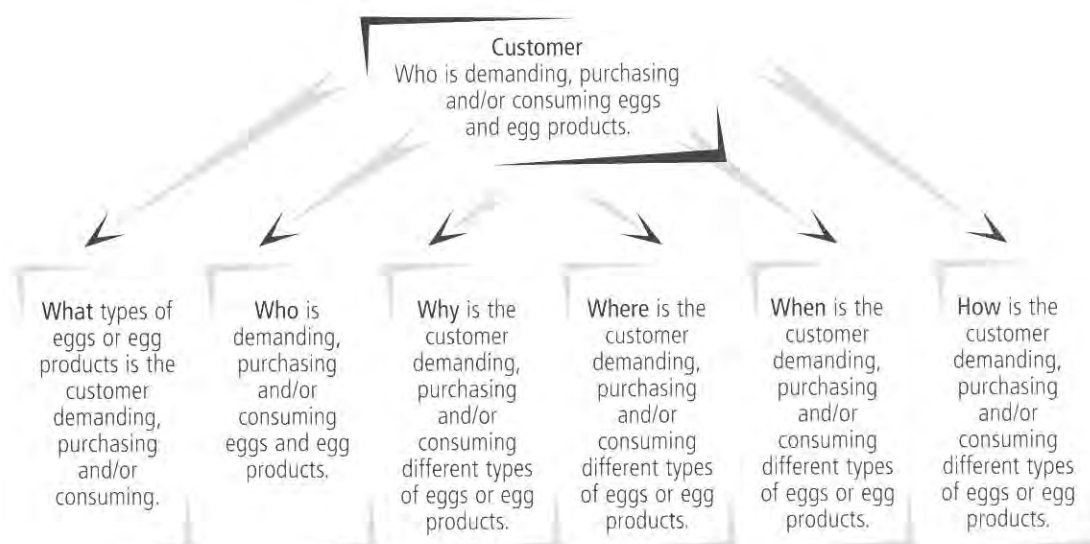
4. To identify the key constraints to increased purchase, consumption and usage.
5. To identify other factors or performance issues that may be important to consumers to the extent that they are influencing behaviour.
6. To use the above information to identify the market segmentation with respect to household consumption and usage of eggs, and egg products, and the most logical basis of this segmentation. This may be based on usage patterns, demographics, psychographics or a combination of the above.
7. To gauge consumer satisfaction of eggs with respect to key performance criteria, flavour, quality, price, value for money, etc.
8. To assess the direct competitors for eggs, and the key factors that determine eggs' share of stomach relative to their competitors.
9. To identify the heavy users, segmentation and motivation for use of specialty eggs, including free-range eggs, barn-laid eggs, organic eggs, and Omega 3 eggs.
10. To gain an understanding of the pricing dynamics of eggs and their price elasticity.

The strategic context for the consumer research study was outlined in the following diagram.

What is being offered is usually the most important element of product marketing. If this is not understood, customers will be lost. Therefore it is essential to meet the basic requirements of the customer so that repeat purchase and consumption of eggs and egg products will take place. It is much easier to increase purchasing and consuming frequency of the converted, egg loyalists, than to entice new purchasers or consumers. Additionally, it is just as easy to lose current consumers of eggs and egg products by not meeting their product needs.

By determining and describing who currently eats and buys eggs and egg products, the industry can determine market size and thus monitor performance over time.

A segment will contain people with similar characteristics/attitudes or profile that exhibit a particular behaviour when it comes to demanding, purchasing and/or consuming eggs or egg products. A segment will show if and where eggs and egg products sit in a segment and the relative importance among each segment. Segmenting will also show where opportunities exist in relation to 'share of stomach' competition and increasing egg consumption. Once segments are defined, marketing strategies and plans can be tailored to address key program objectives.



Marketing Program

The industry must also be able to clearly identify key motivational influences and reasons *why* eggs or egg products are or are not consumed. It could be taste, health, availability, packaging, price, quality, versatility or husbandry techniques. By identifying the key drivers or issues among the various segments, the egg industry can be more effective with levy dollars for enticing new customers and increasing frequency of purchases among existing customers. Research tracking will then need to be used to monitor effects on attitudes and usage over time which will assist reveal the success or failure of the marketing program.

By understanding *where* eggs and egg products are purchased and consumed will assist the marketing program target purchasing and consuming occasions that are most likely to drive product demand and sales. This element may relate to geographic location by way of in-the-home consumption or dining out at a restaurant or food service institution.

When eggs and egg products are consumed will also assist target any seasonal variations in demand or meal occasions that may reflect heavier or lighter periods of consumption. By then matching supply and distribution patterns to these demand variations, the industry can ensure that market equilibrium is

maximised in terms of product quantity demanded and supplied in addition to the prices paid and received at different times throughout the year.

Another key variable is to ascertain *how* consumers are using eggs and egg products. Whether the market is using eggs as an ingredient or as a part of a total meal solution will help define usage patterns and trends over time.

Communications / PR Program

The year ended June 30 saw renewed emphasis on a proactive public relations campaign on behalf of the industry, with the highlight being the launch of the industry's National Egg Quality Assurance program in conjunction with World Egg Day in October 2002.

The QA program was launched by the Federal Minister for Agriculture, Fisheries and Forestry, The Hon Warren Truss, MP at a special event held in the Mural Hall of Parliament House, Canberra.

The launch also featured an appearance by celebrity chef, Peter Russell-Clarke who entertained the audience and featured in many television, radio and press interviews on the day.

Peter Russell-Clarke's services have been used at other times throughout the year in the press and on national radio to raise awareness of eggs, by promoting the ease and versatility of eggs as an everyday food along with their health benefits.

The industry also enjoyed considerable success through the media on addressing the issue of egg price rises brought about by the drought. Media coverage of this issue is thought to have played a significant role in persuading supermarkets to lift wholesale egg prices at a time when returns to producers were at near record lows and feed prices were at record highs.

News of a looming egg shortage and difficulties facing producers was successfully telegraphed to the media again in early 2003 which helped set the groundwork for further price increases as well as underpinning the industry's case for industry assistance leading up to the impending introduction of new cage size regulations in 2008.

Significantly, there appears to have been no adverse reaction to the price increases from consumers, indicating a solid floor in egg demand on which to build promotional campaigns in the years ahead.

Other PR highlights included media coverage of the formation of the new Australian Egg Corporation and appointment of a new Managing Director to take the industry forward by addressing the issues of static demand for eggs and need for ongoing consumer education.

On the latter point, the Corporation has also responded positively on an 'as needs' basis to isolated media claims mostly relating to outdated perceptions of the fat and cholesterol content of eggs and other health issues linking eggs with disease.

R&D Program

Funding for the R&D program for the egg industry is derived from a statutory industry levy of 7.2 cents per chick and is matched dollar-for-dollar by the Australian government up to 0.5% of the gross value of egg production in Australia.

Until 1 February 2003 the R&D program was managed on behalf of the Australian egg industry by the Rural

Industries Research and Development Corporation (RIRDC). On 1 February 2003 this management role was transferred to the Australian Egg Corporation Limited (AECL).

The R&D program is managed within the AECL by an R&D Manager. The R&D Manager seeks advice as required from the R&D Industry Consultative Committee (ICC) to assist in the

management of the R&D program.

The R&D ICC consists of three industry representatives supplemented by a pool of technical experts who are appointed and consulted as required. The industry representatives were appointed by the AECL following an open invitation to all egg producers seeking expressions of interest.

Summary of research projects against previous industry priorities:

Priority	Number of Projects	Funding 2002/03
1. Implications of the changing economic environment for the Australian egg industry	3	\$63,644
2. New and existing markets	3	\$67,574
3. Public health	7	\$219,098
4. Flock health and disease management	30	\$593,046
5. Feed availability and nutrition	9	\$213,537
6. Husbandry and welfare	9	\$518,346
7. Environmentally sustainable management	2	\$38,160
8. Training, information and technology transfer	9	\$68,292
Total	72	\$1,781,696

Summary of research projects against current Australian government priorities for rural research and development:

Priority	Number of Projects	Funding (2002/03)
1. Sustainable natural resource management.	2	\$38,160
- Systems with reduced impact on the environment and biodiversity		
- Understanding and managing climate variability		
- Landscaping to protect native vegetation and wildlife habitat		
- Property rights, market-based instruments and ecosystem service trading systems		
2. Improving competitiveness through a whole of industry approach.	28	\$1,042,113
- Global competitiveness		
- Risk management		
- Product quality and diversification of products		
- Through-chain integration		
3. Maintaining and improving confidence in the integrity of Australian agricultural food, fish and forestry products	3	\$89,072
- Supply chain policies		
- Food regulation reform		
- Risk assessment and hazard management		
4. Improved trade and market access		
- Impact of international trade barriers	1	\$3,044
5. Use of frontier technologies		
- Biotechnology and genomics	11	\$208,240
6. Protecting Australia from invasive diseases and pests		
- Risk analysis		
- Risk management tools		
- New technologies to disinfect/devitalise quarantine pests	11	\$301,003
7. Creating an innovative culture		
- Promote adoption of new technologies and knowledge	14	\$71,664
Other	2	\$28,400
Total	72	\$1,781,696

R&D Program

Some key highlights of the R&D Program are outlined below.

Assisted in eradication of Newcastle Disease in NSW (relevant to government priority 6 and industry priority 4)

New cost-sharing arrangements for emergency disease responses involving Commonwealth, State and Territory governments and livestock industry organisations were agreed to in 2001. In 2000, while the new arrangements were under negotiation, the presence of virulent Newcastle Disease virus was detected in commercial poultry flocks in NSW. The opportunity was taken to trial the proposed new cost-sharing arrangements by applying them to the layer farms in NSW quarantined as a result of this outbreak. As a result of this activity the depopulation and clean-up of the infected properties was completed rapidly and effectively, minimising the time until Australia could reclaim its Newcastle Disease-free status. Furthermore, a report was produced that analysed the operation and identified strengths and weaknesses that resulted in recommendations for future emergency disease responses.

Developed and released the National Egg Quality Assurance Program (relevant to government priority 2 and industry priority 6).

Consumers and the public are becoming increasingly discerning and demanding about the quality of products they consume and the way in which they are produced. Government sensitivity to this issue, along with concern over maintaining Australia's disease free status and the recent costs of eradication of Newcastle Disease, led to a government directive that the egg industry develop a national, third-party audited quality assurance program covering the areas of food safety, bird health, biosecurity, bird welfare and product labelling. As a result, the National Egg Quality Assurance Program was developed. The Program was formally launched by the Federal Minister for Agriculture, Fisheries and Forestry in October 2002. Apart from the benefits to industry of addressing the government directive, benefits to egg producers from implementing the

Program in their business are expected to include: improved management ability, more profitable production, better market access, less risk of economic loss and less risk of litigation.

Published the beak trimming and vaccination training manuals (relevant to government priorities 2 and 6 and industry priorities 4, 6 and 8).

Beak trimming of commercial layer replacement pullets is a common management tool to reduce injury and losses from aggressive pecking and can affect performance for the life of the flock. Vaccination improves bird health and welfare and maximises egg production by preventing infectious disease outbreaks. Competent beak trimmers and vaccinators are an essential resource for the industry, however these areas historically have a high rate of staff turnover and the resources available to train competent staff has been an area of concern. These training manuals provide the information required by staff to learn these skills in a format that is easy to read and understand.

Conducted studies on the economic impact of changing production systems and the impact of the decisions made by ARMCANZ in 2000 (relevant to government priority 2 and industry priorities 1 and 6).

The Australian egg industry is facing adjustment pressures from a range of sources. This led to a government review of layer hen housing in 2000, the outcomes of which are still being negotiated by government and industry. Two studies have been conducted that have provided information that has been essential in this debate. The first study provided econometric analysis of the potential impact of a ban on cages while the second study provided information on the ability of the industry to house the number of hens required to meet domestic egg demand if the new cage requirements resolved by government were legislated.

Reviewed surveillance and control options for Salmonella Enteritidis (relevant to government priority 6 and industry priority 3).

The Australian egg industry is currently considered to be free of

Salmonella Enteritidis (SE), a significant cause of food poisoning in many countries. However, the potential cost to the community and to the egg industry, should it become established in Australia, is very high. This project conducted a review of surveillance and response options and evaluated these on a cost-benefit basis to make recommendations to the Australian egg industry on policies to ensure that Australia's SE-free status is maintained. This information is being used by the industry and government to develop a national surveillance and response plan.

Clarified the safety of including ergot affected sorghum in layer diets (relevant to government priority 2 and industry priority 5).

Sorghum is one of the most important grains fed to poultry and this importance was increased during the drought conditions experienced in 2002. However, much of the sorghum crop at this time was affected by ergot contamination. This research demonstrated that layer hens were quite resistant to the effects of ergot and provided guidelines for safe levels. Furthermore, the results demonstrated the safety of eggs from hens fed the high ergot levels tested in this study.

Supported the successful bid for the new Australian Poultry CRC (relevant to many of the government and industry priorities).

The Cooperative Research Centre (CRC) Program is an Australian government initiative to promote collaboration between research institutions and to provide businesses with opportunities to work with research institutions and to focus on research relevant to industry needs. The Australian Poultry CRC aims to enhance the competitiveness of the Australian egg and chicken meat industries and supporting industries through the application of strategic programs delivering cost-effective and socially responsible production of safe, quality poultry products for domestic consumption and for emerging export markets. To assist in achieving this aim, the Australian Poultry CRC will receive \$3 million per year for the next 7 years from the Australian government to supplement

Corporate Governance

The AECL Board is developing a corporate governance framework to clearly define the respective roles and responsibilities of the Board and AECL management. An effective corporate governance culture is critical to the success of AECL.

Role of the AECL Board

The AECL Board sets strategic direction within the requirements of the company's Constitution and Australian corporations law. The Board delegates responsibility to the Managing Director for the effective management of the company.

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

The AECL Board's functions include:

- setting company policies;
- appointment of the Managing Director and providing direction on the appointment, remuneration and evaluation of AECL management;
- approving major strategies, plans and budgets;
- assessing and reviewing company performance;
- responding to management recommendations on major initiatives;
- approving significant capital expenditure;
- ensuring the company acts legally and responsibly on all matters and that the highest ethical standards are maintained; and
- ensuring the company operates within the requirements of the Funding Agreement with the Commonwealth.

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

Composition of the AECL Board

Australian egg producers who pay

levies are entitled to register as an AECL Member of the company. All members have one vote and may vote at any Annual General Meeting (AGM) on any matter other than those reserved to AECL delegates. AECL delegates are nominated by AECL members to represent their collective interests. All delegates have one vote and may vote at any AGM on the election of Elected directors, the ratification of Specialist Director appointments and the total remuneration payable to the non-executive directors of the company.

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

Board remuneration

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

AECL Board meetings

The AECL Board meets at least once every two months 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.

Given the relatively small composition of the AECL Board, no Board committees have been formed and all issues relating to audit, remuneration, program review and other specific issues will be considered at all times

by the entire AECL Board.

AECL Board development and performance

The AECL Board is accountable to company members and their delegates as set out in the company

Constitution. The AECL Board will review its performance in the following areas on an annual basis:

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

An orientation program will be provided for new directors to meet the company's management team and to gain an understanding of the company's operations and the industry more broadly. Resources will be provided where appropriate and approved by the AECL Board to enable directors to update their professional skills and knowledge as company directors.

AECL policies and procedures

The AECL Board will develop and monitor top-level company policies and procedures that form the basis for management to implement the strategic direction determined by the Board.

Business approach

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

Conflicts of interest

The AECL Board is establishing a process whereby relevant interests of all directors are disclosed on appointment, reviewed on an annual basis and notified as and when they arise in relation to a particular issue.

Independent advice

The AECL Board and individual directors, by request through the Chairman, may obtain independent advice on matters of importance.

Compliance

Essential components of AECL's organizational management include compliance with corporations law, the organization's Constitution and the Funding Agreement with the Commonwealth.

Consultation with stakeholders

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

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

Recognition and alignment with government's R&D priorities

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

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

an increasing consumer emphasis on product quality and integrity. Ongoing program development will be cognisant of all government R&D priorities as they pertain to the issues prevalent in the Australian egg industry.

The investment of AECL in the newly-established Poultry Co-operative Research Centre (CRC) supports the efforts of government authorities and commercial partners in improving the disease preparedness and national biosecurity for the Australian egg industry.

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

Business best practice

During the life of this plan AECL will adopt best business practice including adherence with relevant Australian standards and leading organizational management models. Key aspects include:

- Adherence to all relevant Australian accounting standards.
- Development and implementation of a risk management plan in accordance with Australian standards.
- Development and implementation of a fraud control plan.
- Development and implementation of an intellectual property management plan.
- Development and compliance with annual operating plans.
- Measurement of organizational performance against specified strategic actions/outcomes and annual key performance measures.

- Adoption of best practice in human resource and diversity management.
- Adoption of best practice in managing compliance with legislative and regulatory requirements.
- Development of internal policies and procedures in key areas such as Equal Employment Opportunities (EEO), Occupational Health & Safety (OHS) and privacy.

Resource allocation

The AECL Board places greatest emphasis on objectives one and two. The third objective is an 'enabling objective' that allows the efficient delivery of all strategic actions/outcomes associated with addressing objectives one and two. This emphasis is reflected in the funding allocations in the strategic plan and the annual operating plans. In practical terms, all strategic actions/outcomes will be delivered in a multi-disciplinary and integrated fashion utilising human resource qualifications and skills associated with marketing, promotions, public relations, communications and R&D. The annual key performance indicators and measures for AECL operations are identified in the annual operating plans.

Financial Report

ABN 66 102 859 585

Financial Report
for the period ended
30 June 2003



- Directors' Report
- Directors' Declaration
- Statement of Financial Performance
- Statement of Financial Position
- Statement of Cash Flows
- Notes to the Financial Statement
- Independent Audit Report

Directors' Report

Your directors submit their report for the period ended 30 June 2003.

Directors

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

Jeff Ironside (Appointed 18 November 2002, Resigned 16 December 2002 and Re-Appointed 16 December 2002)

Jeff Ironside is a non-executive 'elected' Director and the Chairman of AECL. Jeff has been a medium-sized egg producer in North Queensland since 1976 investing technology and innovation into his egg production system. A supplier to Sunny Queen Limited, Jeff was elected to the Board of Sunny Queen Limited in 1993 and became Chairman in 1996, a position Jeff held until 1999. Jeff has also been a member of the Rural Industries Research and Development Corporation (RIRDC) Egg Committee from 1996 to 2000 and resigned after being elected as President of the former Australian Egg Industry Association (AEIA) in November 2000 a post he held until June 2003 when the functions of the AEIA were subsumed by the newly-formed egg industry service provider, the Australian Egg Corporation Limited (AECL).

Frank Pace (Appointed 18 November 2002, Resigned 16 December 2002 and Re-Appointed 16 December 2002)

Frank Pace is a non-executive 'elected' Director of AECL and is the founder and Managing Director of Pace Farm Pty Ltd – the largest producer, marketer and distributor of eggs in Australia. Frank is one of only four officers of the International Egg Commission (IEC), a previous committee of management member and vice-President of the former Australian Egg Industry Association (AEIA) and a Director of the former Incredible Egg Company. Frank was previously the Chairman of the Seven Hills branch of the Livestock and Grain Producers Association (LPGA) and a member of the NSW Farmers' Association Egg Committee. Frank's marketing achievements were recognised through winning the Crystal Egg Award for the launch of 'Liberty' brand, barn laid, RSPCA eggs. Frank has also made an active contribution to the Sydney community and was honoured by being named a life member and Paul Harris Fellow of the Rotary Club of Mount Druitt.

Philip Steel (Appointed 16 December 2002)

Philip Steel is a non-executive 'elected' Director of AECL and is the Chief Executive Officer of the Western Australian Egg Marketing Board, trading as Golden Egg Farms. Phil has recently directed Golden Egg Farms towards world's best practice positions in all areas. Philip was a committee of management member of the former Australian Egg Industry Association (AEIA) from 1996 and became President in 1998 until November 2000. During his tenure, Philip contributed to the AEIA in areas relating to food safety, quality assurance and public relations.

James Kellaway (Appointed 6 May 2003)

James Kellaway is the executive Director of AECL and has extensive experience in rural commodity and product marketing with key industry organisations including Horticulture Australia Limited (HAL), Meat & Livestock Australia (MLA), the former Australian Meat & Livestock Corporation (AMLC) and the NSW Meat Industry Authority (MIA). James has been responsible for implementing industry based marketing communication programs and member services with HAL and MLA – each of which underwent restructures, bringing each industry's marketing and R&D functions together in the one organization. These roles had a key focus on delivering commercial results to all company shareholders. James has a Master of Business Administration (MBA) from the University of Technology Sydney Graduate School of Business, a Graduate Diploma in Marketing Management from Macquarie University Graduate School of Management and a Bachelor of Applied Science in agriculture from the University of Western Sydney, Hawkesbury.

Ivy Inwood (Appointed 18 November 2002 and Resigned 16 December 2002)

Ivy Inwood was a founding Director of AECL who resigned at the first meeting of AECL delegates on 16 December 2002.

Ivy is a free-range and organic egg producer based in Queensland and represents the interests of the Australian egg industry on a number of issues. Ivy is the President of the Free-Range Egg and Poultry Association of Queensland, Secretary of the Queensland Egg Farmers Association and a Director of Sunny Queen Limited. Ivy was a committee of management member of the former Australian Egg Industry Association (AEIA) and elected Treasurer in 2001. During Ivy's tenure with the AEIA, she took carriage of animal welfare and egg labelling issues.

Directors Meetings

During the period to 30 June 2003 there were 7 meetings of directors and the number attended by each director were as follows:

Jeff Ironside - 7

Frank Pace - 7

Phillip Steel - 7

James Kellaway - 2

Corporate Information

Australian Egg Corporation Limited is a company limited by guarantee that is incorporated and domiciled in Australia.

The registered office of the company is:

Level 5, 12 Ormonde Parade, Hurstville NSW 2220

The entity employed 2 employees at 30 June 2003.

Principal Activities

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

Results

The profit of the entity for the year ended 30 June 2003 was \$nil.

Significant Changes in the State Affairs

Australian Egg Corporation Limited was incorporated on 18 November 2002 and the company commenced trading on 1 February 2003. There have been no significant changes in the state of affairs of the company during the period.

Significant Events After the Balance Date

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

Future Developments and Results

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

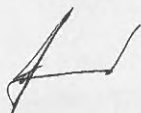
Environmental Regulation and Performance

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

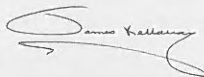
Indemnification and Insurance of Directors

The Company held no indemnity or insurance on behalf of its directors at any point during the year.

Signed in accordance with a resolution of the directors.



Jeff Ironside
Chairman



James Kellaway
Managing Director

Sydney
21 October 2003

Directors' Declaration

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

(1) In the opinion of the directors:

- (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporation regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Jeff Ironside
Chairman



James Kellaway
Managing Director

Sydney
21 October 2003

Statement of Financial Performance

	Notes	18 November 2002 30 June 2003
REVENUES FROM ORDINARY ACTIVITIES	2	\$1,350,367
Occupancy expenses		(\$3,898)
Salary and employee benefits		(\$35,352)
Administrative expenses		(\$116,493)
Research and Development program expenses		(\$1,131,181)
Promotion program expenses		(\$63,443)
NET PROFIT		-
NET PROFIT ATTRIBUTABLE TO MEMBERS OF AUSTRALIAN EGG CORPORATION LIMITED	9	-

Statement of Financial Position

	Notes	30 June 2003
CURRENT ASSETS		
Cash Assets		\$1,173,085
Receivables	4	\$185,611
TOTAL CURRENT ASSETS		\$1,358,696
NON-CURRENT ASSETS		
Property, plant and equipment	5	\$8,064
TOTAL NON-CURRENT ASSETS		\$8,064
TOTAL ASSETS		\$1,366,760
CURRENT LIABILITIES		
Payables	6	\$1,353,226
Provisions	7	\$6,656
TOTAL CURRENT LIABILITIES		\$1,359,882
NON-CURRENT LIABILITIES		
Provisions	8	\$6,878
TOTAL NON-CURRENT LIABILITIES		\$6,878
TOTAL LIABILITIES		\$1,366,760
NET ASSETS		-
EQUITY		
Retained profits	9	-
TOTAL EQUITY		-

Statement of Cash Flows

	Notes	18 November 2002 30 June 2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers - levies		\$1,231,105
Receipts from transfer/contribution of assets		\$1,470,376
Payments to suppliers and employees		(\$416,904)
Interest received		\$28,228
Research and development expenditure		(\$1,131,181)
NET CASH FLOWS FROM OPERATING ACTIVITIES	10	\$1,181,624
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment		(\$8,539)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(\$8,539)
NET INCREASE IN CASH HELD		\$1,173,085
Add opening cash brought forward		-
CLOSING CASH CARRIED FORWARD	10	\$1,173,085

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Basis of Accounting

This financial report is a general -purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Others mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been compiled with.

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

Cash and cash equivalents

Cash on hand and in banks are stated in nominal value.

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

Recoverable amount

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

Plant and equipment

Cost and valuation

Plant and equipment are measured at cost.

Depreciation

Depreciation is provided on a straight-line basis on all plant and equipment.

Major depreciation periods are 2003

Plant and equipment

Furniture and fittings 3-6 years

Office equipment 2-3 years

Payables

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

Provisions

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

Revenue recognition

Revenue

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

Notes to the Financial Statements (continued)

Commonwealth matching funds

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

Levy receipts

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

Transfer of assets

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

Taxes

Income taxes

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

Goods and Services Tax (GST)

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other assets or other liabilities in the Statement of Financial Position.

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

Employee entitlements

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

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

Employee entitlement expenses and revenues arising in respect of the following categories: wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and other types of employee entitlements are charged against profits on a net basis in their respective categories.

Comparatives

This period 18 November 2002 to 30 June 2003 is the first period of operation. Therefore, there are no comparatives reflected in the reports.

Economic dependency

The company is economically dependent on levies received from industries and Commonwealth Government contributions.

Notes to the Financial Statements (continued)

	Notes	30 June 2003
2. REVENUE FROM ORDINARY ACTIVITIES		
Revenue from operating activities		
<i>Revenue from promotion levies</i>		
Industry Levies		\$202,459
EIDF Transfer - Contribution of assets		-
Interest		\$1,896
Secretariat		\$14,831
		<u>\$219,186</u>
<i>Revenue from R&D levies</i>		
Industry Levies		\$324,725
Commonwealth Contributions		\$441,169
RIRDC Asset Transfer - Contribution of assets		\$303,075
Interest		\$26,332
Royalties		\$34,663
Revenue from sale of goods		\$1,217
		<u>\$1,131,181</u>
TOTAL REVENUES FROM OPERATING ACTIVITIES		<u>\$1,350,367</u>
TOTAL REVENUES FROM ORDINARY ACTIVITIES		<u><u>\$1,350,367</u></u>
3. EXPENSES AND LOSSES / GAINS		
Depreciation of non-current assets		
• Office Equipment		\$211
• Furniture and Fittings		\$264
TOTAL DEPRECIATION OF NON-CURRENT ASSETS		<u><u>\$475</u></u>
4. RECEIVABLES (CURRENT)		
Trade debtors		\$1,647
Other debtors		\$183,964
		<u><u>\$185,611</u></u>
5. PROPERTY, PLANT AND EQUIPMENT		
Office equipment		
At cost		\$6,773
Accumulated depreciaton		(\$211)
		<u>\$6,562</u>
Furniture, fixtures and fittings		
At cost		\$1,766
Accumulated depreciaton		(\$264)
		<u>\$1,502</u>
Total property, plant and equipment		
Cost		\$8,539
Accumulated depreciaton and amortisation		(\$475)
Total written down amount		<u><u>\$8,064</u></u>
(b) Reconciliations		
<i>Office equipment</i>		
Carrying amount at beginning		-
Additions		\$6,773
Depreciation expense		(\$211)
		<u><u>\$6,562</u></u>
<i>Furniture, fixtures and fittings</i>		
Carrying amount at beginning		-
Additions		\$1,766
Depreciation expense		(\$264)
		<u><u>\$1,502</u></u>

Notes to the Financial Statements (continued)

	Notes	30 June 2003
6. PAYABLES (CURRENT)		
Trade creditors		\$7,885
Other creditors		\$28,855
Unearned income - Promotion levies		\$149,185
Unearned income - EIDF Transfer - Contribution of assets		\$180,508
Unearned income - RIRDC Asset Transfer - Contribution of assets		\$986,793
		<u>\$1,353,226</u>
7. PROVISIONS (CURRENT)		
Employee entitlements	11	\$6,656
		<u>\$6,656</u>
8. PROVISIONS (NON-CURRENT)		
Employee entitlements	11	\$6,878
		<u>\$6,878</u>
9. RESERVES AND RETAINED PROFITS		
Retained profits		<u>-</u>
10. STATEMENT OF CASH FLOWS		
(a) Reconciliation of the net profit after tax to the net cash flows from operations		
Net profit		-
Non-Cash Items		
Depreciation of non-current assets		\$475
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables		(\$185,611)
(Decrease)/increase in trade and other creditors		\$1,353,226
(Decrease)/increase in provisions		\$13,534
Net cash flow from operating activities		<u>\$1,181,624</u>
(b) Reconciliation of cash		
Cash balance comprises:		
Cash on hand		-
Cash at bank		\$1,173,085
Closing cash balance		<u>\$1,173,085</u>
11. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS		
Employee Entitlements		
Provisions (current)		\$6,656
Provisions (non-current)		\$6,878
		<u>\$13,534</u>
Superannuation Commitments		
Contributions by the consolidated entity of up to 9% of employees - wages and salaries are legally enforceable in Australia.		
12. CONTINGENT LIABILITIES		
There are no contingent liabilities as at 30 June 2003.		
13. SUBSEQUENT EVENTS		
There have been no significant events that have occurred since 30 June 2003 that require separate disclosure.		
14. REMUNERATION OF DIRECTORS		
(a) Directors - remuneration		
Income paid or payable, or otherwise made available, in respect of the financial period to 30 June 2003, to all directors of Australian Egg Corporation Limited, directly or indirectly, from the entity or any related party.		\$21,250
The number of directors of Australian Egg Corporation Limited whose income (including superannuation contributions) falls within the following band is:		
\$0 - \$ 9,999		4
\$20,000 - \$ 29,999		1

Notes to the Financial Statements (continued)

Notes

30 June 2003

15. AUDITORS REMUNERATION

Amounts received or due and receivable by Ernst & Young for:

– an audit or review of the financial report of the entity	\$22,500
– other services in relation to the entity	-
	<u>\$22,500</u>

16. RELATED PARTY DISCLOSURES

Directors

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

Jeff Ironside (Appointed 18 November 2002, Resigned 16 December 2002 and re-Appointed 16 December 2002)

Frank Pace (Appointed 18 November 2002, Resigned 16 December 2002 and re-Appointed 16 December 2002)

Philip Steel (Appointed 16 December 2002)

Ivy Inwood (Appointed 18 November 2002 and Resigned 16 December 2002)

James Kellaway (Appointed 6 May 2003)

17. SEGMENT INFORMATION

Segment products and locations

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

18. FINANCIAL INSTRUMENTS

18. (a) Interest rate risk

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

Financial Instruments	Floating interest rate	Fixed interest rate maturing in:			Non-interest bearing	Total carrying amount	Weighted average effective interest rate
		1 year or less	Over 1 to 5 years	More than 5 years			
	30 June 2003 \$	30 June 2003 \$	\$	\$	30 June 2003 \$	30 June 2003 \$	30 June 2003 \$
(i) Financial assets							
Cash	1,173,085	-	-	-	-	1,173,085	4.4%
Trade and other Receivables	-	-	-	-	185,611	185,611	N/A
Total financial assets	1,173,085	-	-	-	185,611	1,358,696	
(ii) Financial liabilities							
Trade and other creditors	-	-	-	-	1,353,226	1,353,226	N/A
Total financial liabilities	-	-	-	-	1,353,226	1,353,226	

N/A not applicable for non-interest bearing financial instruments.

(b) Terms, conditions and accounting policies

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

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

(c) Net fair values of financial instruments

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

(d) Credit risk exposure

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

Independent audit report to members of Australian Egg Corporation Limited

Scope

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Australian Egg Corporation Limited (the company), for the period ended 30 June 2003.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

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

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

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

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

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

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

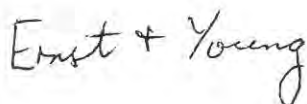
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

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

- (a) the *Corporations Act 2001* including:
 - (i) giving a true and fair view of the financial position of Australian Egg Corporation Limited at 30 June 2003 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



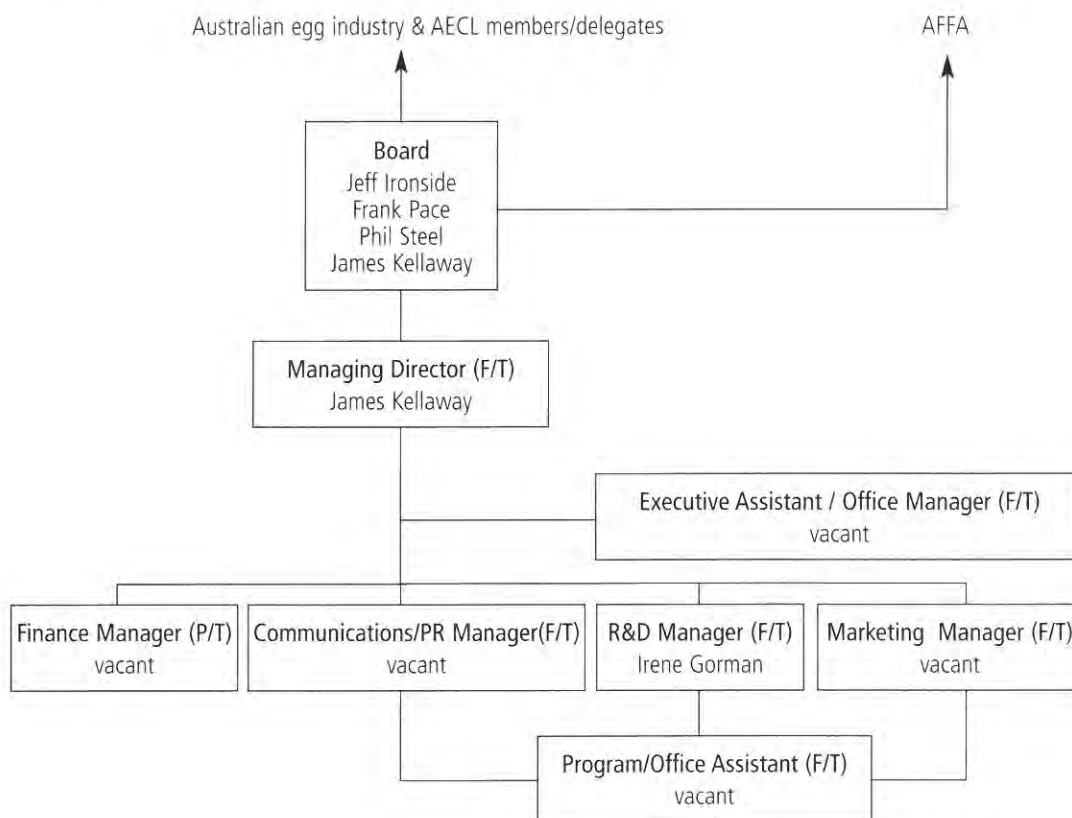
J K Haydon
Partner

Sydney

Date : 21 October 2003

Organisational Chart

The following organisational chart outlines the key roles and functions of the AECL in order to deliver on all key programs effectively with the expected degree of industry, government and community accountability.



Organisational chart as at 30 June, 2003.

AUSTRALIAN EGG CORPORATION LIMITED

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