



AUSTRALIAN EGG
CORPORATION LIMITED

Advancing Change

2006
annual report

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This 2005-2006 Annual Report is prepared by the Australian Egg Corporation (AECL). AECL is a producer-owned, public, unlisted company that integrates marketing communications, research and development and policy services for the benefit of the Australian egg industry. AECL is not-for-profit and is funded by producer levies collected by government and matched R&D contributions from the Australian Government.

Our values

Vision

The Australian Egg Corporation Limited (AECL) will facilitate the sustainable and profitable growth of the Australian egg industry.

Mission

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

Objectives

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

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



Industry overview

Production – Australia:	203 million dozen eggs per annum - 2004/05 (Source: Australian Bureau of Statistics, cat. no. 7121)		
Flock size (approx):	13.175 million hens - as at 30 June, 2005 (Source: Australian Bureau of Statistics, cat. no. 7121)		
State flock percentages:	NSW/ACT 30% Victoria 25% Queensland 27% WA/NT 8% SA 8% Tasmania 2% (Source: Australian Bureau of Statistics, cat. no. 7121)		
Retail prices (average):	\$3.38 per dozen - June quarter, 2006 (Source: Australian Bureau of Statistics, cat no. 6403)		
Number of egg producers:	423 - as at 30 June 2005 (Source: Australian Bureau of Statistics, cat. no. 7121)		
Gross value of production at farm gate:	\$288 million per annum - 2004/05 (Source: Australian Bureau of Statistics, cat. no. 7503)		
Average unit value of production at farm gate:	\$1.62 per dozen - 2004/05 (Source: Australian Bureau of Statistics, cat. no. 7503)		
Gross value of production at wholesale:	\$327.9 million per annum - 2004/05 (Source: Australian Bureau of Statistics, cat. no. 7503)		
Grocery/retail sales volume:	67.543 million dozen eggs - 10 July 2005 to 8 July 2006 (Source: ACNielsen)		
Grocery/retail sales value:	\$199.3 million - 10 July 2005 to 8 July 2006 (Source: ACNielsen)		
Grocery/retail market share 2005/06:		volume	value
	Cage eggs:	74.9%	63.0%
	Barn Laid eggs:	4.8%	6.4%
	Free Range eggs	20.3%	30.6%
	(Source: ACNielsen)		
Grocery/retail branding market share 2005/06:		volume	value
	Generic labels:	57.0%	49.8%
	Proprietary labels:	43.0%	50.2%
	(Source: ACNielsen)		
Grocery/retail pack weight market share 2005/06:		volume	value
	Jumbo (68g & over):	1.0%	1.1%
	Extra Large (58g to 67g):	70.4%	71.3%
	Large (50g-57g):	23.6%	24.6%
	Other sizes:	5.1%	3.0%
	(Source: ACNielsen)		
Grocery/retail pack size market share 2005/06:		volume	value
	6 (half dozen) pack:	8.4%	13.5%
	12 (dozen) pack:	89.2%	83.7%
	Other pack sizes:	2.3%	2.8%
	(Source: ACNielsen)		
Egg product exports – 2005:	562on A\$2.264m (FOB equivalent) (Source: Australian Bureau of Statistics)		
Egg product imports – 2005:	1,513on A\$6.542m (CIF equivalent) (Source: Australian Bureau of Statistics)		

Chairman's message

During the 2005/2006 financial year, the Australian egg industry has experienced a year of contrasts with egg producers feeling the full effects of market dynamics. During the first half of the year, Australia was awash with eggs and there was significant downward pressure on prices. Conversely, the end of the year brought a tightening of the egg supply and an upward pressure on price, which assisted to buoy market returns and industry profitability.

Other challenges of note included the spread of Avian Influenza across many parts of the world and the subsequent industry focus on biosecurity; ongoing enhancements to layer hen housing, cage standards and changes to production systems in line with the 4th edition of the *Model Code of Practice for the Welfare of Animals – Domestic Poultry*; an increased focus on food safety; ongoing industry and market rationalisation; and the adoption of new business and production technologies.

Despite this challenging market and competitive environment, the Corporation's programs and objectives have not wavered as activities implemented by AECL have directly assisted to lift egg demand, sales and consumption of eggs.

This year, the National Heart Foundation of Australia recognised the strong health benefits of eggs and awarded fresh shell eggs the Heart Tick trademark. The incredible success of the Heart Tick on eggs launch worked to debunk adverse health myths associated with eggs and promote the nutritional benefits of the product.

Before the establishment of AECL, the egg industry tried to obtain the Heart Tick for many years to no avail. Recognition by the Heart Foundation was only possible after resourcing AECL to be in a position to gather the relevant science, undertake the market research and furnish appropriate literature on behalf of all egg producers and manage the ongoing process accordingly.

The Heart Tick coupled with extensive media advertising and editorial on eggs has generated increased awareness, demand and use of eggs by consumers. We also appreciate the contribution of key influencers and opinion leaders working with the Corporation to promote the health benefits and convenience of eggs in a contemporary diet.

While the Corporation's focus to date has been on ensuring the establishment and growth of a cohesive, meaningful and relevant marketing program for eggs, this year saw the Corporation's attention turn to enhancing the Research & Development (R&D) framework with the aim of providing additional benefits to stakeholders, egg producers and the community.

The Corporation's ongoing communication with stakeholders is crucial for our continued success. The publication of regular newsletters, the convening of industry forums and stakeholder visits undertaken by AECL management all help to galvanise the industry's support of the Corporation's efforts. The AECL Board is committed to providing all egg producers with the opportunity to have a say on the direction of their industry body.

The success of AECL activities is largely dependent on the support and participation of egg producers and marketers. While AECL can provide the tools to assist egg producers raise consumption and become more efficient, it is up to all egg producers to embrace the opportunities provided and realise a positive return on their levy investment.

Finally, I wish to thank my fellow directors and the AECL management team for their ongoing contribution to the success of AECL and their ongoing interest and desire to ensure growth and prosperity of the Australian egg industry for the benefit of all Australian egg producers.

Board of directors

Jeff Ironside ^{FAICD} **AECL Chairman**

Jeff Ironside has been a non-executive 'elected' Director and the Chairman of AECL since its incorporation on 18th November 2002.

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

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

Jeff is a Fellow of the Australian Institute of Company Directors, Past President and Paul Harris Fellow of the Rotary Club of Port of Townsville and a member of the Defence Reserves Support Committee (North Queensland).

Russell Ware ^{LL.M. (Hons.)} **AECL Director and Deputy Chairman**

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

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



From Left: Philip Steel, John O'Hara, Frank Pace, Russell Ware, James Kellaway, Jeff Ironside

John O'Hara BBus (Comm) **AECL Director**

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

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

In August 2004, John and his team won four gold and one silver award in the 2004 Australian CREAM awards for advertising effectiveness. John then won the International Egg Commission's 2004 Crystal Egg Award for marketing excellence, followed by two gold awards in the Marketing Effectiveness Awards held in New York. In 2005, the Company won the prestigious Campaign of the Year Award from the Australian Marketing Institute.

John is a Member of the Australian Institute of Company Directors and is currently Chair of The Heart Research Institute Queensland Association. John is also a Vice Patron of Surf Life Saving Queensland.

Frank Pace **AECL Director**

Frank Pace is a non-executive 'elected' Director of AECL and is the founder and Managing Director of Pace Farm Pty Ltd – the largest producer, marketer and distributor of eggs in Australia. Frank is the Deputy Chairman of the International Egg Commission (IEC) and was recently 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) and is currently 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 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 Druff.

Philip Steel B App Sci **AECL Director**

Philip Steel has been a non-executive 'elected' Director of AECL since 16th December 2002.

Philip is the Chief Executive of Golden Egg Farms in WA, a position he has held since 1993. Prior to joining Golden Egg Farms, he gained experience with several food companies, both in Australia and in the UK, working in the areas of production, quality assurance and marketing of a variety of food products.

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

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

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

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

James is also a Graduate Member of the Australian Institute of Company Directors and a Board member of the Australian Poultry Co-operative Research Centre (CRC).

Managing Director's report

Over the 2005/2006 period, the AECL management team continued to pursue the objectives set down in the strategic plan endorsed by the Australian egg industry in September 2003. At a more tactical level, the introduction of five key strategic pillars this year has served to focus the lean resources employed by the Corporation to achieve the best results for our stakeholders. The pillars are: market awareness; market education; supply chain enhancement; public affairs & stakeholder relations; and on-farm innovation & efficiency.

Market awareness

Based on usage and attitude research among consumers throughout the year, we know our loyal 'egg lovers' are looking for new ideas and meal solutions compatible with their modern lifestyles. Enhanced public relations activities, ongoing media associations and print advertising during the year assisted to maintain the growth and interest in eggs among this segment, which has grown by 12% since the beginning of the campaign.

The print advertising campaign, *Eggs. How do you like 'em?* reignited interest in eggs with four quirky executions widely circulated through major lifestyle magazines. The advertising campaign was coupled with our extremely successful media work, which attracted a massive 274% increase in egg recipe and usage editorial in print media across Australia during the year.

To drive egg usage in the retail chain, AECL continued the distribution of recipe cards to egg producers. During the year, 95 egg producers distributed these recipe cards directly to consumers to provide attractive, versatile meal solutions and recipe ideas at the point-of-sale. Other point-of-sale items were distributed during the year to build awareness of eggs and drive demand at a time when egg supply reached an all-time high.

By year's end, an extra 625,500 dozen cartons were being sold at retail in Australia, thus ensuring a positive return on industry investment in egg marketing activities.

Market education

Gaining the Heart Foundation's Tick of approval from the National Heart Foundation of Australia this year was an enormous triumph for the egg industry. Australia is only the second country to receive this highly recognisable endorsement and it has worked powerfully to overturn long-held health concerns associated with the consumption of eggs.

Our national media campaign during the launch of the program was highly successful with a 16% increase in the average number of eggs per week that consumers believe is healthy and a 24% increase in the number of General Practitioners who consider eggs have little to no effect on serum cholesterol levels. In total, the campaign realised a 47% increase in the household penetration of eggs among all market segments. AECL's communication program to launch the Tick has subsequently been awarded the Public Relations Institute of Australia 2006 *Golden Target Award* for Excellence.

The continual support of the Egg Nutrition Advisory Group (ENAG) has also assisted the provision of independent, expert advice on the health and nutritional benefits of eggs to health care professionals through direct mail campaigns and through the support of health care conferences convened during the year.

AECL was also able to secure effective editorial coverage in key trade and consumer magazine titles espousing the nutritional benefits of eggs and the development of meal-planners for the diet conscious.

Supply chain enhancement

Our popular Layer and Egg Supply Forecasting report was refined throughout the year with an increasing number of egg producers contributing to the report achieving a corresponding improvement in accuracy. Another key program this year was the retail category management program, which aims to increase producer revenue at the point-of-sale through better stock display and improving category layout on a store-by-store basis. Other areas of attention have included stock rotation, product planning, stock facing, ordering and a trial to display eggs by size to assist shoppers make more informed choices when purchasing eggs.

Activities to reduce egg damage and loss were also implemented with retailers, including the use of fragile stickers, carton stacking guidelines, use of shrink tape and outer carton design. Additional work was also carried out on shelf-friendly cartons to minimise inventory stock and egg wastage.

A key program initiated during the year was the Corporation's egg quality work. While projects over the recent past have started to address egg quality, there has not been a concerted and coordinated whole-of-chain approach to improving egg quality from point-of-lay to consumption. AECL commissioned major sensory research and a comprehensive literature review and the results will be used to determine research and development priorities to assist deliver the perfect egg to consumers every time.

The egg industry's national egg quality assurance program, EggCorp Assured (ECA), continues to grow with a total of 84 egg businesses being ECA licensed at year-end. This reflects 27% of all egg businesses and 50% of Australian egg production. We aim to increase this level significantly next year in preparation for a branding campaign promoting the virtues of being EggCorp Assured to the Australian market. AECL will continue to support our ECA businesses in communications on crisis issues as we attest to their approved animal welfare, health, quarantine, biosecurity, labelling, food safety and environmental standards.

Public affairs & stakeholder relations

The Corporation maintained its consultative approach with the broader egg industry by refining the makeup of our industry consultative committees. AECL has now established committees for promotion/PR, supply chain enhancement, public affairs, animal health, animal welfare, egg quality and on-farm innovation & efficiency. In addition, we maintained our support of the technical working group for animal health. These committees reflect the work program and breadth of issues confronted by the egg industry, including the continual improvement of layer hen housing, salmonella outbreaks, government relations, exotic disease incursions such as Avian Influenza and the introduction of food safety and industry-based QA programs. In total, 25 egg producers sit on these committees.

AECL maintained its involvement with the Livestock Feed Grain Users Group (LFGUG) and with Animal Health Australia (AHA) through its commitment to the Emergency Animal Disease Response Agreement (EADRA). Additionally, we contributed to the rural R&D corporations' forum and the Australian Animal Welfare Strategy (AAWS) where appropriate. Our involvement in Exercise Eleusis, the nationally coordinated government exercise that evaluated Australia's capability to manage emergency zoonotic outbreaks, also proved to be a success and identified industry issues for further action.

The development of an Issues Management Plan has also provided a formal response mechanism in managing industry issues that may arise from time to time, such as food safety concerns, animal welfare issues or the industry's animal health status. To progress these issues further and in light of Avian Influenza threats world-wide among poultry flocks, AECL established a Food Safety Taskforce to provide independent expert advice and information to the public regarding any real or perceived food-borne health threats.

We continued our stakeholder visits and met with a number of egg producers in groups and individually throughout Australia. I consider this to be an essential part of our ongoing communication and stakeholder relation efforts. We also maintained our regular fortnightly newsletter *EggCorp EggsPress* and our quarterly magazine-style publication *Eggstra Eggstra*, as well as convening two industry forums during the year.

On-farm innovation & efficiency

Our research and development was enhanced during the year with the introduction of the Egg Producer Research, Innovation & Development (EPRID) program. EPRID offers direct assistance to egg producers to meet their on-farm production or business challenges. This program provides shorter term, more practical and tangible outcomes to producers, with all research outcomes shared among the stakeholder community. This program element coupled with our on-going Basic and Applied Research (BAR) program in providing welfare, disease and nutrition solutions for egg producers while maintaining a level of scientific and technical expertise in the egg industry.

Our ongoing commitment and involvement with the Poultry Cooperative Research Centre (CRC), now in its fourth year, provides longer term results for egg producers and the Australian community. A total of 24 projects were supported through the CRC during the year, 23 of which were directly relevant to the egg industry. The investment level provided to the CRC continues to be an effective and prudent leverage of egg producer levies, given the Australian Government's involvement in the CRC.

Although the many challenges faced by the egg industry provide the Corporation with a busy schedule, our continual refinement of programs to achieve maximum efficiency is testament to the solid and productive working relationship between the executive team and the AECL Board.

Finally, I wish to thank all staff for their unwavering support and commitment shown towards the Australian egg industry over the last 12 months. Their effort and dedication has delivered positive and tangible results for the direct benefit of egg producers and the Australian Government. The support, direction and vision provided by the AECL Board provides an optimal mix to seek further successes over coming years for the growth and sustainability of the Australian egg industry.

1 Market awareness



Pillar objective

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

Challenges

The two key challenges of the 2006 program were:

1. Encouraging 'egg lovers' to eat more eggs more often
2. Translating egg purchase and usage solutions into actual consumption.

Highlights

Three highlights of the 2006 program were:

1. 274% boost in positive media attention about eggs
2. 'Omelette King' media tour reaches 5.7 million Australians
3. New consumer website wins *Best Food Website* award at Vittoria Australian Food Media Awards 2006.

Objective

Increase retail egg purchases	625,500 additional dozens sold ¹
Provide consumers with accessible usage solutions	New egg recipe website www.eggs.org.au attracts 10,941 visits since the launch in February 2006 ²
Inspire consumer usage through food media	480 media pieces generated where egg usage solutions were the focus of the coverage ³
Communicate the benefit of eggs through food industry opinion leaders	Food media event held in Melbourne, and egg media club grows to include 800 food opinion leaders
Change consumer attitudes	Egg lovers expand by 12% while egg restrictors contract by 9%. ⁴
Roll-out national print awareness campaign	Eggs. How do you like 'em? campaign rolled out nationally in key lifestyle magazine titles

2006 Results

SOURCE:

¹ ACNielsen Homescan Data – cumulative period 7 (June / July) 2005 to period 7 (June / July) 2006 against cumulative period 7 (June / July) 2004 to period 7 (June / July) 2005.

² WebCentral – period: 15 February 2006 – 30 June 2006

³ CARMA Media Analysis June 2005 – May 2006

⁴ ACNielsen Homescan Data panel view questions November 2004 to November 2005

Executive summary

The 2006 market awareness campaigns achieved raised awareness levels among consumers, brought the product top-of-mind to food opinion leaders, had a positive impact on sales and demonstrated eggs as an essential part of a modern lifestyle by driving usage solutions in the food media.

Providing usage solutions

One of the primary aims of our coordinated media program during the year was to drive coverage of egg usage solutions in consumer and trade media, while communicating key nutrition messages about eggs.

According to independent analysis of media reports commissioned by AECL, positive stories about eggs in the printed media almost tripled over the year – from 96 in the June to August quarter in 2005, to 263 positive stories in the corresponding quarter this year. Many of these articles were generated by the Corporation's public relations campaign designed to increase the number of usage solutions in the print media.

The diagram below shows egg usage solution articles over the past year. Not only have these increased in volume, but the number of favourable articles has risen notably as AECL commenced its series of recipe releases in January 2006.

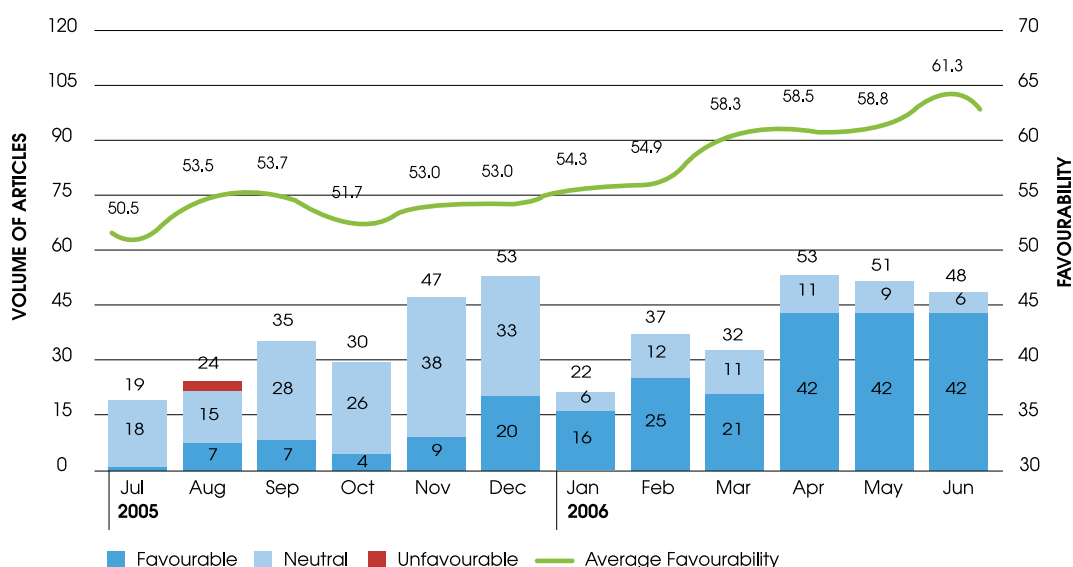
Much of the highly favourable coverage can be directly correlated with media generated by AECL, including:

- The feel-full diet plan in conjunction with New Idea magazine
- Egg painting and decorating ideas for children over Easter
- Egg recipes to cook for Mother's Day
- Warming up for winter – delicious egg recipes without the calories
- Omelette recipes coinciding with the arrival of Howard Helmer, the 'Omelette King', in June 2006 (see feature story, page 14).

In light of the success of the usage solution campaign, the Corporation will continue to generate inspiring egg recipes and usage stories over the coming year. A particular focus will be on 'egg hero' usage solutions across all meal opportunities that give Australians permission to eat the eggs that they love, more often.

In addition to media activity, AECL recognises the importance of the internet in bringing inspirational egg recipes directly into our consumers' homes. In April 2006, AECL launched the new consumer website: eggs.org.au (see feature story, page 13).

Editorial coverage of egg usage solutions in print publications



SOURCE: CARMA

Inspiring food media

The Corporation understands the power of the food media and the influence of modern celebrity chefs on food preparation and eating trends. For many years, eggs were almost forgotten by fine restaurants, chefs and the food media because there were no reminders of the versatility, flavour and richness of this simple food.

The Corporation has spent the past year developing strong relationships with food opinion leaders to disseminate quality information to consumers and become advocates of eggs. As a result of this activity, eggs have begun to re-emerge in restaurants and in the pages of quality food journals.

During the year, multi-page features on eggs appeared in magazines including: *Vogue Entertaining+Travel*, *Delicious*, *Donna Hay*, *Better Homes and Gardens*, *Australian Table*, *Australian Good Taste*, *Australian Gourmet Traveller* and in the food pages of several metropolitan newspapers, notably: *Sydney Morning Herald's Good Living*, *The Age's Epicure*, *The West Australian* and the *Adelaide Advertiser*.

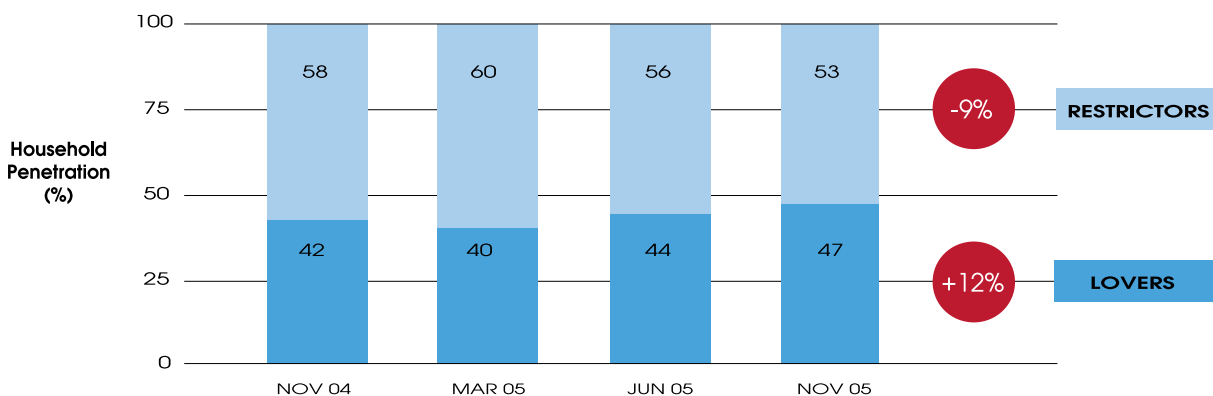
In September 2005, the Corporation launched a dedicated newsletter for food professionals, *On the boil*. Designed to be a one-stop-shop of useful and interesting information for the food industry, the three editions published during the year included egg news, events, profiles, give-aways and recipes.

After the success of similar events in Adelaide and Hobart the previous year, AECL conducted an exclusive egg food media luncheon in November 2005 at Melbourne's celebrated Vue de Monde restaurant. This function attracted 69 of the most respected and influential chefs and food opinion leaders in Victoria. Guests included celebrity chefs Ian Hewitson and Gabriel Gate, and dozens of journalists from publications including *The Age*, *Herald Sun*, *Delicious Magazine*, and the *Good Food Guide*.

At the event, the Corporation launched an inspirational new book, *Eggs* by Michel Roux. As well as presentations by an egg producer and a recognised nutritionist, AECL provided detailed information and photos for future media promotional activity. The success of these events in communicating directly with food opinion leaders, and providing a basis for strong relationships with the food media has resulted in further events being planned for both Perth and Sydney during the coming year.

AECL will continue the food industry program to extend relationships with food opinion leaders, remain proactive in smashing long standing myths, and remind the food service industry of the beauty of the egg in their cooking.

Movement between consumer segments



SOURCE: ACNielsen Homescan Data - Panelviews



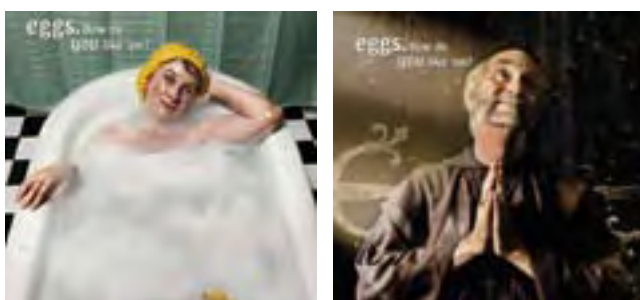
Bringing eggs top-of-mind

The combined launch of the Egg Nutrition Advisory Group (ENAG) and National Heart Foundation Tick campaign in September 2005 (see feature story, page 18), had a significant impact in bringing eggs top-of-mind among consumers. Newspoll Research, conducted only two months after the launch of Tick, showed that four in ten Australians had heard eggs had gained the Tick. Moreover, 35% of those surveyed were more comfortable buying eggs knowing that eggs had gained the Tick.

Our celebrity egg ambassador, Geoff Jansz, spoke to the benefits of eggs through his television program *Fresh* throughout the year. Geoff was instrumental in driving media coverage of eggs by promoting his egg recipes on World Egg Day and Mother's Day. Geoff also designed four celebrated egg recipes – innovative twists on traditional egg-based dishes. These dishes and Geoff's endorsement were used strategically throughout our consumer media and advertising campaigns.

There were a number of other elements to the awareness campaign, which were specifically focused on 'egg lovers', including recipe cards, posters, numerous targeted promotional events and a print media campaign. The print media campaign ran from February to June 2006 in *New Idea*, *Woman's Day*, *Women's Weekly* and *Burkes Backyard*, and featured four creative executions that promoted Geoff's meal solutions.

This print campaign, 'Eggs, how do you like 'em?' coincided with improved consumer awareness of eggs. According to AC Nielsen, an additional 38% of Australian households were purchasing eggs during the five months of the campaign, compared to the year before. AC Nielsen also revealed that an additional 625,500 dozen eggs were sold through retail outlets this year, compared to 2004/2005. While this cannot be directly attributed to any individual element of the consumer marketing and communication program, it is a sure indication that eggs continue to gain top of mind awareness and increased sales as a result of AECL's suite of campaign activities.



eggs.org.au

Developed to promote the versatility and nutrition benefits of eggs directly to consumers, AECL launched eggs.org.au in March 2006. The website featured the latest egg recipes, nutritional information and tips from egg ambassador and celebrity chef, Geoff Jansz. It is a crucial component of the Corporation's strategy to raise awareness of eggs and encourage usage solutions.

To launch the new website an egg-based 'feel-full' diet plan was featured in *New Idea* magazine encouraging readers to access the entire five-day diet on eggs.org.au. This interactive meal planner, created by dietician Sharon Natoli, provided a completely personalised meal planner full of delicious protein-rich, high-fibre meal options to keep dieters feeling fuller for longer. Users also received a mouth-watering, egg-inspired recipe via email every day for an entire week.

eggs.org.au is now attracting around 80,000 hits per month as it expands its repertoire of healthy and inspirational egg recipes through an exciting partnership with *New Idea* magazine.

Recognising the achievement of this website, eggs.org.au was the proud recipient of the Highly Commended award for *Best Food-based Website* at the esteemed Vittoria Australian Food Media Awards 2006.



Howard Helmer tour

Howard Helmer, the world's fastest omelette maker, arrived in Sydney on 3 June 2006 for a week-long tour demonstrating his speed, skill and creativity in the art of omelette making. Awarded the title of fastest omelette maker by the Guinness Book of World Records, this self-styled 'omelette king' has spent the last 20 years selling the benefits of eggs to the American public.

AECL secured coverage of Howard's omelette demonstrations on three national television programs: Good Morning with Kerri-Anne, Fresh with Geoff Jansz, and the Today Show. Close to one million viewers watched the charismatic omelette king transform an egg into a healthy, creative meal in less than 45 seconds.

Howard and his omelettes also sizzled on breakfast radio in the major capital cities, including 3AW radio in Melbourne, 4KQ and 97.3FM in Brisbane, and MIX FM in Sydney reaching an additional 500,000 listeners in three states.

The highlight of the tour was a charity Breakfast on the Boardwalk in Sydney – televised throughout Australia on Channel 9. This event featured a series of egg usage tips, recipes and fun with Howard Helmer, celebrity chef Neil Perry and the Hyatt's executive chef Danny Drinkwater.

AECL also organised a series of highly successful 'brunch in the boardroom' events in each of the three major magazine publishing houses. As well as demonstrating omelettes, Howard also communicated key nutrition messages and continued to build on strong relationships with food editors. AECL looks forward to egg-related coverage to continue to remain strong over 2006/2007.

Coverage Overview:

Total pieces of coverage:	30
Radio:	16 (Brisbane, Sydney and Melbourne)
Print:	6
Television:	8
Total circulation reached:	5,693,218
Equivalent advertising rate	\$8.7 million

SOURCE: Media Monitors



2 Market education



Pillar objective

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

Challenges

The two key challenges of the 2006 program were:

1. Maintaining the positive shifts in beliefs and attitudes across all consumer segments
2. Translating these beliefs and attitudes into actual consumption.

Highlights

Two highlights of the 2006 program were:

1. Positive shifts in attitude of 'how many eggs are healthy' among Australian consumers
2. Tick launch attracts 237 positive news stories about eggs and sees a 25% improvement in consumer attitudes towards eggs and cholesterol.

Objective

Change consumers negative beliefs and attitudes towards eggs	Australian consumers now consider 4.4 eggs per week to be healthy (up from 3.8 in 2004) ⁵
Change healthcare professionals negative beliefs and attitudes towards eggs	Nearly 60% of GPs believe that eggs have little or no affect on cholesterol levels (up from 35% in 2004) ⁶
Debunk health myths about eggs through strategic use of media	'eggs are good for your health' remained the leading egg-related message across all media ⁷
Roll-out national print education campaign	<i>Beauty spot</i> campaign rolled out in key lifestyle magazine titles and newspapers

SOURCE:

⁵ Newspoll Research

⁶ GP Reach Research

⁷ CARMA Media Analysis June 2005 – May 2006

Executive summary

During 2006, AECL's market education campaigns continued to dispel health myths by educating healthcare professionals, promoted the nutritional benefits of eggs by leveraging health endorsements and demonstrated to consumers that eggs are an essential part of a healthy lifestyle and balanced eating plan.

Communicating with consumers

One of the most successful components of AECL's marketing campaign has been our success in educating consumers who had actively been restricting their egg intake due to fears about cholesterol. More and more of these 'egg restrictors' are returning to the category and slowly increasing the number of eggs they buy.

The changing attitudes of healthcare professionals toward eggs are now being conveyed to their patients. However, many consumers are also responding directly to our print advertising campaigns, which have been appearing in national consumer magazines over the past year.

The media print campaign ran in *Australian Good Taste*, *Better Homes & Gardens*, *Burkes Backyard*, *New Idea*, *That's Life* and *Women's Weekly*. This campaign ran for five months at the end of 2005 using three creative executions to tackle head-on the myths surrounding eggs and cholesterol. This advertising campaign is having encouraging results on people's perceptions and attitudes towards eggs.

There were a number of other elements to the education campaign, including the distribution of educational literature through subscriber copies of *Women's Weekly* and *Burkes Backyard*. AECL also conducted a range of targeted public relations activities, notably the launch of the Heart Foundation Tick on eggs and a segment on Channel 9's *What's good for you?* (See feature story, page 19)

Newspoll research commissioned by AECL in May 2006 found that consumer attitudes, beliefs and perceptions towards eggs have dramatically improved over the period of our education campaign. In particular, the proportion of egg loving consumers continues to grow. Since the launch of the AECL promotions campaigns in 2004, the proportion of egg lovers has risen from 39% to 46% of our target market (main grocery buyers 40+ with children in the household).

The research also shows that there continues to be improvement in people's perception of how many eggs is healthy, from 3.8 per week in August 2004 to 4.4 in May 2006. If this increase were translated to actual consumption, it would represent a potential increase of some 6.8 million additional eggs a week and importantly, this perception continues to improve among those consumers who have traditionally restricted their egg intake. Egg restrictors are now prepared to eat 4 eggs a week compared to the pre-promotion level of 3.1.

At the end of the year, it became apparent that Australians were open to the 'good egg' message, but some consumers needed further reassurance to overcome restriction barriers. As well as dispelling entrenched myths, AECL will now work in with ENAG to show how eggs are an essential part of a healthy, balanced diet.





Leveraging endorsements

For years the egg has suffered under the common public belief that eating eggs will raise cholesterol levels and, therefore, increase the risk of heart disease. It is for this reason that the egg industry had been lobbying the National Heart Foundation (NHF) to review their guidelines for the Tick Program in relation to eggs and egg products.

In September 2005, fresh shell eggs were formally granted permission to display the Tick by the National Heart Foundation (NHF). The move to include eggs in NHF's high profile Tick Program was based on scientific evidence supplied by AECL showing eggs are a highly nutritious food that can be included in the diet of healthy Australians without increasing their risk of heart disease.

Before the announcement that eggs had the NHF Tick, there was limited opportunity to promote a strong consumer message on the scientific consensus that there is little or no link between eggs and blood cholesterol levels and heart disease. Securing this third party endorsement was a significant step in countering the widespread myth that eggs raise blood cholesterol levels.

Educating healthcare professionals

In August 2005, AECL officially launched the Egg Nutrition Advisory Group (ENAG). AECL attracted some of the most influential and respected health professionals in Australia to sift through the information about eggs and the role eggs play at different life stages and disease states. Even before the official launch, this independent group of health and nutrition experts had been working behind the scenes to communicate directly with healthcare professionals and, in turn, positively change their attitudes, beliefs and perceptions towards eggs.

As a result of our education campaign to healthcare professionals, eggs have made a remarkable jump up the healthy food ladder in the eyes of doctors. Research commissioned by AECL, and conducted by Decisions Research in November 2005, confirms a massive improvement in positive attitudes towards eggs among medical professionals. For instance, at the beginning of our campaign only 35% of general practitioners (GPs) believed eggs had little or no effect on cholesterol level, now 59% of GPs believe this – a 69% improvement in attitudes.

This change in attitudes towards cholesterol is mirrored by the consumer too. As shown by Newspoll research, 45% of consumers now believe that eating eggs has little or no effect on a person's cholesterol level, an improvement of 15.4% between August 2004 and May 2006.

Healthcare professionals are beginning to see that eggs have other dietary benefits which outweigh the potential increase in serum cholesterol with a 21% improvement in this area. We anticipate that this favourable view will only increase as the campaign continues.

It is likely that the Heart Foundation Tick has played a major role in these significant shifts with 57% of GPs aware that eggs have the Tick and more than half saying it has a positive influence on their opinion of the healthy level of egg consumption.

After reviewing current scientific literature as it relates to eggs, ENAG developed a number of positioning statements based around disease states and life stages. These position statements, which form the basis of the Corporation's healthcare website (www.enag.org.au), have been used to lead seminars and workshops at key conferences across Australia, and as the foundation for medical journal submissions. AECL will continue to present the facts on eggs at leading medical practitioner conferences during 2006/2007.

A couple of important developments for AECL have included sponsorship of the Dieticians Association of Australia (DAA) and, something which is endorsed by both ENAG and the DAA, *The Role of Eggs in a Healthy Diet* publication. This particular element of the healthcare professional education campaign is nearing completion and should be ready to launch, after exhaustive researching and referencing, early in the 2006/2007 financial year. The direct association between AECL, ENAG and DAA is highly regarded by healthcare professionals.

Eggs get the tick

The 'Tick for Eggs' campaign, whose strategy was based on strong scientific evidence, included education for healthcare professionals, a national public awareness campaign, an issues management plan and internal communications to Australian egg producers. It even involved breaking a Guinness World Record for balancing the most raw eggs (439 of them) on end at one time.

Media interest in, and coverage of, the NHF Tick announcement was overwhelming. TV, print, and radio news and talkback were all active in covering the story with hundreds of interviews conducted by the various NHF, AECL and ENAG spokespeople during the program.

The success of the 'Tick for Eggs' campaign was clearly evident following the launch. National consumer research showed a 25% improvement in attitudes towards eggs and cholesterol, and an 11% improvement in understanding the relationship between eggs and fat.*

Awareness that eggs have received of the Heart Foundation Tick of approval is 4 in 10,* similar to the level of recognition of average weight television campaigns. Moreover, it appears that the Tick has the potential to lift future egg consumption, with between 30-40% of those surveyed claiming it makes them feel more comfortable about eating eggs.*

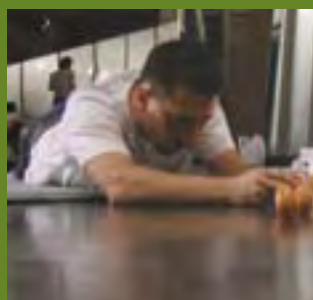
Individual media coverage items can be summarised as follows:

National and State TV news and lifestyle programs:	20
National and Metropolitan Radio news and talkback:	140
National and Metropolitan Print:	65
Web / internet	53
Newswires	6

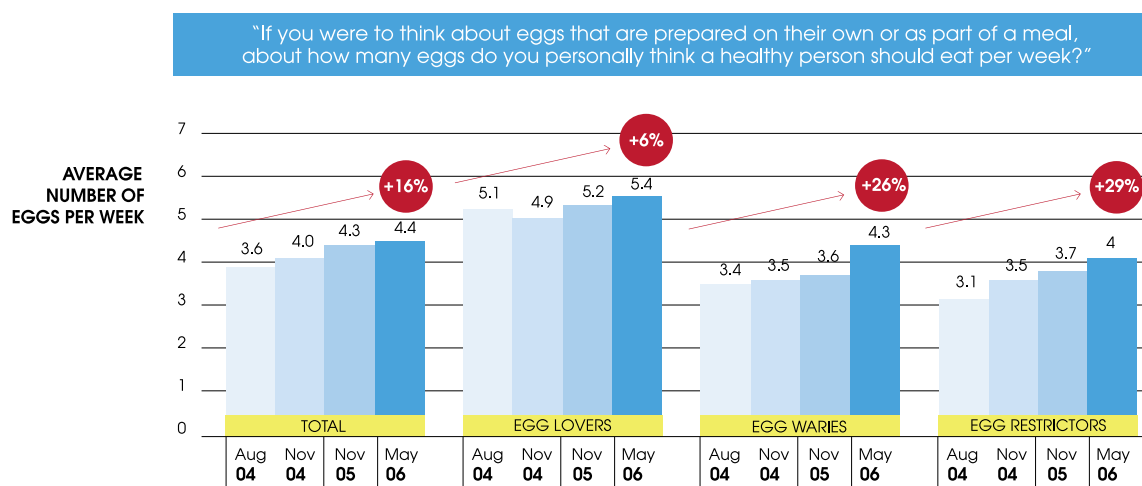
This campaign was recognised by the Public Relations Institute of Australia (PRIA) *Golden Target Awards* for excellence in public relations. After winning the 2006 NSW State Award for Excellence in Public Relations, the 'Tick for Eggs' campaign achieved the highest national accolade by winning the *Golden Target Award* in the Health Organisations category.

The judges said: "a thorough classic strategy and plan with creativity. Convincing evaluation. Clear and measurable goals and objectives; very relevant and well developed research; strategy well linked to objectives."

* Source: Newspoll



How many eggs is healthy?



SOURCE: Newspoll Omnibus

What's Good for You?

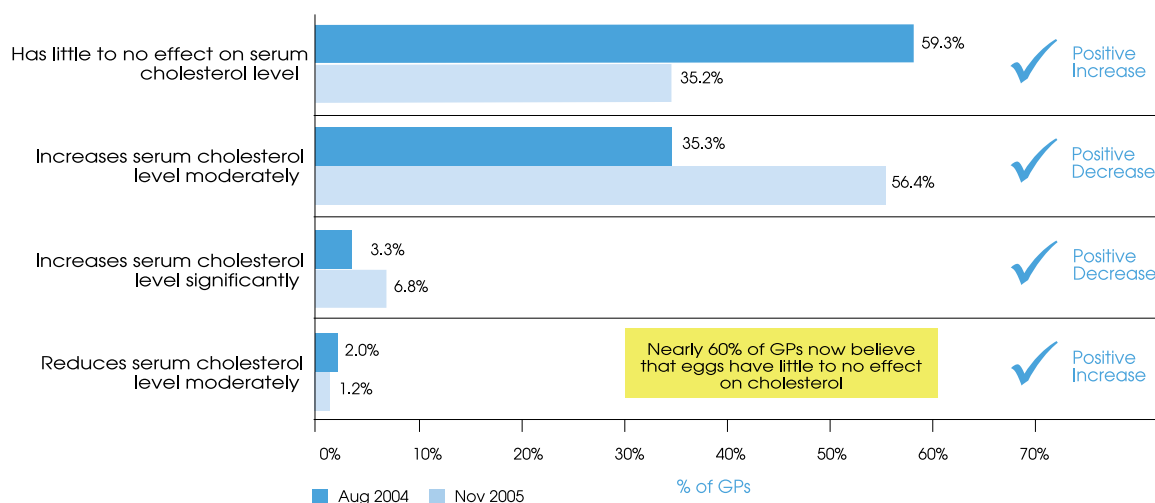
In June 2006, AECL secured placement of a highly visible media opportunity in our efforts to smash the eggs and cholesterol myth through the popular nationwide television program on the Nine network, *What's good for you?* This segment investigated the commonly held misconception that eggs raised cholesterol levels in healthy people.

AECL positioned two spokespeople from the Egg Nutrition Advisory Group (Sharon Natoli, Dietitian and Karam Kostner, Cardiologist) to speak about the science behind the eggs and cholesterol myth. At the end of this 10 minute segment, the presenter (a medical doctor) concluded that eggs did not raise blood cholesterol levels in normal healthy people. In fact, his cholesterol levels declined over two weeks, despite eating four eggs a day for that period.

This invaluable editorial coverage included positive images of egg farms, tips about egg storage and handling and a host of positive nutritional messages about eggs. The segment was so popular that it made the top 10 segments during the first series of the show and was screened a second time. Based on ratings of data, AECL estimates that this story reached 2.4 million Australian adults with the airtime being valued at hundreds of thousands of dollars.



Effect of Egg Intake on Serum Cholesterol Level



SOURCE: GP Reach Omnibus

3 Supply chain enhancement



Pillar objective

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

Challenges

The two key challenges of the 2006 program were:

1. Working with supply chain partners to minimise ullage
2. Implementing the national Coles Myer planogram re-set among more than 550 stores.

Highlights

Two highlights of the 2006 program were:

1. An Ullage Audit, which identified eight areas for improvement to address supply chain issues
2. A Retail Category Management program was developed and successfully implemented in Victoria and NSW.

Objective

Initiate a whole-of-chain approach to improving egg quality and its consistency

Reduce ullage throughout the supply chain

Improve egg merchandising to maximise sales

Layer & Egg Supply Forecasting report

2006 Results

Commenced the Egg Quality Program and completed sensory research project identifying key drivers that determine consumers' perceptions of egg quality

A number of initiatives have been approved for implementation, including new tape for pallet binding, 'fragile' pallet labelling and stacking no more than 5 high

The National Coles Myer planogram reset was successfully completed

6 reports published and distributed with an increase in egg producer participation reaching 70% of production

Executive summary

Over the past year, the Corporation has initiated several projects designed to improve all aspects of the supply chain. This includes the way retailers store, display and replenish eggs. AECL is committed to reducing egg damage, while ensuring eggs are always on shelf and displayed in a fashion that adds value and drives sales to increase efficiencies throughout the distribution network.

Reducing damage

Eggs are a fragile product and must be handled with care. Unfortunately they are being accidentally destroyed throughout the supply chain at an increasing rate. To help identify the causes of this growing issue, AECL completed an egg supply chain audit in 2005 to identify the main causes for this problem and work to reduce ullage throughout the supply chain.

To assist solve the five main causes of egg damage as identified in the audit, AECL established a Supply Chain Enhancement Industry Consultative Committee (ICC) made up of four industry members and an expert consultant. This committee has developed an industry standard for the safe handling and transportation of eggs and is tackling each problem area one by one.

This year, AECL worked to educate key retailers and stakeholders on eight simple methods to reduce damage along the supply chain. For example, agreement has been reached throughout the distribution and retail network to ensure pallets are not stacked higher than five rows. A new, fragile sticker has also been designed and take-up is being encouraged throughout the egg industry and a new pallet tape has been introduced to replace traditional shrink wrapping (see boxes).

Ultimately, the ICC will help reduce ullage by working through simple solutions with retailers and egg producers to improve the profitability and strength of the industry.

Better category management

One of the most important changes required to reduce egg damage in the supply chain is to educate retailers on the correct way to handle eggs at the store level. As such, AECL continued to roll-out its Retail Category Management (RCM) program into NSW following the success in Victoria the year before.

The RCM project was conducted in partnership with Coles' stores throughout NSW and was supported by Coles' main egg suppliers. The aim of the project was to educate store managers as to the best way to order, store and handle eggs. It also worked to improve egg handling, stock rotation and hygiene among store employees. Other initiatives, such as store specific ordering guidelines, alongside close analysis of egg ordering transmission times, helped to reduce out of stock situations markedly.

At the end of the project, each store developed their own store-specific Coles and AECL Best Practice manual for the egg category to ensure the standards remained in place after the end of the project. The project will roll out into Queensland during 2006/2007, and conclude in Western Australia and South Australia during 2007/2008.



Working closely with industry & retailers

Through its work with the ICC, AECL has managed to forge a strong working relationship with Coles and is looking to build the same depth of relationship with Woolworths during the next financial year.

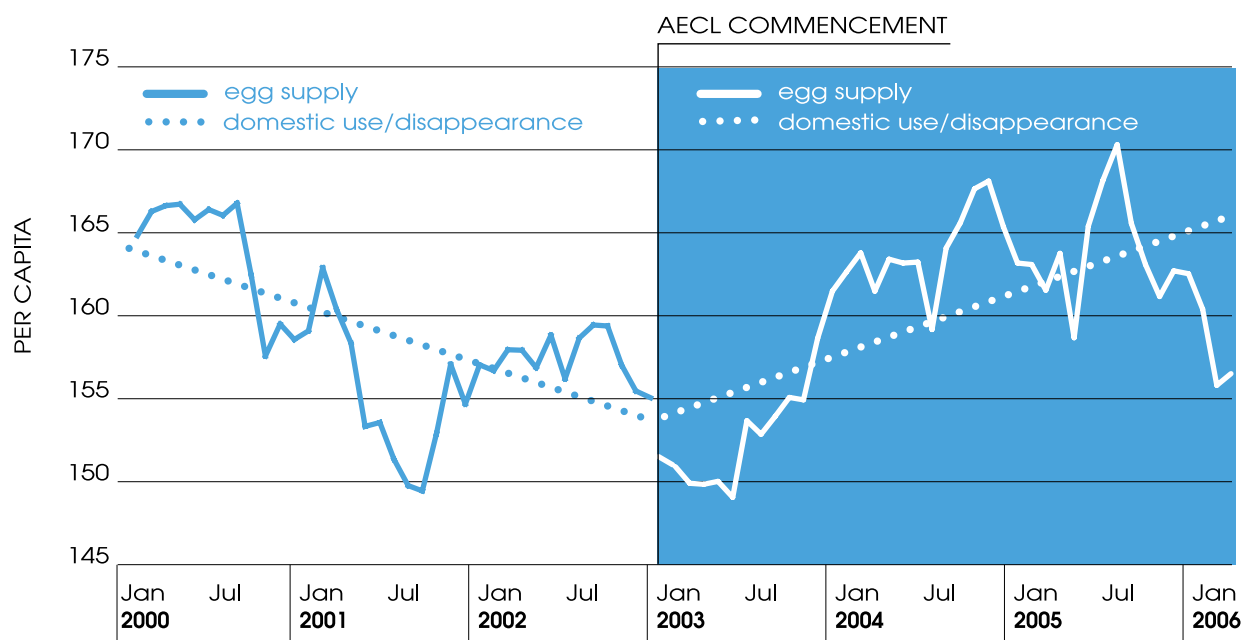
A major achievement during the year was AECL's involvement with the implementation of Coles' National Egg Planogram re-set. The new planogram ranges eggs consistently and merchandises them in such a way as to promote eggs, add value and provide opportunities for consumers to shop the range.

Supply forecasting

AECL continued its Layer & Egg Supply Forecast report during the year and the number of egg producer participants grew to now represent, in total, over 70% of the known layer flock. This is a significant boost to the validity and accuracy of the forecasts provided in the report and the intentions provided by the egg industry moving forward. Egg producers can now more accurately depend on the report to assist in their business decisions moving forward. During the year, the report was used as a basis to seek a voluntary reduction in flock numbers to counter an oversupply issue that affected producer returns.

The report will be expanded in participation and information into the new year to make maximum use of the information received from egg producers on a bi-monthly basis.

Egg supply and domestic use/disappearance



SOURCE: Hatcheries, ABS, Rowly Horn Services and CIE

Addressing egg quality

The Egg Quality Program is in response to observations by scientists, industry members and the consuming public of declining egg quality, particularly manifested by albumen runniness (watery whites). A subsequent round of market research found about one in three consumers experience quality problems with eggs.

The first stage of the Egg Quality Program was a major sensory research project to obtain a "snapshot" of the perfect quality egg as defined by Australian consumers.

This information was collated to assist the industry in consistently meeting consumer demands with regards to egg quality. Involving more than 600 participants, the study is the first of its type to be conducted in Australia assessed consumer preferences on a range of egg variables including size, shell colour, yolk colour, and albumen quality.

The research discovered yolk colour as the most influential variable on consumer's perception of eggs, with the albumen quality, blood/meat spots and shell colour having a moderate impact, and total weight a small impact.

Other key results include:

- Young, fresh eggs were the most visually appealing
- Larger eggs were preferred, especially jumbo eggs greater than 70g
- Eggs with a brown/pink hue were the preferred colour
- The most appealing packaging tested had an endorsement or QA system, and were available in cardboard flat top cartons with a printed label.

In other areas of the Egg Quality program, a literature review has been commissioned that will identify "knowledge gaps" in the area of egg quality research. This research, along with the sensory project results will now guide AECL's egg quality program in reviewing perceived egg quality and consistency issues across the supply chain.

Other outputs of the review will include ranking the importance of different variables that contribute to egg quality and examining possible causes of the current problems being experienced with albumen runniness at the point-of-lay and at sale.

Fragile sticker

Excessive pallet height and poor handling of packaged eggs were contributing significantly to the overall ullage problem. One of the key outcomes this period has been the agreement of an industry standard 'fragile' sticker for use on pallets and new 'fragile' artwork for outer cartons. The print-ready artwork for both are available from AECL.



Shrink wrapping

Condensation, caused by variances in temperature creating moisture that was trapped between the packaging and pallet shrink-wrap, was weakening the strength of packaging and causing eggs to sweat. Exhaustive tests were carried out on pallet wrap alternatives which resulted in stretch tape being approved for industry use.



4 Public affairs & stakeholder relations



Pillar objective

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

Challenges

The two key challenges of the 2006 program were:

1. Securing uniform legislative certainty for egg producers preparing for new layer cage regulations
2. Growing consumer confidence in the origin, labelling, safety of eggs and elfare of laying hens.

Highlights

The two key highlights of the 2006 program were:

1. Avian Influenza preparedness kit and training
2. The development of the ENAG Food Safety Taskforce.

Objective

Improve preparedness for issues that could effect the industry

Maximise AECL membership

Manage media issues as they arise

Government lobbying that yields real results

Proactively promote the image of egg producers in the community

Better involvement and communication with stakeholders

Improve product labelling to ensure consumer demands are balanced by industry interests

2006 Results

Avian Influenza preparedness kit developed, workshops held, Industry Liaison Officers trained and Food Safety Taskforce established

195 egg producer members, representing 85% of Australia's total flock

Unfavourable coverage falls from 12% to 6% of total egg-related media coverage⁸

Campaign to ensure fairness and certainty for producers in relation to new cage regulations fails

Layer hen housing media campaign reaches 1.8 million Australians

Electronic industry newsletter launched, website redesigned and enhanced, record industry forum attendances

Labelling guidelines developed and incorporated into Egg Corp Assured and Tick labelling requirements coordinated

SOURCE: ⁸CARMA Media Analysis June 2005 – May 2006

Executive summary

Through effective industry communication, media planning and policy management, the Egg Corporation has worked over 2006 to enhance community understanding of the egg industry and the challenges it faces, while improving preparedness to secure a sustainable future.

Consulting with members

As a newly-formed member organisation, AECL's success is dependent on effective communication with egg producers and industry stakeholders.

This year AECL continued to enhance the range and frequency of existing information channels to industry. We have continued to adapt our successful industry publications based on member feedback, including the *EggCorp Eggspress* fortnightly newsletter, and the attractive, easy to read *Eggstra! Eggstra* quarterly magazine packed with articles addressing industry issues.

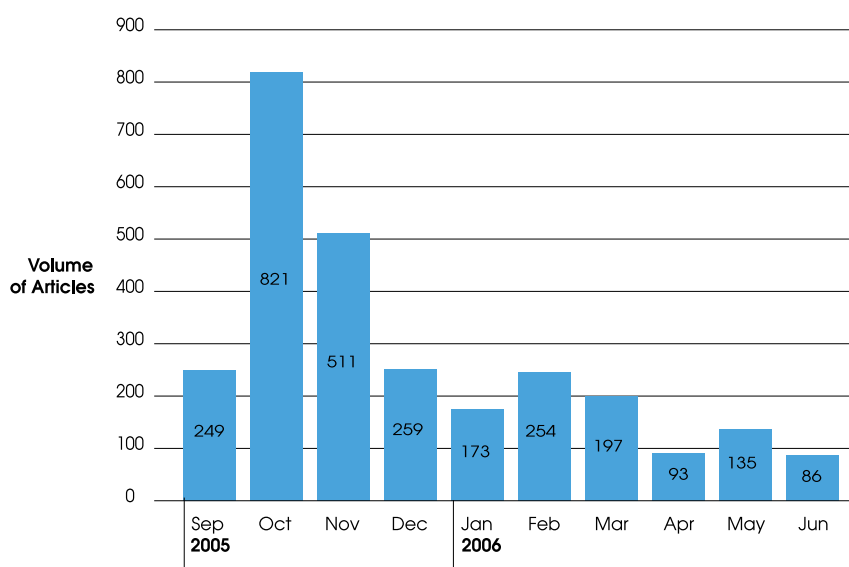
This year we launched a revised corporate website (www.aecl.org) with the aim of expanding the range of information available on-line, improving navigation and enhancing the relevance of the information for egg producers, media, government and researchers. Several new facilities, including the ability to sign-up for research and media updates were added as part of this upgrade.

AECL understands the importance of face-to-face communication in ensuring that stakeholders are allowed the forum to gain an in-depth understanding of the issues affecting their businesses and the opportunity to provide feedback on AECL's activities. This year, industry forums were held in Adelaide (November 2005) and on the Gold Coast (April 2006) attracting record numbers of members, stakeholders and interested parties. The Gold Coast forum was timed to coincide with the biannual *Poultry Information Exchange (PIX)*, the leading poultry industry conference in Australasia. AECL was a key supporter of this event, sharing insights on a range of agenda items and hosting a permanently staffed trade display.

Over the past year, AECL has dramatically expanded the range of regional forums and training in locations throughout Australia to better service industry requirements. In late 2005, AECL conducted egg producer briefings on the science surrounding Avian Influenza, including practical ways to protect farms from incursion, in Toowoomba, Sydney, Perth, Adelaide and Melbourne to more than 100 egg producers. AECL also conducted free environmental management training for egg producers with workshops held in twelve egg-producing centres throughout Australia.

In addition to these training courses AECL management has increased the number of regional tours to allow direct feedback on our activities. During 2006, AECL visited regional Victoria, the Barossa region in South Australia, the Sydney Basin, New England and Central West in NSW, Perth and Toowoomba Queensland.

Avian Influenza print media articles



SOURCE: Newspoll

Improving our preparedness

In late 2005, the spectre of Avian Influenza (AI) hung heavily over the Australian egg industry. As the disease spread apace throughout Asia, Europe and Africa, media attention grew enormously and the industry feared that it was having an effect on egg sales in Australia (see graph below).

AECL spent considerable effort in research, monitoring, formulating, tactical plans and other contingency preparations in relation to Avian Influenza including the establishment of a food safety taskforce (see feature story page 25).

As part of this strategy, AECL developed a comprehensive Avian Influenza preparedness kit and delivered them to egg producers and bird fancier groups around the country. The kit includes detailed information on the science of the disease and practical information on improving biosecurity on farm. AECL then convened Avian Influenza seminars in locations around Australia highlighting key production issues and answering questions regarding the disease with a veterinary expert.

On the media front, AECL completed and distributed a video news release to all television networks in Australia featuring positive images on industry biosecurity practices to coincide with Exercise Eleusis '05. AECL also conducted a media tour with key journalists in Sydney, Melbourne and Brisbane.

Exercise Eleusis '05 was conducted in December 2005 and involved the Australian egg and chicken meat agencies along with all levels of government. This exercise tested government and industry preparedness for an Avian Influenza (AI) outbreak.

The Australian poultry industry has learned much from Exercise Eleusis, and many of these lessons will boost industry readiness. The key lesson is that partnership with government remains crucial in getting AECL and industry messages distributed.

The exercise has helped identify areas for improvement in the current system:

- Improved consultation with industry in media management by FSANZ and other government regulators
- More comprehensive briefing of government spokespeople in areas affecting industry, like food standards
- Better information chains to stakeholders, egg producers and workers.



Food Safety Taskforce

Through a national Newspoll survey conducted in November 2005, AECL discovered that although Australians had not reduced their intake of eggs, 58% of Australians believed that they could catch Avian Influenza (AI) from handling or eating eggs. This survey also revealed that consumers would turn to government, healthcare professionals, and to a lesser extent the Internet for information in the event of AI outbreak.

In late 2005, AECL commissioned group research among representative consumers in Victoria and Western Australia. This research confirmed that while Avian Influenza, and its potential impact on poultry flocks, poultry meat, and eggs was not top of mind, this would change in the event of an outbreak in Australia. These consumers would stop purchasing eggs if AI arrived in Australia, but would consider resuming purchase given the right assurances. The groups suggested that the best person to make these assurances to consumers was someone with a credible scientific background.

In response to this research, AECL created the ENAG Food Safety Taskforce as a key component of our contingency preparations. This new group brings cutting edge scientific knowledge, analysis and interpretation of the current scientific literature on food safety, with respect to Avian Influenza and eggs. The Taskforce also provides independent, unbiased and accurate information to healthcare professionals, consumers and the media on issues of food safety.

So far, the Food Safety Taskforce has drafted key messages for use in four different outbreak scenarios. These key messages will form the basis for our outbreak communication to the public, along with an advertising program being developed in conjunction with the Taskforce. The Food Safety Taskforce is also finalising a scientific position statement on Avian Influenza and eggs, expected later in 2006.

Promoting our producers

Some egg producers, particularly caged egg producers, continue to suffer a poor public image and attract negative media publicity, particularly in the area of animal welfare.

This year, AECL moved to prepare the egg industry for issues as they emerged through better media monitoring, a dedicated Public Affairs Industry Consultative Committee, and a comprehensive issues management plan. This complete suite of documentation has been designed to map our response to the issues that may threaten the Australian egg industry or its product. Over the coming year, AECL will more proactively address animal welfare issues in the egg industry by collating credible scientific information in the area of animal welfare, while working to improve community perceptions of egg producers.

In addition to the continuing media interest in animal welfare issues, this year the egg industry was the subject of intense public scrutiny in relation to free range substitution and the accuracy of egg labelling in Australia. Although the claims of egg substitution were invariably raised without evidence, they had the potential to adversely affect consumer confidence in eggs and unnecessarily damage the integrity and good name of Australia's egg producers.

AECL has taken the allegations raised in the public arena extremely seriously and has supported government investigations into any malpractice in this area. AECL also called for production system definitions to be enshrined in law.

Most crucially, AECL continues to call on industry to support the national egg quality assurance program, Egg Corp Assured. The increased adoption of Egg Corp Assured is a demonstration of the Australian egg industry's commitment to continued improvement in product quality, reliability, food safety and truth in labelling. AECL will continue to promote the industry through this quality assurance scheme.

Lobbying government

Under the auspices of the Australian Egg Industry Association (AEIA), the main lobbying activity during 2006 surrounded the planned introduction of new cage housing regulations in 2008. All State and Federal Governments announced that expensive new hen housing requirements, as described in the 4th Edition *Code of Practice for the Welfare of Animals – Domestic Poultry*, would be enforced in 2008.

These new hen housing requirements are contingent on egg producers investing millions of dollars on new capital infrastructure and modern farming facilities. However, with only months to the scheduled implementation date, only

three jurisdictions (Queensland, ACT and Tasmania) have the necessary legislation in place. When the regulations are finally enacted, these new requirements will come at considerable expense to egg producers and many may be forced out of business.

During the year, AEIA lobbied government for fairness, equity and certainty for egg producers as it relates to new cage regulations due to be imposed in 2008. AEIA has been committed to securing a voluntary adjustment package for all producers, and over the longer-term, ensuring operating certainty for the entire industry.

After extensive consultation with egg producers, stakeholders, politicians, economists and media advisors, AEIA developed a politically and economically feasible voluntary adjustment package, *Coming home to Roost*. This package was designed to assist egg producers who chose not to stay in the industry past the government-imposed deadline of 1 January 2008.

Despite months of lobbying and media pressure generated by AEIA, government refused to support an adjustment package for the egg industry, effectively destroying the continued viability of many smaller egg producers in Australia.

Regardless of this outcome, there is still a lack of clarity in relation to the implementation of the new hen housing regulations. With most egg producers unsure of the legal ramifications, AEIA will continue to insist on legislative certainty so that every producer is given as much time as possible to prepare for any changes made. AEIA will also lobby for national coordination of States and Territories to uniformly legislate the 4th Edition Code of Practice for the Welfare of Animals – Domestic Poultry.

In the end, AECL will act responsibly to educate the industry of new requirements for hen housing. This year, a range of hen housing seminars were conducted around the country to help producers to prepare for the regulatory changes due for introduction by 1 January 2008.

Layer hen housing seminars

During late 2005, AECL conducted seminars for egg producers interested in the new cage standards in every Australian State.

Geoff Runge from the Queensland Department of Primary Industries was commissioned by AECL to impart his knowledge directly with egg producers to complement the AECL published guide: *Do your cages meet the 1995 and 2001 Standards?*

Geoff outlined the 4th edition of the Model Code of Practice for the Welfare of Animals – Domestic Poultry and provided an update on the progress of supporting. More than 90 egg producers attended the six seminars held around Australia.

5 On-farm innovation & efficiency



Pillar objective

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

Challenges

The two key challenges of the 2006 program were:

1. Increasing the relevance of R&D projects to better address key industry issues
2. Driving adoption of R&D outcomes/initiatives amongst levy-payers to improve farm management practices.

Highlights

Two highlights of the 2006 program were:

1. Enhanced program relevance with the inclusion of the EPRID and Egg Quality initiatives
2. Increased industry uptake of Egg Corp Assured (ECA), the national egg quality assurance program.

Objective

Develop strategies to detect and control disease

Improve environmental outcomes across the egg industry

Evaluate welfare issues and enhance layer hen welfare

Actively involve egg producers and researchers in partnership programs with direct benefit to levy-payers

Invest in research that improves food safety outcomes for egg consumers

Increase adoption of Egg Corp Assured

2006 Results

Developed rapid and sensitive diagnostic tests for the identification of infectious bursal disease, Newcastle disease and avian influenza viruses

Developed a whole-of-industry environmental code of practice and developed and delivered environmental management workshops

Extended examination of various nest design features on hen welfare and compared parameters of hen welfare across cage, barn and free range production systems

Established the EPRID Program supporting producer involvement in short-term R&D projects providing tangible benefit to the Australian egg businesses

Developed a Salmonella risk assessment model and identified and assessed public health hazards along the supply chain for eggs and egg products produced in Australia

84 ECA licenses issued representing 20% of egg businesses in Australia

Executive summary

During 2006, AECL on-farm innovation and efficiency pillar was enhanced to improve relevance to egg businesses and the wider community with a renewed focus on research adoption, quality assurance and egg safety across the Australian egg industry.

Enhanced program relevance

This year, AECL significantly changed the structure of our traditional research and development program to improve relevance to our industry. These changes were enacted as a response to egg producer requirements for research activities with more direct and tangible outcomes. The renewed focus on improving on-farm efficiency and business sustainability is designed to give egg producers a market edge in a modern, competitive environment.

Prior to 2006, the majority of research projects were supported through open funding rounds where researchers submitted proposals meeting a set of research priorities determined by AECL. During 2006, funding was divided into four distinct programs to better address industry requirements:

1. Basic and Applied Research (BAR) – the majority of projects in this area are selected through the traditional call for proposals round and include “basic research” projects in seven key research areas
2. Egg Quality (EQ) Program – This new initiative allows AECL to develop a whole-of-chain approach to address consumer issues relating to egg quality and consistency
3. Egg Producer Research, Innovation and Development (EPRID) Program – empowers egg producers to initiate and become involved in R&D-funded activities that are designed to help their business become more sustainable and cost efficient
4. The Australian Poultry CRC (Cooperative Research Centre) – a joint-funded network of industry and academic organisations that now undertakes much of the basic research work that AECL would have funded in the past. AECL is one of five major partners in the Australian Poultry CRC and has committed \$300,000 per annum for seven years to the venture. The CRC has been granted Commonwealth funding for an initial period of seven years and receives approximately \$3 in Federal funding for every \$1 contributed by its participants. AECL’s investment ensures that the Australian Poultry CRC continues to develop a comprehensive research program that complements and significantly enhances AECL’s R&D framework, particularly in areas of poultry nutrition, layer hen health and welfare, and education and training for the egg industry.

The new funding structure more directly addresses a number of key R&D areas pertinent to the many sectors of the Australian egg industry and promises to generate beneficial short and long term outcomes. It must also be remembered that much of this year’s research activity has involved the progression of projects commenced under funding through the former RIRDC egg program.

Improving surveillance

Recent outbreaks of Avian Influenza (AI) across South-East Asia have resulted in the world organisation for animal health requesting surveillance activity for countries wishing to be considered free of AI. While Australia is generally considered to be at low risk of an AI outbreak, the egg industry has never previously carried out surveillance for AI and therefore could not substantiate claims of being AI free.

Last year, a surveillance project was undertaken in order to objectively establish the actual AI status of the Australian egg industry flock and to gather information to help in the development of disease control contingencies. Egg businesses representing 64 farms across all major areas of significant layer density in Australia contributed to the project, each farm sampling 15 birds over 40 weeks of age and submitting the blood samples for testing by the Australian Animal Health Laboratory (AAHL). None of the samples tested positive for the notifiable Avian Influenza H5 or H7 subtypes, indicating an “AI free” status for the Australian commercial layer flock.

AECL has also collaborated with RIRDC Chicken Meat and the Australian Biosecurity CRC to implement a specific diagnostic test for AI in key veterinary diagnostic labs within all states of Australia. In the event of an outbreak, the test will enable the rapid detection of all avian influenza strains and forms an integral component of the egg industry’s AI defence strategy.

Providing a safer food product

Ensuring that the egg industry consistently provides a safe food product to the community has been the focus of two research projects completed this year. In order to develop strategies to protect against Salmonella contamination in eggs, a risk-assessment model for each stage of production was conducted based on a survey of Salmonella contamination along the food chain and detailed analyses of food-borne outbreaks in which eggs were implicated. The study provides recommendations that can be used by producers, packers, graders and transporters to reduce Salmonella contamination across all stages of the supply chain.

In addition, AECL has supported an analysis of hazard risks to consumers along the food chain for eggs and egg products produced in Australia. The project has identified and ranked potential risk hazards and developed recommendations and management strategies for the control of high risk hazards.

Enhancing quality assurance

This year a number of changes were made to Egg Corp Assured (ECA) that has enhanced the program's status as the premier egg quality mark in Australia. The ECA program was completely updated at the end of 2005 to reflect the new, consumer-friendly ECA name and trademark and a number of additions made to complement the existing program materials. These changes included:

- A review of the biosecurity program component, in light of the threat of Avian Influenza (AI) to Australia, to now incorporate the sanitisation and testing of surface water
- The inclusion of weights and measures auditing for grading/packing facilities.
- The development and inclusion of the ECA 'Egg Labelling Guide'
- The incorporation of an environmental management program component, based on the draft 'Environmental Guidelines for the Australian Egg Industry'
- The inclusion of all relevant codes and guidelines in the manual for convenience and reference.

Industry uptake of ECA has also increased strongly throughout the year, with 84 ECA licenses issued up to year's end. These licenses represent about 50% of the egg industry flock in Australia and 27% of egg businesses.

Caring for our environment

During 2006, more than 100 egg industry members showed their interest in their local environment by attending Environmental Principles for the Egg Industry workshops convened by AECL across the country. These workshops were developed with the support of Australian Government funding through the Natural Heritage Trust "Pathways to Environmental Management Systems (EMS) Program".

These workshops were designed to help egg producers follow environmental workplace practices by improving their knowledge of environmental issues, recognise and report on potential environmental threats and contribute to improved environmental work practices and record-keeping.

Egg producers who attended the workshops now meet the competency - RTC27802A- Observe Environmental Work Practices under the Australian Vocational, Education and Training (VET) system.

AECL congratulates egg producers for their participation in the workshops. There is increasing government demand and public awareness with regard to environmental issues and it is important for the long term viability of the egg industry that it remains abreast of this. The guidelines now form part of the Egg Corp Assured (ECA) program.

R&D projects by government priorities

Sustainable natural resource management	2
Improved trade and market access	9
Use of frontier technologies	3
Improving competitiveness through a whole-of-industry approach	7
Maintaining and improving confidence in the integrity of Australian agricultural, food, fish and forestry products	10
Protecting Australia from invasive diseases and pests	7
Creating an innovative culture	2

Corporate governance

The Australian Egg Corporation Limited (AECL) is committed to conducting its business in a way that is open and accountable to all stakeholders. The directors acknowledge that corporate governance is the system of management and controls exercised in the stewardship of AECL. As a public non-listed company AECL believes its corporate governance practices are rigorous and of a high standard.

AECL's responsibilities to stakeholders

AECL's task is to deliver stakeholder value through the sustainable and efficient operation of the company in achieving its objectives of growing demand for eggs in the Australian market, and enhancing the competitiveness of stakeholder businesses.

Sound reporting and risk management practices are the mechanisms to measure achievement of strategic business objectives.

Directors will use their best efforts to ensure that the company is properly managed so as to protect and enhance members' interests and to meet the company's obligations to all parties.

Membership of AECL

A person is eligible to be a member of AECL if they are an Australian egg producer 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 resolution, including the election of directors, the ratification of specialist director appointments and the total remuneration payable to the directors of the company.

The Board is responsible for ensuring that the management of the company is conducted in a manner that ensures the long term benefit of levy paying egg farmers and more broadly, all stakeholders, consistent with the Statutory Funding Agreement with the Australian Government and the Constitution. It strives to create member value by constructively engaging with management to ensure the appropriate development, execution and monitoring of the company's strategies in line with the agreed 3 year Strategic Plan.

The AECL Board

The AECL Board's functions include:

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

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



Composition of the AECL Board

The AECL Board comprises up to four 'elected' directors, and up to a maximum of three specialist directors, one of whom will be the Managing Director. Specialist directors are appointed by the AECL Board to ensure a balance of skills and expertise in accordance with the criteria set out in the Statutory Funding Agreement between the Australian Government and AECL. Directors will normally serve a term of three years, and retire in rotation.

Board remuneration

Total remuneration for all non-executive directors has been set in the company's Constitution at a maximum of \$150,000 per annum. Aggregate Board remuneration can only be increased with the consent of the company's members. AECL's 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 AECL director.

AECL Board meetings

The AECL Board meets monthly or as otherwise required 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.

AECL committees

In addition to the AECL Board, the Audit Committee was constituted to review the financial information that will be provided to members and others, the systems of risk management and internal controls that management and the Board have established, and the audit process including the independence of the auditor.

AECL Board performance

The AECL Board conducts regular reviews of its performance in the following areas:

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

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

Business approach

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

Conflict of interest

Relevant interests of all directors are reviewed on an annual basis, as well as notified as and when they arise in relation to a particular issue.

Independent advice

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

The Australian Egg Corporation Limited (AECL) is committed to conducting its business in a way that is open and accountable to all stakeholders. The directors acknowledge that corporate governance is the system of management and controls exercised in the stewardship of AECL. As a public non-listed company AECL believes its corporate governance practices are rigorous and of a high standard.

Consultation with stakeholders

A stakeholder is defined as the Australian Government and any egg producer that provides funding to 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.

Research priorities

The Australian Government provides matching contributions to AECL for eligible Research and Development (R&D) expenditure to a limit of 0.5% of the industry's gross value of production. As a result, the Australian Government is a key stakeholder of AECL.

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

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

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

Strategies to address sustainable management and maintenance of Australia's natural resources remain a priority. Poultry farms have a smaller more intensive

environmental 'footprint' than many other more extensive agricultural enterprises in Australia and environmental impacts are closely regulated by both State and local governments. As part of a holistic production strategy, AECL continues to assist develop environmental operating guidelines in close consultation with all regulators.

Business best practice

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

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



Financial report

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Your directors submit their report for the year ended 30 June 2006.

Directors

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

Jeff Ironside
Frank Pace
Philip Steel
Russell Ware
John O'Hara
James Kellaway

Directors qualifications

Directors qualifications are detailed in the Annual Report.

Directors meetings

During the year to 30 June 2006 there were 12 meetings of directors and the number attended by each director was:

Board Meetings	2005/2006	2004/2005
<i>Total Number of Meetings</i>	12	16
Jeff Ironside	12	16
Frank Pace	12	15
Philip Steel	11	16
Russell Ware	12	16
John O'Hara	12	5
James Kellaway	12	16

Audit committee

During the year to 30 June 2006 there were 3 committee meetings and the number attended by each director was:

Audit Committee Meetings	2005/2006	2004/2005
<i>Total Number of Meetings</i>	3	5
Jeff Ironside	3	5
Frank Pace	3	5
Philip Steel	3	5
Russell Ware	3	5
John O'Hara	3	1

Corporate information

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

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

The entity employed 6 employees at 30 June 2006 (2005 : 6).

Directors' report

Principal activities

The principal activities during the year of the company were the collection of levies from egg producers and the Commonwealth Government and utilising these funds to promote eggs and the egg industry as well as undertaking research and development activities.

There have been no significant changes in the nature of those activities during the year.

Results

The surplus of the entity for the year ended 30 June 2006 was \$nil

(2005 : \$nil).

Significant changes in the state of affairs

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

Significant events after the balance date

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

Future developments and results

The company does not expect changes to the principal activities in the coming year.

Environmental regulation and performance

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

Indemnification and insurance of directors

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

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

Auditor's independence declaration

The Auditor's Independence Declaration for the year ended 30 June 2006 has been received and can be found following the Directors' Report.

Signed in accordance with a resolution of the directors.



Jeff Ironside
Chairman



James Kellaway
Managing Director

Sydney
Date : 13 October 2006

**Auditor's Independence Declaration
Under section 307C of the Corporations Act 2001**

To the Directors of Australian Egg Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2006, there have been:

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

PKF

PKF

Arthur Milner

**Arthur Milner
Partner**

**Sydney
13 October 2006**

Directors' declaration

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

In the opinion of the directors:

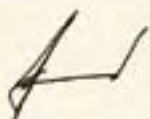
(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including :

(i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

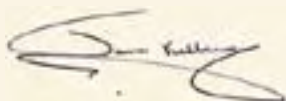
(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Jeff Ironside
Chairman



James Kellaway
Managing Director

Sydney

Date : 13 October 2006

Income statement

Income statement

	Notes	30 June 2006	30 June 2005
Revenues from Operating Activities	2	5,810,190	5,173,239
Occupancy Expenses		68,373	61,844
Administrative Expenses	3a	443,420	404,245
Research & Development Program Expenses	3b	1,583,301	1,554,775
Promotion Program Expenses	3c	2,585,140	2,667,494
Communication Program Expenses	3d	1,129,956	484,881
<hr/>			
Net Surplus	10	-	-

Balance sheet

	Notes	30 June 2006	30 June 2005
Current Assets			
Cash Assets		1,698,854	2,738,879
Receivables	4	593,519	439,647
Total Current Assets		2,292,373	3,178,526
Non-Current Assets			
Other Financial Assets (AEEL)	5	1	1
Property, Plant and Equipment	6	114,027	136,512
Total Non-Current Assets		114,028	136,513
Total Assets		2,406,401	3,315,039
Current Liabilities			
Trade & Other Payables	7	2,364,123	3,278,802
Provisions	8	27,109	27,105
Total Current Liabilities		2,391,232	3,305,907
Non-Current Liabilities			
Provisions	9	15,169	9,132
Total Non-Current Liabilities		15,169	9,132
Total Liabilities		2,406,401	3,315,039
Net Assets		-	-
Equity			
Retained Surplus	10	-	-
Total Equity		-	-

Statement of cashflows

Statement of cashflows

	Notes	30 June 2006	30 June 2005
Cash Flows from Operating Activities			
Receipts from Levies and Customers		5,646,474	5,129,782
Payments to Suppliers and Employees		(5,219,839)	(3,777,017)
Interest Received		128,188	133,978
Research and Development Expenditure		(1,583,301)	(1,474,277)
Net Cash Flows from Operating Activities		(1,028,478)	12,466
Cash Flows from Investing Activities			
Advances to Related Parties		(9,847)	(312)
Purchase of Property, Plant and Equipment		(1,699)	(19,758)
Net Cash Flows used in Investing Activities		(11,546)	(20,070)
Cash Flows from Financing			
Proceeds from Lease Incentive		-	-
Net Cash Flows from Financing Activities		-	-
Net Increase/(Decrease) in Cash Held		(1,040,024)	(7,604)
Add opening cash brought forward		2,738,878	2,746,482
Closing Cash Carried Forward	11	1,698,854	2,738,878

1. Summary of significant accounting policies

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

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

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

The financial statements of Australian Egg Corporation Limited have been prepared in accordance with the Australian Equivalents to International Financial Reporting Standards (AIFRS).

The directors have reviewed the impact of AIFRS on the company's accounting policies on conversion to AIFRS and the potential financial effect.

The directors have determined that the conversion to AIFRS has no material impact on the entity. Consequently the net surplus of the company for the year ended 30 June 2006 and the previous financial year ended 30 June 2005 are identical under AGAAP and AIFRS.

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

Principles of Consolidation

The company holds 100% of the issued ordinary shares in Australian Egg Export Pty Limited.

The directors have elected not to prepare consolidated accounts due to materiality of this company to the group. The directors believe that there would be no benefit to the users in preparing consolidated financial statements at this stage.

Classification of Expenses

For the year ended 30 June, 2006, there has been no change in the classification of expenses from the previous financial year. Salary, employee benefits and administration costs continue to be allocated across each of the four expense functions of Administration, Research and Development, Marketing and Communications based upon each employee's relative utilisation in that function.

Cash and Cash Equivalents

Cash on hand and in banks are stated at nominal value

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

Receivables

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

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

Recoverable Amount

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

Plant and Equipment

Cost and Valuation

Plant and equipment is measured at cost.

Depreciation

	2006	2005
Office Equipment	2 - 6 yrs	2 - 6 yrs
Leasehold Improvements	Term of Lease	Term of Lease

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 entity.

Operating Leases

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

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

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

Provisions

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

Revenue Recognition

Revenue is recognised when the company has established the right to receive the revenue.

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

Commonwealth Matching Funds

The Commonwealth Government matches funding on a dollar for dollar basis on approved research and development projects, up to a level of 0.5% of the gross value of the industry's production, and not exceeding the cumulative amount of contributions provided by the industry.

Commonwealth matching funds are recorded as unearned revenue until the lodgement of a claim relating to expenditure of approved research and development projects. Revenue is only recognised where project costs have been incurred.

Levy Receipts

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

Transfer of Assets

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

Taxes

Income Taxes

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

Goods and Services Tax (GST)

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

- * the net amount of GST recoverable from, or payable to, the taxation authority is included as part of other assets or other liabilities in the Balance Sheet
- * 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

Economic Dependency

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

2. Revenue from operating activities

	Notes	30 June 2006	30 June 2005
Revenues from Operating Activities			
Promotional Levies		3,895,386	3,473,509
Commonwealth Contributions		799,889	759,829
R & D Levies		854,692	749,278
Other Income	2a	351,544	281,144
		<hr/>	<hr/>
		5,901,511	5,263,760
Less Levy Collection Costs (R & D)		16,302	15,002
Less Levy Collection Costs (Mktg)		75,019	75,519
		<hr/>	<hr/>
Total Revenue		5,810,190	5,173,239
 2a. Other Income			
Associate Membership		23,203	-
Co-Funder Contributions		150,000	76,869
Interest		128,188	133,978
Project Refunds		25,140	15,876
Royalties		21,094	43,704
Sales Publications		3,919	10,717
		<hr/>	<hr/>
Total		351,544	281,144

3. Program expenses

3a. Administrative Expenses

	30 June 2006	30 June 2005
Accounting and Audit Fees	19,984	17,688
Directors' Fees	115,274	53,313
Meeting Costs	60,927	52,637
Office Management Costs	20,813	100,121
Salary, Superannuation and Entitlements	226,422	180,486
Total	443,420	404,245

3b. Research & Devel. Program Expenses

Research Projects	1,383,464	1,459,276
Program Management	199,837	95,499
Total	1,583,301	1,554,775

3c. Promotion Program Expenses

Media	1,310,017	1,204,435
Advertising and Design	305,266	294,219
Printing	154,419	247,916
Market Research	397,113	131,500
Retail Development	184,871	609,321
Program Management	233,454	180,103
Total	2,585,140	2,667,494

3d. Communication Program Expenses

Promotions	357,978	56,223
Issues Management	411,938	40,415
Communication Expenses	179,326	225,795
Public Relations	3,581	33,165
Program Management	177,133	129,283
Total	1,129,956	484,881

Notes to the financial statements continued

4. Receivables (current)

	Notes	30 June 2006	30 June 2005
Trade Debtors		457,041	293,874
Other Debtors		2,066	1,514
Security Deposit	19	132,000	132,000
		<hr/> 591,107	<hr/> 427,388
Amounts other than trade debts receivable from related parties :			
Wholly owned Subsidiary :			
AEEL		2,411	1,919
Related Entity :			
AEIA		-	10,339
		<hr/> 2,411	<hr/> 12,258
Total		<hr/> 593,518	<hr/> 439,646

5. Other financial assets

Controlled Entities - unlisted

AEEL		1	1
		<hr/> 1	<hr/> 1

As at 30 June 2006 Australian Egg Corporation Limited owned 100% of the capital in Australian Egg Export Pty Ltd being 1 fully paid ordinary share (2005 : 1)

6. Property, plant and equipment

Office Equipment

At Cost	86,888	85,189
Accumulated Depreciation	(39,325)	(24,003)
	<hr/> 47,563	<hr/> 61,186

Leasehold Improvements

At Cost	88,619	88,619
Accumulated Depreciation	(22,155)	(13,293)
	<hr/> 66,464	<hr/> 75,326

Total Property, Plant and Equipment

At Cost	175,507	173,808
Accumulated Depreciation and Amortisation	(61,480)	(37,296)
Total Written Down Amount	<hr/> 114,027	<hr/> 136,512

Reconciliations

Office Equipment

Carrying Amount at Beginning	61,186	66,290
Additions	1,700	11,013
Depreciation Expense for Year	(15,323)	(16,117)
	<hr/> 47,563	<hr/> 61,186

Leasehold Improvements

Carrying Amount at Beginning	75,327	75,880
Additions	-	8,746
Depreciation Expense	(8,863)	(9,299)
	<hr/> 66,464	<hr/> 75,327

Notes to the financial statements continued

7. Trade & other payables (current)

	Notes	30 June 2006	30 June 2005
Trade Creditors		602,666	60,210
Other Payables		207,805	925,300
Unearned Income - R & D		108,744	245,423
Unearned Income - Promotion Levy		64,482	799,318
Unearned Income - EIDF Transfer		180,508	180,508
Unearned Income - RIRDC Transfer		986,793	986,793
Unearned Income - Government Grant		155,000	-
Lease Incentive		58,125	81,250
		2,364,123	3,278,802

8. Provisions (current)

Employee Entitlements	12	27,109	27,105
		27,109	27,105

9. Provisions (non-current)

Employee Entitlements		15,169	9,132
	12	15,169	9,132

10. Equity

Retained Surplus

Balance at Beginning of Year	-	-
Net Surplus	-	-
Balance at End of Year	-	-

11. Statement of cashflows

(a) Reconciliation of net cash flows from operations
Net Surplus

-

Non-cash Items

Depreciation of non-current assets	24,185	25,416
------------------------------------	--------	--------

Changes in Assets and Liabilities

(Increase)/decrease in trade and other receivables	(144,024)	5,783
Increase/(decrease) in trade and other payables	(914,679)	(20,735)
Increase/(decrease) in provisions	6,040	2,002
Net cashflow from operating activities	(1,028,478)	12,466

(b) Reconciliation of Cash

Cash balance comprises :

Cash on hand	249	903
Cash at bank	1,698,605	2,737,975
Closing Cash Balance	1,698,854	2,738,878

12. Employee entitlements

	30 June 2006	30 June 2005
Employee Entitlements		
Provisions (Current)	27,109	27,105
Provisions (Non-Current)	15,169	9,132
	42,278	36,237

13. Expenditure commitments

Lease expenditure commitments

Operating Leases (non-cancellable)

Minimum lease payments

- not later than one year

- later than one year and not later than five years

Aggregate lease expenditure contracted for at balance date

94,121	94,121
112,176	206,297
206,297	300,418

14. Contingent liabilities

There are no contingent liabilities as at 30 June, 2006

15. Subsequent events

There have been no significant events that have occurred since 30 June 2006 that require separate disclosure.

16. Remuneration of directors and key management personnel

Income paid or payable, or otherwise made available, in respect of the financial year to 30 June 2006, to all directors and key management personnel of Australian Egg Corporation Limited, directly or indirectly, from the entity or any related party.

Remuneration - Short-term Benefits

Jeff Ironside		30,294	-
Frank Pace		17,985	-
Philip Steel	1	25,960	22,000
Russell Ware		23,980	23,980
John O'Hara		23,980	7,333
James Kellaway		235,670	200,000
		357,869	253,313

1. The amount paid to Philip Steel in 2006 includes a back payment of \$1980 from the year ended 30 June 2005.

17. Remuneration of auditors

Amounts received by PKF for :

-an audit or review of entity

-other services

18,402	15,000
890	-
19,292	15,000

18. Related party disclosures

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

Jeff Ironside
Frank Pace
Philip Steel
Russell Ware
John O'Hara
James Kellaway

(b) Interests in subsidiaries

As at balance date Australian Egg Corporation Limited owned 100% of the issued capital in Australian Egg Export Pty Limited being 1 ordinary share fully paid at \$1 (2005 : 1).

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

	30 June 2006	30 June 2005
(i) Wholly owned group transactions		
Amounts loaned to Australian Egg Export Pty Limited	492	312
(ii) Transactions with other related entities		
Repayment of amounts loaned to Australian Egg Industry Association Inc.	(10,339)	-

19. Receivables - security deposit

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

132,000	132,000
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20. Segment information

Segment products and locations

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

21. Financial instruments

(a) Interest Rate Risk

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

Financial Instruments	Floating Interest Rate		Non-interest Bearing		Total Carrying Amount		Weighted Av Effective Interest Rate	
	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 %	2005 %
(i) Financial assets								
Cash	1,830,854	2,870,879	-	-	1,830,854	2,870,879	5.60	5.25
Trade & other receivables	-	-	461,518	307,647	461,518	307,647	N/A	N/A
Shares in subsidiary	-	-	1	1	1	1	N/A	N/A
Total Financial Assets	1,830,854	2,870,879	461,519	307,648	2,292,373	3,178,527		
(ii) Financial Liabilities								
Trade & other creditors	-	-	2,364,123	3,278,802	2,364,123	3,278,802	N/A	N/A
Total Financial Liabilities	0	0	2,364,123	3,278,802	2,364,123	3,278,802		

(b) Terms, conditions and accounting policies

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

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

(c) Net fair values of financial instruments

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

(d) Credit risk exposure

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

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF AUSTRALIAN EGG CORPORATION LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of cash flows, notes to the financial statements, and the directors' declaration for Australian Egg Corporation Limited (the company), for the year ended 30 June 2006.

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

Audit approach

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

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

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

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

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

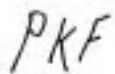
Independence

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

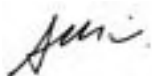
Audit Opinion

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



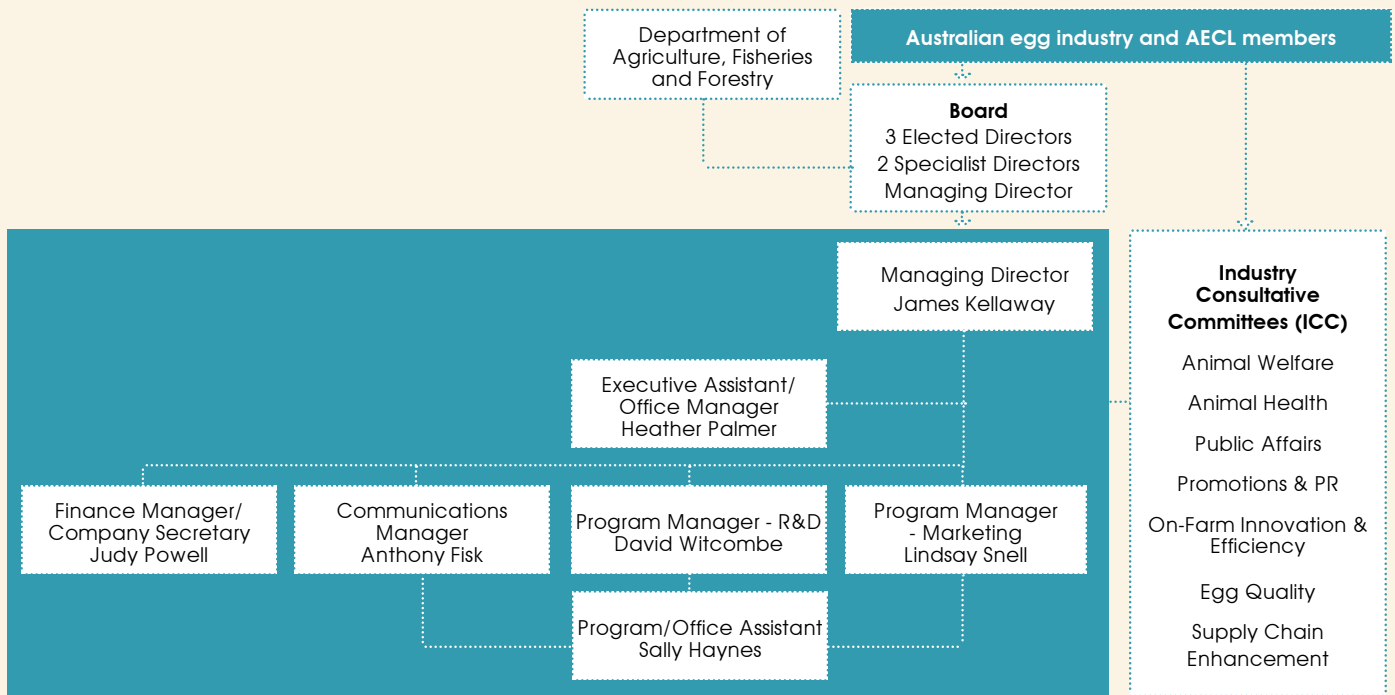
PKF



ARTHUR MILNER
Partner

SYDNEY: 13 October 2006

Organisational chart





contact details

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