"As an organisation, we will continue to work hard to influence the production and marketing environment and to provide the tools necessary to ensure the long-term competitiveness and efficiency of our egg industry."

James Kellaway, Managing Director
Vision
AECL will facilitate the sustainable and profitable growth of the Australian egg industry.

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

Objectives
- growing demand for eggs in the Australian market
- enhancing the competitiveness of stakeholder businesses
- creating and nurturing the capability of AECL
key achievements
2003/2004

Growing demand for eggs in the Australian market

- Conducted comprehensive market research on market usage, consumer attitudes and behaviour toward eggs to define market usage, consumer segments and key blockages to increasing consumption.
- Launched a pilot promotional campaign in Melbourne, which achieved an increase of 6.9% in sales over the period of the campaign.
- Developed a long-term marketing strategy for the egg category based on market research undertaken and the pilot promotional campaign to provide a rationale for the development of all future campaigns.
- Established Australian Egg Export Pty Ltd (AEE), a wholly-owned subsidiary of the AECL, to export egg products to help maintain domestic prices at times of over-supply.
- Undertook a retail category management project trial in 29 Coles stores in Melbourne, which resulted in a weekly average 57% decrease in eggs being out-of-stock and a 23% decrease in eggs not being on-show.
- Completed a literature review of the latest scientific evidence on egg nutrition and health to use in AECL communication with consumers, health care professionals and other key opinion leaders.

Enhancing the competitiveness of stakeholder businesses

- Combined with the chicken-meat industry to form the Poultry Cooperative Research Centre (CRC) to maximise industry's investment in research and development.
- Developed training for egg businesses and third party auditors to assist with roll-out of the National Egg Quality Assurance Program.
- Secured funding assistance from the Australian Government to implement an industry-driven pathway to improve environmental management on-farm.
- Protected Australia's quarantine status from egg imports by demonstrating our freedom from very virulent Infectious Bursal Disease Virus and developing a rapid test that would assist in eradication of the disease if it were ever to appear.
- Demonstrated the value of the national Newcastle Disease vaccination campaign.
- Identified on-farm dietary and management strategies that reduce the incidence of cannibalism in laying hens.
- Developed a supply forecasting model that provides timely and valid information towards making on-farm management decisions on chick placements, egg marketing and product pricing.
- Published a range of training and resource kits for use on-farm, including the training video Handling Birds, a new biosecurity and flock health poster kit and a vaccination training manual.

Creating and nurturing the capability of AECL

- Developed and implemented a strategic plan for 2003-2006 that responds to the needs of AECL stakeholders.
- Established a suite of Industry Consultative Committees to involve our members in the spectrum of AECL activities.
- Redeveloped the AECL communication strategy, including the introduction of two newsletters and a new website to best meet the needs of AECL stakeholders.
- Worked for changes to proposed layer hen housing regulations by advocating equity and fairness on behalf of affected farmers to the Australian Government.
- Conducted two industry forums for egg producers with expert speakers in the fields of product marketing and egg production.
- Progressed issues as they relate to ongoing animal health with government and kept the industry abreast of Avian Influenza outbreaks as they occurred overseas.
The 2003/04 period represents the first full operating year for the newly-formed Australian Egg Corporation Limited (AECL), the egg industry's service provider. Government requirements, market pressures and environmental demands have all led to a year characterised by change and rationalisation. Many producers are looking to invest in new operating capital to stay competitive, while others have targeted newly-developed niche opportunities. Some other farmers have decided to retire and leave the industry after many years of producing high quality eggs.

With the AECL only months old at the beginning of this financial year, it was important that we build a strong foundation for success over the last twelve months. The AECL 2003–2006 Strategic Plan was developed during the year with input from industry. The plan prioritises three clear operational objectives aimed at maximising industry revenue by increasing the market for our eggs, while minimising costs and barriers experienced on-farm.

The AECL has developed an efficient organisational structure that is commensurate with the operating revenue of the company, but one that is highly responsive to the needs of industry. One innovation during the year, to help the AECL meet strategic objectives, was to introduce a suite of Industry Consultative Committees. These committees seek input from our levy payers in relation to AECL activities and signify an involved and united approach by the industry.

To help communicate the many highlights and program outcomes to industry, AECL has reviewed its communication strategy to better meet the needs of egg producers. A range of new publications has been supplemented by an enhanced AECL website, a considerable source of information for egg producers, consumers, health care professionals, researchers, marketers and other service providers.

The work the AECL has conducted during the last twelve months has laid the foundation for delivering tangible outcomes in its second full year of operation. As an organisation, we will continue to work hard to influence the production and marketing environment and to provide the tools necessary to ensure the long-term competitiveness and efficiency of our egg industry.

All of the cage, barn and free range egg producers I speak with have been facing mounting challenges in recent years. In some respects it is unfortunate that I do not foresee the pace of change abating in the near future. However, change brings optimism, greater opportunity and a new generation to the industry and I look forward to another year of achievements.

On a more personal note, I wish to thank my fellow directors for their contribution and diligent work during this establishment year. I offer my heartfelt congratulations to the staff at AECL for a very successful year in quite challenging circumstances.
Russell Ware – LL.M. (Hons.)
AECL deputy chairman

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

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

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 Denis Wellstead Memorial Trophy for International Egg Person of 2004.

Frank was previously the Chairman of the Seven Hills branch of the Livestock and Grain Producers Association (LGPA) and a member of the NSW Farmers’ Association Egg Committee. He was also a previous committee of management member and Vice President of the former Australian Egg Industry Association (AEIA).

Frank has also made an active contribution to the Sydney community and was honoured by being named a life member and Paul Harris Fellow of the Rotary Club of Mount druitt.

Philip Steel – B App Sci
AECL director

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

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

James Kellaway – B App Sci (Agr),
GDMM, GAICD, MBA
AECL managing director

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

James has a Master of Business Administration (MBA) from the University of Technology, Sydney, a Graduate Diploma in Marketing Management from the Graduate School of Management and a Bachelor of Applied Science in Agriculture from the University of Western Sydney. James is also a Graduate Member of the Australian Institute of Company Directors.
building a strong foundation
managing director's message

The Australian Egg Corporation Limited (AECL) has been busy over 2003/04 putting in place the foundations and programs to deliver tangible outcomes to the Australian egg industry. Government requirements, market pressures and environmental demands have been forcing many changes onto the egg industry over the recent past.

AECL strategic plan
During the past year, we have been establishing AECL as a service provider in line with the 2003–2006 Strategic Plan. The plan, developed this year, provides an effective 'road-map' for the AECL Board and management that details the key strategic actions, activities and projects to be undertaken in line with our three key program areas. The plan responds to the needs of all stakeholders including levy-paying egg producers, the Australian Government and associate members of the company.

Industry Consultative Committees
To assist AECL management design, implement and monitor programs responsive to the AECL Strategic Plan, we have established a range of Industry Consultative Committees. These Committees facilitate input from levy-payers in reaching meaningful outcomes in all program areas. They provide advice on maintaining an approach that leads to maximising the return on our invested funds.

Stakeholder communications
To help communicate the many highlights and program outcomes to industry we have redesigned our regular publications. We have moved from the monthly 'Eggsmainer', to a fortnightly single-page 'Eggcorp Eggspress', which is made available by email and fax. We have also added a bi-monthly magazine-style publication titled 'Eggstra Eggstra' for more informative news about AECL programs and egg industry matters.

A new AECL website was launched this year, containing substantial information for egg producers, consumers, researchers, marketers and service providers.

Market research – a solid foundation
Given the vacuum of recent data on market usage, consumer attitudes and behaviour toward eggs, we commissioned national market research in this area. The results of these studies have allowed AECL to objectively assess all market opportunities for the egg category, which includes eggs sourced from cage, barn and free range production systems, to provide a firm foundation for levy investment in a marketing program.

Promotional strategy & framework
Based on the results of the market research, a pilot promotional campaign was launched in Melbourne with the support of a number of local egg producers. The results of the pilot campaign supplemented the outcomes of the market research to help design a long-term marketing strategy for the egg category. The goals of this strategy are to ensure short and long-term growth in the awareness, demand, purchase and consumption of eggs throughout the Australian market. There have already been substantial gains in egg purchases achieved in areas where the promotional campaigns have been implemented.
Poultry CRC
The AECL has been instituting programs that assist stakeholders minimise business costs by researching new and emerging technologies that can be used on-farm. A key initiative to maximising the egg industry's investment in this regard has been the establishment and involvement of the AECL as a core partner in the Poultry Cooperative Research Centre (CRC). Established in July 2003, the CRC has allowed us to maximise the use of the research and development levy imposed on egg producers. It must be acknowledged that while levy-paying egg producers contribute to research and development, the Australian Government provides further assistance and allows a more meaningful program to be implemented by the AECL for the benefit of the egg industry and the wider community.

Egg supply forecasting
An industry imperative over recent times has been to gain meaningful and reliable supply forecasting data responsive to the needs of egg producers and marketers. The AECL commissioned and devised a model for regularly reporting supply forecasts during the year. The use of such data in each business environment will assist egg producers make commercial decisions on flock levels, chick placements, slaughterings and price points to market.

Export initiative
To assist maintain price levels in times of oversupply, the AECL established the Australian Egg Export Pty Ltd (AEE) during the year, an export trading company that is a wholly-owned subsidiary of AECL. The AEE moved egg pulp to the Hong Kong market on behalf of the Australian egg industry to ensure it did not end up on the domestic market as shell egg and place downward pressure on price. AECL will continue to use AEE where appropriate to help maintain domestic pricing levels for the benefit of egg producers.

Layer hen housing changes
During the year and under the auspices of our advocacy body, the Australian Egg Industry Association (AEIA), we have worked towards reaching an equitable and fair outcome for egg producers facing changes to layer hen housing regulations. Drafted in August 2000, the 4th edition of the Code of Practice for the Welfare of Animals – Domestic Poultry has placed significant pressure on the egg industry to comply by 1 January 2008. AEIA, with the assistance of a number of egg producers, has been working towards resolving this issue with Australian governments for the benefit of egg producers at departmental and ministerial levels.

Firm foundations
At the conclusion of our first full year, I am pleased to report that we have laid a firm foundation for delivering tangible benefits to the industry in the coming years. As an organisation, we will continue to work hard to influence the production and marketing environment and to provide the tools necessary to ensure the long-term competitiveness and efficiency of our egg industry.

I wish to thank my fellow directors for their contribution towards the egg industry and AECL staff for their continuing efforts and pursuit of excellence in service delivery for all AECL stakeholders.
it all starts with an egg
our marketing campaign

Understanding the market

National marketing research
To understand consumers and key opinion leaders, AECL undertook extensive national market research during the first half of 2003/2004.

Research was conducted with 14 consumer focus groups that covered all capital cities. This research was then supplemented with in-depth interviews with key opinion leaders, including food media, retailers, dieticians, nutritionists and food service operators. To validate and quantify these outcomes, an extensive telephone survey was conducted among 1000 households across Australia.

The findings from our market research gave us a clear understanding of the attitudes and behaviours of consumers towards eggs.

From this research four key consumer market segments were identified:
- 'egg lovers' 39%
- 'egg wary' 28%
- 'egg restrictors' 31%
- 'egg avoiders' 2%

Egg nutrition global literature review
AECL commissioned a literature review of the latest scientific evidence on egg nutrition and the role of eggs in human health and disease. Conducted by a respected food nutritionist, this review has provided us with up-to-date scientific information to use in the development of evidence-based messages about eggs to use in our communications with consumers, health professionals, egg producers and other key stakeholders.
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the marketing program strategy

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.

Objective 1: Growing demand for eggs in the Australian market

Pillar 1: Market awareness
Pillar 3: Supply chain enhancement
Pillar 2: Market education
Pillar 4: Product differentiation

AWARENESS

Consumers

'Egg lovers' segment

Migration

EDUCATION

Consumers

'Egg wary' segment

Influence

'Egg restrictors' segment

Opinion leaders

GPs
Nutritionists
Chefs
Food service

Retail category management audit
To better understand the retail environment, AECL audited large, medium and small retail outlets to understand their attitude toward the egg category. Results from this audit showed that in all environments, the egg category is not high on the list of priorities. In the larger supermarket chains, eggs do not have their own category manager, unlike the meat, dairy, fruit and vegetables categories.

Our retail category management audit identified a number of concerns in the retail supply chain. The findings from this research guided the creation of the marketing program strategy, particularly in the area of supply chain enhancement.

Building the framework
Marketing program strategy

The findings discovered in the national market research, the egg nutrition global literature review and the retail category management audit guided the design and creation of the marketing program. The goals of the program are to increase egg consumption and industry revenue through:

1. Market awareness
A market awareness campaign has been developed to promote eggs amongst 'egg lovers' – the core users of eggs. See the 'Testing the market' box on page 10 for more information on our pilot campaign.

2. Market education
A consumer education campaign has been designed to dispel the myths about eggs held by the 'egg restrictor' and, to a lesser extent, the 'egg wary' market segments while educating these consumers about the nutritional and health benefits of eggs.

The second education campaign involves influencing attitudes of opinion leaders by providing them with the latest facts about eggs.

3. Supply chain enhancement
The increased awareness, demand, purchase and consumption of eggs will have an effect on the production, distribution and sale of eggs in the market. We will provide tools for businesses within the supply chain to drive efficiencies in areas such as the production, delivery, processing and retailing of eggs. See 'Retail category management trial' box on page 11 for one example.

4. Product differentiation
In order to realise higher or firmer pricing, and to help 'de-commoditise' sections of the egg category, differentiation of egg products needs to be undertaken to increase product value and satisfy market niches.
it all starts with an egg
our marketing campaign

Market Promotions ICC
We have established an expert committee to give advice and guidance to the marketing program. Known as the Market Promotions Industry Consultative Committee (ICC), it is comprised of egg and food marketing specialists. This committee facilitates timely and effective feedback and input into AECL's marketing activities and projects.

Measuring success
Research data methods
In order to measure the success or otherwise of the activities undertaken by AECL, in particular the marketing promotional campaigns, research was undertaken to track purchase behavioural changes and attitudinal changes towards eggs within the market.

AECL commissioned surveys on behaviour and attitudes among our target consumer market segments, who shop in a broad range of retail outlets. Information obtained from this research has identified such issues as penetration, demographics, buying rates, purchase frequency and inter-purchase intervals. Data is collated at the end of each month and then cross-tabulated with previous periods to establish the effectiveness of our current campaign.

Future
The AECL marketing program strategy has been established as a foundation for future marketing activities. Continued monitoring and market research will ensure the projects and activities undertaken within the marketing program meet the core objectives of increasing egg consumption and egg industry revenue in the coming years.

Testing the market
The awareness campaign piloted
In line with our marketing program strategy, we created an awareness campaign aimed to target 'egg lovers', specifically the main household grocery buyer with young children. The campaign worked to bring eggs 'top of mind' and looked to boost consumption by reminding this segment of the multiple uses of an egg.

Before launching the promotional element, we undertook an eight-week pilot campaign in Melbourne. The campaign was designed to heighten awareness of eggs while ultimately increasing egg consumption.

This awareness campaign was made up of three core elements:
1. television commercial
2. in-pack recipe cards
3. point-of-sale items, including egg mobiles and in-store recipe demonstrations

The pilot awareness campaign achieved a 6.9% increase in sales over the period of the campaign, or 3 million additional eggs being sold.

Using information learned in the trial we prepared a tightened awareness campaign scheduled to commence in July 2004.

| % | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| pre-campaign period | | | | | | | | | | | | | | |
| campaign period | | | | | | | | | | | | | | |
| post-campaign period | | | | | | | | | | | | | | |

Methodology
This graph enables Melbourne to be directly compared against the National market. Hence, a percentage index is used.

Note: the 100% base represents the pre-campaign period.
it all starts with an egg
our marketing campaign

Mrs Dianne Moore, Moore Brown Eggs

"My husband Ron and I have been running a free range farm in Labertouche, Victoria for 10 years. We sell our eggs through a variety of outlets, including farmers' markets.

We began using the promotional material from the Australian Egg Corporation during the pilot awareness campaign in Victoria, and have found it to be effective alongside other promotional material from the Free Range Farmers Association.

For the last two years we have been selling around 200 dozen eggs every month at the Collingwood Childrens' Fair Farmers Market. To attract attention to our stall, we use the bright yellow AECL egg mobile.

People love recipe cards and new recipe ideas, so we place an AECL recipe card in every carton. Ron will often remark to passing shoppers, 'there is more to an egg than just boiling it' as he hands out these recipes.

Ron loves the egg & avocado flipover featured in one of the recipe cards and he tries to sweet talk me into cooking it up for dinner."

**Retail category management trial**

In line with our marketing program, a trial retail category management project was carried out in 29 Coles stores throughout Melbourne.

The trial project resulted in a decrease in 'out-of-stocks' by a weekly average of 57% while 'not-on-shoes' also improved by a weekly average of 23%. Based on the findings of this trial, a store-specific best practice manual for the egg category was created. AECL looks forward to implementing the best practice manual around the country and achieving a cultural change among retailers towards the egg category.
Growing demand for eggs in the Australian market

National Egg Quality Assurance Program (NEQAP)

The National Egg Quality Assurance Program (NEQAP) is a quality assurance program developed to help commercial egg producers adopt quality assurance on their farms. The program sets industry standards for food safety, bird health, biosecurity, bird welfare and product labelling.

A training program was developed and released in October 2003 to assist egg businesses implement NEQAP.Mapped to a National Training Competency, this training course can assist participants gain formal recognition in total quality management through the public education vocational training system. To add flexibility to the training course, it has been made available either through a training facilitator or through self-paced learning.

A training course has also been designed to familiarise qualified auditors with NEQAP. This training course will underpin AECL’s NEQAP Auditor Accreditation Program and will assist in achieving consistent auditing standards throughout the country.

Training courses commenced in June 2004 and will be conducted at regular intervals to ensure that sufficient accredited third-party auditors are available to serve the auditing needs of industry members wishing to be NEQAP accredited.

AECL makes investments in research and development on behalf of the Australian egg industry and the community as a whole.

The goal of our research and development work is to improve efficiency, sustainability, egg quality, education and technology transfer in the industry. This year we have endeavoured to commit our resources to growing demand for eggs, and enhancing the competitiveness of stakeholder businesses.

Irene Gorman – Research and development manager
before it all starts
our strong research foundations

Environmental management systems
Managing business operations in a way that reduces environmental impact is becoming an increasingly important issue for the egg industry, from sustainability, regulatory, and public confidence points of view.

The AECL was awarded a grant of $15,000 from the Australian Government to conduct an environmental management workshop. This workshop, which involved a broad cross section of the industry, achieved the development of a unified, practical and commercially viable pathway to improve environmental management in the egg industry.

This agreed pathway formed the basis of a successful application for $372,000 in funding through the Australian Government’s Pathways to Industry EMS Program early in 2004/2005. Environmental management issues will be incorporated into NEQAP so that industry members will be able to use the existing NEQAP accreditation framework to demonstrate their environmental credentials.

Rapid detection of Salmonella Enteritidis
Australia is fortunate to be one of the very few countries whose commercial egg industry is free of Salmonella Enteritidis (SE), currently the most common cause of Salmonella-related food poisoning internationally. To maintain this status it is important that we are able to rapidly identify any appearance of this organism in our commercial flock so that eradication can be attempted as quickly as possible.

To maximise the chances of success and to minimise the costs to the industry and the country as a whole, research was undertaken to develop a cheap and rapid diagnostic test that could be used to differentiate between SE and other Salmonella types. This test has the potential to be an important component of Australia’s program to stay SE-free and also could be part of a monitoring program to demonstrate ongoing freedom from SE to Australian consumers and overseas trading partners. Further work is required to validate this test using field samples.

Confirmation of production system marketing claims
Consumers sometimes question the truth of labels identifying the production system in which eggs originated. We believe that confidence in production system labelling would be improved if a test could be performed on the egg that could identify the system in which it was produced.

An AECL research project found that ultraviolet light could be used as a cheap and easy method to detect eggs laid on wire, given a sufficient sample size. This test could be used to identify if cage-laid eggs were being marketed as barn or free range. However, the marks detected using this process were removed by washing, meaning this new method is only suitable for unwashed eggs.

Fortified eggs for use in production of infant formula
Omega 3 fatty acids are now well recognised as an important nutrient in the diets of people of all ages, but are particularly critical for the very young. High quality infant formulas are fortified with a particular omega 3 fatty acid – arachidonic acid (AA). Currently the main sources of AA include a type of expensive fungal oil, which is a cause of concern for regulatory authorities, or AA extracted from eggs, which is also expensive due to the relatively low concentration.

Through AECL-funded research, a practical diet formulation using natural ingredients has now been developed that could be used to increase the level of AA in eggs, making these eggs attractive to infant formula manufacturers around the world as a cost-effective and safe source of AA.
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Dr Ken Bruerton, Poultry Nutritionist, Protea Park Enterprises Nutrition Services

"I have tested the recommendations from AECL research on dietary fibre, lighting and bodyweight management to control cannibalism in barn and free range laying hens. The egg producers using these diet formulations have observed a significant reduction in cannibalism on their farms.

The AECL research has been invaluable and I now base all of my diet formulations for barn and free range birds on these research results."

Enhancing the competitiveness of stakeholder businesses

Choosing the best layer strain

Research was recently completed to investigate the performance of the three main commercial layer strains currently used in Australia when housed in barn or free range systems. The best strains for each system were identified, along with some advantages and disadvantages of the systems themselves.

Protecting Australia’s quarantine status

Australia is currently free from very virulent Infectious Bursal Disease Virus (vvIBDV), a disease that can cause high levels of mortality in poultry and significant economic losses for the poultry industries.

A research project jointly funded by AECL and RIRDC has developed a rapid diagnostic test that reduces the time for identification of vVIBDV from three days down to one. This test is now available to the poultry industries in Australia and will assist in demonstrating continued freedom from the virus, which underpins Australia’s quarantine position in relation to egg imports, as well as aiding rapid detection to assist eradication if the virus does appear here.

Optimising vaccination for infectious bronchitis

This project has been successful in providing producers information on the impact of a number of typical vaccination programs against infectious bronchitis. The results show that regular re-vaccination for infectious bronchitis during lay may be required to provide adequate protection from this disease but it is likely to have some adverse impact on production and egg quality.

Reducing cannibalism

Cannibalism can be a major cause of mortality in Australian layer hens, especially for the imported strains. Mortality from cannibalism in some strains ranges from 10% to 20%, depending on the production system and management strategies.

In research commissioned by AECL it was found that diets with high-insoluble fibre content and mash diets, rather than pelleted diets, had the potential to reduce mortality from cannibalism in laying hens. Beak trimming had a substantial effect on cannibalism with cannibalism occurring predominantly in untrimmed birds.

A separate project confirmed the importance of lighting and found that controlled low-lighting levels during rearing and laying in brown egg layers could be as effective as beak trimming in controlling cannibalism. A low bird bodyweight was also correlated with blood-stained eggs and mortality.

Protecting against further outbreaks of Newcastle disease

Outbreaks of virulent Newcastle disease in New South Wales and Victoria between 2000 and 2002 resulted in significant costs to industry and government in eradicating the disease and returning Australia to a virulent Newcastle disease-free status. It was unexpectedly found that the virus causing these outbreaks was not an exotic virus, but a virus that had mutated from non-pathogenic local strains (called a progenitor virus). A project was therefore undertaken to investigate the use of vaccination to help protect against further outbreaks.

The results of this project showed that vaccination with the commercially available live V4 vaccine before infection with the progenitor virus reduced the amount and duration of viral shedding. This validates the current mandatory vaccination policy in the eastern States to try to reduce or even eradicate the progenitor virus. The project also showed that once the birds were infected with the progenitor virus vaccination with V4 had no benefit in terms of viral shedding.

Optimal feeding for new layer strains

This project provides information on the optimum dietary energy and dietary density for commercial layer strains currently used in Australia. The work demonstrated that these strains tend to over-consume energy at high dietary energy levels, but dietary density had little effect.
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our strong research foundations

Improved method of beak trimming
Beak trimming is a husbandry practice that is used by the industry where required to reduce the incidence of injury or death in flocks as a result of aggressive pecking. The most common method of beak trimming involves cutting and cauterising the beak with a heated blade. This pilot study tested a number of medical lasers to determine their suitability for beak trimming of chickens. One of the lasers tested was effective in both cutting and cauterising the beaks of day old chicks. A follow-up project to develop a prototype laser beak trimming machine has been supported by the Australian Poultry Cooperative Research Centre (CRC).

Egg quality guidelines booklet
Problems with egg and egg shell quality continue to be of concern to the poultry industry in Australia and around the world. It is estimated that 10% of eggs are lost to the Australian egg industry due to egg shell quality problems. In addition, supermarkets are starting to set minimum standards for albumen quality.

With no domestic information available on the expected performance of current commercial strains of laying hens, we funded the development of a booklet on Australian egg quality standards by undertaking a survey of eggs passing through a commercial grading floor. The booklet provides standards for egg shell quality (thickness, colour, weight, percentage shell, breaking strength and deformation) and internal quality (yolk colour, albumen height and Haugh units) in relation to the age and strain of hen, feed type and vaccination for infectious bronchitis.

Information is also provided on the effect of storage on albumen height, the Haugh unit measure and the relationship between the percentages of eggs downgraded at the grading floor and egg shell quality characteristics. This booklet assists egg producers determine if they are achieving typical Australian standards and to understand the potential impact of management decisions on egg and egg shell quality.
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Mr Noel Kratzman, Poultry Division, Manager, D.A. Hall & Co.

"The AECL’s Egg Quality Guidelines Booklet has helped us by providing benchmarks that enable us to better utilise results of testing of egg and egg shell quality. Comparing our results with the standards in the booklet help us to make better informed management decisions.

Training staff can take up a lot of time. The training video on handling birds and the other videos in the Working on an Egg Farm series have been very helpful with this. The videos help staff to understand how and why things are done and that there are industry standards that they need to achieve. The videos have cut down on the time that has to be spent individually with each staff member.

The research on infectious bronchitis vaccination programs has reinforced and given me more confidence in the vaccination decisions I make.”

Training video: Handling Birds
This video is the third in the Working on an Egg Farm training series for new farm staff. This video demonstrates how to properly handle birds during normal farm operations such as bird placement, weighing, examining individual bird condition, culling and depopulation. The video emphasises the importance of stockmanship, quality assurance, record keeping and biosecurity.

New biosecurity and flock health poster kit
AECL released a simple and practical tool to help train farm staff to protect the health of flocks by teaching them to identify the early signs of disease and how to minimise its spread. The posters and fact sheets in this kit use simple graphics to get across key messages in relation to early warning signs of disease problems and minimising the spread of disease on and around the farm.

Vaccination training manual
Vaccination protects the health and welfare of laying hens and pullets and maximises egg production by preventing infectious disease outbreaks. This is an essential part of ensuring the viability of individual farms and the egg industry as a whole. Competent vaccinators are essential for the egg industry, as vaccination is only effective if it is carried out properly.

The manual provides the necessary information to train staff how to conform to biosecurity requirements, transport and store vaccines correctly, handle birds to be vaccinated, prepare to vaccinate birds, administer a vaccine to birds and complete vaccination procedures.
**before it all starts**
**our strong research foundations**

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<th>priority</th>
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<td>Systems with reduced impact on the environment and biodiversity</td>
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<td>Understanding and managing climate variability</td>
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<td>Landscaping to protect native vegetation and wildlife habitat</td>
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<td>Property rights, market-based instruments and ecosystem service trading systems</td>
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<td>2. Improving competitiveness through a whole of industry approach.</td>
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<td>Global competitiveness</td>
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<tr>
<td>Risk management</td>
<td></td>
</tr>
<tr>
<td>Product quality and diversification of products</td>
<td></td>
</tr>
<tr>
<td>Through-chain integration</td>
<td></td>
</tr>
<tr>
<td>3. Maintaining and improving confidence in the integrity of Australian agricultural food, fish and forestry products</td>
<td>16</td>
</tr>
<tr>
<td>Supply chain policies</td>
<td></td>
</tr>
<tr>
<td>Food regulation reform</td>
<td></td>
</tr>
<tr>
<td>Risk assessment and hazard management</td>
<td></td>
</tr>
<tr>
<td>4. Improved trade and market access</td>
<td>2</td>
</tr>
<tr>
<td>5. Use of frontier technologies</td>
<td>10</td>
</tr>
<tr>
<td>Biotechnology and genomics</td>
<td></td>
</tr>
<tr>
<td>6. Protecting Australia from invasive diseases and pests</td>
<td>12</td>
</tr>
<tr>
<td>Risk analysis</td>
<td></td>
</tr>
<tr>
<td>Risk management tools</td>
<td></td>
</tr>
<tr>
<td>New technologies to disinfest/devitalize quarantine pests</td>
<td></td>
</tr>
<tr>
<td>7. Creating an innovative culture</td>
<td>18</td>
</tr>
<tr>
<td>Promote adoption of new technologies and knowledge</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>84</strong></td>
</tr>
</tbody>
</table>
Building a United Industry
Our Stakeholder Communication

Member Communication

As a member-based organisation, we are committed to flexible, responsive and transparent communication with all stakeholders, but particularly our egg producer members. With the introduction of AECL as a new industry-wide service provider, we have spent this year laying the foundation for continuing communication excellence with our members and other industry stakeholders.

Revised Publications

One of our first initiatives of the year was to redevelop our publications based on the needs of the industry. Many of our members asked if we could keep them up-to-date with the latest issues, training, research, marketing news, and advocacy projects on a very regular basis.

After receiving this feedback, we introduced a new publication named Eggcorp Eggpress. This fortnightly publication is designed to convey the latest news and information relevant to the industry. With a key feature being currency, the Eggpress is limited to one page and sent by email and fax so that updates are available to members quickly and regularly.

We have also introduced a second magazine-style publication, Eggstra Eggstra. This newsletter is available to all stakeholders with more comprehensive information on our activities and major issues within the industry.

Eggstra Eggstra! The new industry newsletter was released this year

* Appointed following the departure of Jayne Maltby.

18 Australian Egg Corporation Limited
building a united industry
our stakeholder communication

New website
Both of these publications have been supplemented by a new website designed to meet the information needs of consumers, health care professionals, egg producers and the research community. The AECL website now contains more than 100 pages of information and is updated regularly. The website forms a key component of our consumer marketing campaign and will be the focus of the education campaign for health care professionals in the coming years. Our website has also been designed to be a convenient and current source of information for the research community.

Industry forums
The AECL conducted our first and second industry forums in October 2003 and April 2004. While the first forum coincided with the company’s inaugural AGM, the second industry forum was held at the same time as the biannual Poultry Information Exchange forum on the Gold Coast. The industry forums were designed so that producers could listen to egg marketing and production experts speak on issues relevant to the Australian egg industry.
The forums have proven popular with our members and will be conducted twice a year in locations throughout Australia.

Supply forecasting
The ability of the egg industry to forecast production and prices is a powerful business tool to ensure the traditional supply swings are minimised for the benefit of all egg producers. The AECL spent considerable efforts in developing an econometric model that could better describe the likely impact of on-farm management decisions on supply and price into the future. It is anticipated that such reporting will be made available on a monthly basis to add to the suite of industry intelligence available to egg producers.

Issues management
Eggs and egg-laying hens are issues of interest to the Australian media. In particular, animal welfare issues are often raised, which paint an overwhelmingly negative picture of the Australian egg industry as a whole.
AECL is committed to responding to both negative and positive media stories with scientific research, expert opinion, and industry spokespeople with the facts surrounding egg production and food nutrition.

In order for us to respond to media stories quickly and to get our messages and stories out to the public, we have commenced an issues management approach to public relations. We are working together with the industry to formulate a unified approach in our contact with government, stakeholders and the media.
building a united industry
our stakeholder communication

Heather Palmer –
Executive assistant/office manager

Animal welfare
A key ongoing issue for the Australian egg industry has been the perceived negatives associated with caged layer production by government and the community. While this is a global problem in most egg industries, the Australian egg industry must now consider compliance with the 4th edition of Model Code of Practice for the Welfare of Animals – Domestic Poultry, by January 2008.

Under the auspices of the Australian Egg Industry Association (AEIA), the industry has been making representations to the Primary Industries Standing Committee (PISC) and the Primary Industries Ministerial Council (PIMC) during the year regarding imposition of the Code without a fair adjustment package for Australian farmers.

Our extensive lobbying work, and the frequent representations made by egg producers to their respective jurisdictions, directly led to the PIMC resolution of 19 May to “…consider options for a national levy to provide structural adjustment assistance to egg producers whose cages did not or do not meet the 1995 Code of Practice by means of a national levy implemented under Australian Government legislation.”

With the assistance of the Animal Welfare Industry Consultative Committee (ICCC), the AEIA commenced the development of a structural adjustment package paper for further consideration by PISC and PIMC towards the end of the year.

Research undertaken throughout the year clearly shows that industry compliance with the 4th edition of the Code is lagging, with only 38% of total cage capacity meeting the standards of the new Code as at January 2004 with a further 39% of capacity unsure of their commitment to the industry in the future.

Animal health
We were involved in a number of animal health initiatives during the year. These included the establishment of an Animal Health Industry Consultative Committee (ICCC), the development of a Technical Working Group (TWG) to provide advice to the ICC and ongoing input from and representations to Animal Health Australia, the custodian of the Emergency Animal Disease Response Agreement (EADRA), and the Australian Government.

The Australian Government progressed import reviews of SPF eggs and hatching eggs during the year while the Import Risk Assessment (IRA) for edible eggs and egg products was also being progressed by Biosecurity Australia. It is interesting to note that while the IRA process commenced in 1998, there is yet to be a release of a draft IRA for industry comment. On the grounds of increased risk of emergency animal diseases occurring and the poorer quality of eggs in most neighbouring countries, the egg industry remains resolute in its opposition to any efforts to import fresh shell eggs into Australia. The AEIA will continue its monitoring of movements in this regard and take immediate action, where necessary, to reject any policies that allow the freer movement of egg products into Australia.

Outbreaks during the year of Avian Influenza (AI) strains in Asia and other parts of the world reminds the Australian egg industry to maintain effective levels of biosecurity on-farm. During the year, the AECL was able to keep egg producers updated as to the effects of the AI outbreaks occurring in Asia and remind producers of practical on-farm tips to maintain practical levels of farm quarantine. The production and availability of the Code of Practice – Biosecurity in the Egg Industry and a suite of production-based posters developed during the year helped to remind egg producers of simple procedures that can be implemented to assist guard against possible outbreaks in Australia.

The AI outbreaks also provided further evidence of why certain strains of AI should be re-classified under the Emergency Animal Disease Response Agreement to which the egg industry is a signatory. The AECL contributed towards a review of the Highly Pathogenic Avian Influenza (HPAI) seeking to move highly virulent strains from Category 3 to Category 1 and 2, which would result in additional funds from government to assist control and eradicate any outbreak that may occur in Australia. This review is ongoing.

AECL was also made aware during the year of issues associated with the slow but continual decline of the range of veterinary chemicals available to egg producers to treat laying hens. The Australian Pesticides and Veterinary Medicines Authority received a number of requests from AECL seeking off-label use for a number of important chemicals for use in layer hen production.

Livestock feed grain users group
During the year, the AEIA took part in a number of meetings with other intensive industry groups to seek progression on a number of similar issues. The key issue familiar to all intensive industries is the availability of feed grain at competitive prices at times of drought. The Livestock Feed Grain Users Group, of which the egg industry is a part, will seek greater input into the decision making processes of the grains industry to consider domestic feed grain users in any policy formulation of the grains industry.
Corporate governance

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

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

Directors will use their best efforts to ensure the company is properly managed and consistently improved so as to protect and enhance members’ interests and to meet the company’s obligations to its stakeholders.

Role of the AECL Board

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

The AECL Board’s functions include:

- setting company policies
- 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 Funding Agreement with the Commonwealth.

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

Composition of the AECL Board

A person is eligible to be a member of AECL if they are an Australian egg producer and 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. All members have one vote and may vote at any Annual General Meeting (AGM) on any matter other than those reserved for AECL delegates.

AECL delegates are nominated by AECL members to represent their collective interests. All delegates have one vote and may vote at any AGM on the election of elected directors, the ratification of specialist director appointments, and the total remuneration payable to the directors of the company.

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

Annie Robertson – Program/office assistant
Board remuneration

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

AECL Board meetings

The AECL Board meets at least once every two months and requires a quorum of a majority of directors eligible to vote. Each director has one vote. To meet operational needs, the Board may convene by using electronic methods.

AECL Committees

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

AECL Board performance

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

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

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

Business approach

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

Conflict of interest

Relevant interests of all directors are reviewed on an annual basis, as well as 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.
Essential components of AECL's organisational management include compliance with Corporations Law, the organisation's Constitution, and the Funding Agreement with the Australian Government.

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

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

Recognition and alignment with government's research and development priorities
The Australian Government provides matching contributions to AECL for eligible research and development expenditure to a limit of 0.5% of the industry's gross value of production. As a result, the Australian Government is an important and integral stakeholder of AECL.

Components of the strategic plan are consistent with a number of the government's national and rural research and development 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 research and development 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 the disease preparedness and national biosecurity for the Australian egg industry.

Strategies to address sustainable management and maintenance of Australia's natural resources remain a priority. Poultry farms have a smaller more intensive environmental 'footprint' than many other more extensive agricultural enterprises in Australia and environmental impacts are closely regulated by both state and local governments. As part of a holistic production strategy, AECL continues to assist development of 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.
<table>
<thead>
<tr>
<th>Page</th>
<th>Section</th>
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<td>directors' report</td>
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<td>directors' declaration</td>
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<td>statement of financial performance</td>
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<td>statement of financial position</td>
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<td>statement of cash flows</td>
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<td>30</td>
<td>notes to the financial statements</td>
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<tr>
<td>38</td>
<td>independent audit report</td>
</tr>
</tbody>
</table>
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 (Appointed 23 October 2003)
James Kellaway

Directors meetings
During the year to 30 June 2004 there were 12 meetings of directors and the number attended by each director were:

Jeff Ironside (Chairman) – 12
Philip Steel – 12
James Kellaway – 12
Russell Ware – 9
Frank Pace – 10 (Appointed an alternate to attend remaining 2 meetings)

Audit Committee
During the year to 30 June 2004 there were 3 committee meetings and the number attended by each director were:

Russell Ware (Chairman) – 3
Jeff Ironside – 3
Frank Pace – 3
Philip Steel – 3

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:

Suit 4.02
Level 4
107 Mount Street
North Sydney, NSW 2060

The entity employed 6 employees at 30 June 2004 (2003: 2).

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

Results
The profit of the entity for the year ended 30 June 2004 was $nil (2003: $nil).

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

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

Future developments and results
The company does not expect changes to the business operations in the coming year.

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

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

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

Signed in accordance with a resolution of the directors.

Jeff Ironside
Chairman

James Kellaway
Managing Director

Sydney
27 October 2004
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 2004 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
27 October 2004
<table>
<thead>
<tr>
<th>Notes</th>
<th>REVENUES FROM ORDINARY ACTIVITIES</th>
<th>Year ended 30 June 2004</th>
<th>18 November 2002–30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Occupancy expenses</td>
<td>(60,971)</td>
<td>(3,898)</td>
</tr>
<tr>
<td></td>
<td>Administrative expenses</td>
<td>(505,826)</td>
<td>(151,845)</td>
</tr>
<tr>
<td></td>
<td>Research and development program expenses</td>
<td>(2,360,791)</td>
<td>(1,131,181)</td>
</tr>
<tr>
<td></td>
<td>Promotion program expenses</td>
<td>(1,274,305)</td>
<td>(63,443)</td>
</tr>
<tr>
<td></td>
<td>Communications program expenses</td>
<td>(407,718)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>NET PROFIT</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>NET PROFIT ATTRIBUTABLE TO MEMBERS OF AUSTRALIAN EGG CORPORATION LIMITED</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
## Statement of Financial Position

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash assets</td>
<td>2,878,482</td>
<td>1,173,085</td>
</tr>
<tr>
<td>Receivables</td>
<td>312,223</td>
<td>165,611</td>
</tr>
<tr>
<td>TOTAL CURRENT ASSETS</td>
<td>3,190,705</td>
<td>1,338,696</td>
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<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
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<td></td>
</tr>
<tr>
<td>Other financial assets</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>142,171</td>
<td>8,064</td>
</tr>
<tr>
<td>TOTAL NON-CURRENT ASSETS</td>
<td>142,172</td>
<td>8,064</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>3,332,877</td>
<td>1,346,760</td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>3,298,640</td>
<td>1,353,226</td>
</tr>
<tr>
<td>Provisions</td>
<td>25,429</td>
<td>6,656</td>
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<tr>
<td>TOTAL CURRENT LIABILITIES</td>
<td>3,324,069</td>
<td>1,359,882</td>
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<tr>
<td><strong>NON-CURRENT LIABILITIES</strong></td>
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<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>8,808</td>
<td>6,878</td>
</tr>
<tr>
<td>TOTAL NON-CURRENT LIABILITIES</td>
<td>8,808</td>
<td>6,878</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>3,332,877</td>
<td>1,366,760</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained profits</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL EQUITY</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Notes</td>
<td>Year ended 30 June 2004</td>
<td>18 November 2002-30 June 2003</td>
</tr>
<tr>
<td>-------</td>
<td>-------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from levies and customers</td>
<td>4,831,669</td>
<td>1,231,105</td>
</tr>
<tr>
<td>Receipts from transfer/contribution of assets</td>
<td>-</td>
<td>1,470,376</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(827,215)</td>
<td>(416,904)</td>
</tr>
<tr>
<td>Interest received</td>
<td>112,943</td>
<td>28,228</td>
</tr>
<tr>
<td>Research and development expenditure</td>
<td>(2,360,791)</td>
<td>(1,131,181)</td>
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<tr>
<td><strong>NET CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td>1,756,606</td>
<td>1,181,624</td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances to related parties</td>
<td>(11,946)</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(145,511)</td>
<td>(8,539)</td>
</tr>
<tr>
<td>Investment in subsidiary</td>
<td>(1)</td>
<td>-</td>
</tr>
<tr>
<td><strong>NET CASH FLOWS USED IN INVESTING ACTIVITIES</strong></td>
<td>(157,459)</td>
<td>(8,539)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from lease incentive</td>
<td>125,000</td>
<td>-</td>
</tr>
<tr>
<td>Payment of lease incentive</td>
<td>(18,750)</td>
<td>-</td>
</tr>
<tr>
<td><strong>NET CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td>106,250</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET INCREASE IN CASH HELD</strong></td>
<td>1,705,397</td>
<td>1,173,085</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add opening cash brought forward</td>
<td>1,173,085</td>
<td>-</td>
</tr>
<tr>
<td><strong>CLOSING CASH CARRIED FORWARD</strong></td>
<td>2,878,482</td>
<td>1,173,085</td>
</tr>
</tbody>
</table>
notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Changes in accounting policies
The accounting policies adopted are consistent with those of the previous year.

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 2004, there has been a change in the classification of expenses as the directors believe this classification provides the most relevant information about its financial performance. Salary and Employee Benefits expense has now been allocated across each of the four expense functions, 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 Cash Flows, cash includes cash on hand and in banks.

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

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

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

Plant and equipment
Cost and valuation
Plant and equipment are measured at cost.

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

Major depreciation periods are:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and equipment:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture &amp; fittings</td>
<td>3–6 yrs</td>
<td>3–6 yrs</td>
</tr>
<tr>
<td>Office equipment</td>
<td>2–3 yrs</td>
<td>2–3 yrs</td>
</tr>
</tbody>
</table>

Payables
Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity.
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-cancelable operating lease is being reduced on an imputed interest basis over the lease term (5 years) at the interest rate implicit in the lease.

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

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

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

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

Levy receipts
The Levies and Revenue Service of the Department of Agriculture, Fisheries and Forestry Australia collect statutory levies, (research and development levies and promotion levies), on behalf of the company. Upon their receipt, the levies are classified as unearned revenue until the expenditure has been incurred on the applicable 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 will treat the asset receipt as income after the appropriate approved expenditure. Until this expenditure has been incurred, the transfer of cash will be treated as unearned income in the hands of the entity.

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

Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except:

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

2. 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.
notes to the financial statements

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.

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

2. REVENUE FROM ORDINARY ACTIVITIES

Revenues from operating activities

Revenues from promotion levies

<table>
<thead>
<tr>
<th>Industry Levies</th>
<th>2,154,416</th>
<th>202,459</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>31,730</td>
<td>1,896</td>
</tr>
<tr>
<td>Secretariat</td>
<td>-</td>
<td>14,831</td>
</tr>
<tr>
<td>Other</td>
<td>62,474</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2,248,820</td>
<td>219,186</td>
</tr>
</tbody>
</table>

Revenues from research and development levies

<table>
<thead>
<tr>
<th>Industry Levies</th>
<th>862,480</th>
<th>324,725</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth Contributions</td>
<td>1,309,806</td>
<td>441,169</td>
</tr>
<tr>
<td>RIRDC Asset Transfer – Contribution of assets</td>
<td>-</td>
<td>303,075</td>
</tr>
<tr>
<td>Interest</td>
<td>81,212</td>
<td>26,332</td>
</tr>
<tr>
<td>Royalties</td>
<td>24,979</td>
<td>34,663</td>
</tr>
<tr>
<td>Revenue from sale of goods</td>
<td>10,937</td>
<td>1,217</td>
</tr>
<tr>
<td>Other</td>
<td>71,376</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2,360,791</td>
<td>1,131,181</td>
</tr>
</tbody>
</table>

TOTAL REVENUES FROM ORDINARY ACTIVITIES

3,360,611

3,150,367

3. EXPENSES AND LOSSES/(GAINS)

Depreciation of non-current assets

<table>
<thead>
<tr>
<th>Office equipment</th>
<th>7,411</th>
<th>475</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td>3,994</td>
<td>-</td>
</tr>
</tbody>
</table>

TOTAL DEPRECIATION OF NON-CURRENT ASSETS

11,405

475

Operating lease rental

<table>
<thead>
<tr>
<th>– minimum lease payments</th>
<th>60,972</th>
<th>3,898</th>
</tr>
</thead>
</table>

TOTAL OPERATING LEASE RENTAL

60,972

3,898
### 4. RECEIVABLES (CURRENT)

<table>
<thead>
<tr>
<th></th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors</td>
<td>300,027</td>
<td>1,647</td>
</tr>
<tr>
<td>Other debtors</td>
<td>250</td>
<td>183,964</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>300,277</strong></td>
<td><strong>185,611</strong></td>
</tr>
</tbody>
</table>

**Amounts other than trade debts receivable from related parties:**

- **Wholly-owned subsidiary**
  - Australian Egg Export Pty Limited: 1,607
- **Directors and director related entities**
  - Australian Egg Industry Association Inc.: 10,339

**Total:** 312,223

### 5. OTHER FINANCIAL ASSETS

- Controlled entities – unlisted
  - 1
  - 1

As at 30 June 2004 Australian Egg Corporation Limited owned 100% of the issued capital in the Australian Egg Export Pty Ltd being 1 fully paid ordinary share [2003: 0]

### 6. PROPERTY, PLANT AND EQUIPMENT

#### Office equipment

<table>
<thead>
<tr>
<th></th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>At cost</td>
<td>74,176</td>
<td>8,539</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(7,885)</td>
<td>(475)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>66,291</strong></td>
<td><strong>8,064</strong></td>
</tr>
</tbody>
</table>

#### Leasehold improvements

<table>
<thead>
<tr>
<th></th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>At cost</td>
<td>79,874</td>
<td>–</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(3,994)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75,880</strong></td>
<td>–</td>
</tr>
</tbody>
</table>

**Total property, plant and equipment**

<table>
<thead>
<tr>
<th></th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>At cost</td>
<td>154,050</td>
<td>8,539</td>
</tr>
<tr>
<td>Accumulated depreciation &amp; amortisation</td>
<td>(11,879)</td>
<td>(475)</td>
</tr>
<tr>
<td><strong>TOTAL WRITTEN DOWN AMOUNT</strong></td>
<td><strong>142,171</strong></td>
<td><strong>8,064</strong></td>
</tr>
</tbody>
</table>

**Reconciliations**

#### Office equipment

- Carrying amount at beginning: 8,064
- Additions: 65,638
- Depreciation expense: (7,411)

<table>
<thead>
<tr>
<th></th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>66,291</strong></td>
<td><strong>8,064</strong></td>
</tr>
</tbody>
</table>

#### Leasehold improvements

- Carrying amount at beginning: –
- Additions: 79,874
- Depreciation expense: (3,994)

<table>
<thead>
<tr>
<th></th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>75,880</strong></td>
<td>–</td>
</tr>
</tbody>
</table>
7. PAYABLES (CURRENT)

<table>
<thead>
<tr>
<th>Description</th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade creditors</td>
<td>109,873</td>
<td>7,885</td>
</tr>
<tr>
<td>Other creditors</td>
<td>1,072,332</td>
<td>28,855</td>
</tr>
<tr>
<td>Unearned income</td>
<td>842,884</td>
<td>149,185</td>
</tr>
<tr>
<td>Unearned income – EIDF Transfer</td>
<td>180,508</td>
<td>180,508</td>
</tr>
<tr>
<td>Unearned income – RIRDC Asset Transfer</td>
<td>986,793</td>
<td>986,793</td>
</tr>
<tr>
<td>Lease incentive</td>
<td>106,250</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,298,640</strong></td>
<td><strong>1,353,226</strong></td>
</tr>
</tbody>
</table>

8. PROVISIONS (CURRENT)

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee entitlements</td>
<td>12</td>
<td>25,429</td>
<td>6,656</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>25,429</strong></td>
<td><strong>6,656</strong></td>
</tr>
</tbody>
</table>

9. PROVISIONS (NON-CURRENT)

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee entitlements</td>
<td>12</td>
<td>8,808</td>
<td>6,878</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>8,808</strong></td>
<td><strong>6,878</strong></td>
</tr>
</tbody>
</table>

10. RESERVES AND RETAINED PROFITS

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained profits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net profit</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

11. STATEMENT OF CASH FLOWS

(a) Reconciliation of the net profit after tax to the net cash flows from operations

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Non-Cash Items

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation of non-current assets</td>
<td></td>
<td>11,405</td>
<td>4,759</td>
</tr>
</tbody>
</table>

Changes in assets and liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Increase)/decrease in trade and other receivables</td>
<td>(114,666)</td>
<td>(185,611)</td>
<td></td>
</tr>
<tr>
<td>(Decrease)/increase in trade and other creditors</td>
<td>1,839,165</td>
<td>1,353,226</td>
<td></td>
</tr>
<tr>
<td>(Decrease)/increase in provisions</td>
<td>20,702</td>
<td>13,534</td>
<td></td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>1,756,606</td>
<td>1,181,624</td>
<td></td>
</tr>
</tbody>
</table>

(b) Reconciliation of cash

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash balance comprises:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cash on hand</td>
<td></td>
<td>232</td>
<td>-</td>
</tr>
<tr>
<td>- Cash at bank</td>
<td></td>
<td>2,878,250</td>
<td>1,173,085</td>
</tr>
<tr>
<td>Closing cash balance</td>
<td></td>
<td>2,878,482</td>
<td>1,173,085</td>
</tr>
</tbody>
</table>
notes to the financial statements

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

12. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

Employee Entitlements
Provisions (current) 25,429 6,656
Provisions (non-current) 8,808 6,878

Superannuation Commitments
Contributions by the entity of up to 9% of employees' wages and salaries are legally enforceable in Australia.

13. EXPENDITURE COMMITMENTS

Lease expenditure commitments
Operating leases (non-cancellable)
Minimum lease payments
- not later than one year 74,370
- later than one year and not later than five years 241,703
Aggregate lease expenditure contracted for at balance date 316,073

14. CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2004.

15. SUBSEQUENT EVENTS

There have been no significant events that have occurred since 30 June 2004 that require separate disclosure.

16. REMUNERATION OF DIRECTORS

Income paid or payable, or otherwise made available, in respect of the financial year to 30 June 2004, to all directors of Australian Egg Corporation Limited, directly or indirectly, from the entity or any related party.

<table>
<thead>
<tr>
<th>No.</th>
<th>No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>211,965</td>
<td>21,250</td>
</tr>
</tbody>
</table>

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

| $0       | 2 | 4 |
| $1 – $9,999 | 1 | - |
| $10,000 – $19,999 | 1 | 1 |
| $170,000 – $179,999 | 1 | - |

17. AUDITORS' REMUNERATION

Amounts received or due and receivable by Ernst & Young for:
- an audit or review of the financial report of the entity 23,250 22,500
- other services in relation to the entity 18,477 -

41,727 22,500
notes to the financial statements

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
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 (2003: 0).

[c] The following related party transactions occurred during the financial year:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2004</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Wholly-owned group transactions</td>
<td>1,607</td>
<td>-</td>
</tr>
<tr>
<td>Amounts due from Australian Egg Export Pty Limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) Transactions with other related entities</td>
<td>10,339</td>
<td>-</td>
</tr>
<tr>
<td>Amounts due from Australian Egg Industry Association Inc.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

19. SEGMENT INFORMATION

Segment products and locations

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

20. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Australian Egg Corporation Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The company is in the process of conducting impact assessments to identify key areas that will be impacted by the transition to IFRS.

As Australian Egg Corporation Limited has a 30 June year-end, priority will be given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Australian Egg Corporation Limited prepares its first fully compliant financial report for the year ended 30 June 2006. Set out below is the key area where accounting policies will change and may have an impact on the financial report of Australian Egg Corporation Limited. At this stage the company has not been able to reliably quantify the impact on the financial report.

Revenue recognition

As Australian Egg Corporation Limited meets the definition of a 'not for profit' entity it will be required to apply revenue recognition policies in accordance with AASB 1004 'Contributions'. This standard requires contributions to be recognised as revenue immediately when the entity obtains control of the contribution or the right to receive the contribution. It is anticipated this will result in revenue being recognised earlier than under current accounting standards and will increase opening retained earnings and decrease unearned revenue balances on transition.
notes to the financial statements

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:

<table>
<thead>
<tr>
<th>financial instruments</th>
<th>floating interest rate</th>
<th>1 year or less</th>
<th>over 1 to 5 years</th>
<th>more than 5 years</th>
<th>non-interest bearing</th>
<th>total carrying amount</th>
<th>weighted average effective interest weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>2,878,462</td>
<td>1,173,085</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>312,223</td>
</tr>
<tr>
<td>Trade &amp; other receivables</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shares in Subsidiary</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>2,878,462</td>
<td>1,173,085</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>312,223</td>
</tr>
<tr>
<td>(ii) Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other creditors</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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

(b) Terms, conditions and accounting policies

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

(c) Net fair values of financial instruments

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

(d) Credit risk exposure

The company’s maximum exposure to credit risk at reporting date in relation to each class of financial asset is the carrying amount of those assets in the statement of financial position.
Independent audit report to members of Australian Egg Corporation Limited

Scope


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

Audit approach

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

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

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

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

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

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

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

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

(a) the *Corporations Act 2001* including:

(i) giving a true and fair view of the financial position of Australian Egg Corporation Limited at 30 June 2004 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*, and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

J K Haydon
Partner
Sydney

Date: 28 October, 2004
sustainable and profitable growth of the Australian egg industry