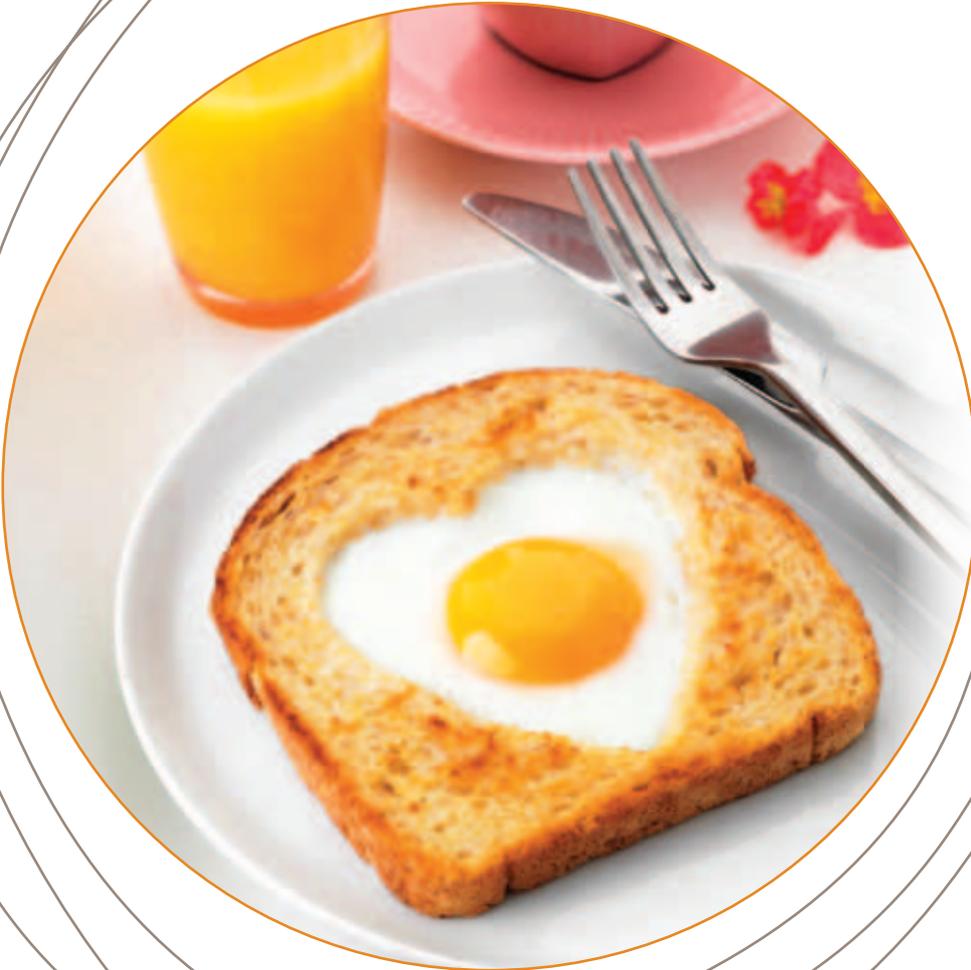


2010

ANNUAL REPORT

From the farm to the table



AUSTRALIAN EGG
CORPORATION LIMITED



*Eggs play a vital part
in the meal repertoire of
the Australian consumer*



CONTENTS

OUR VALUES	02
EGG INDUSTRY OVERVIEW	03
CHAIRMAN'S MESSAGE	04
AECL BOARD OF DIRECTORS	06
MANAGING DIRECTOR'S REPORT	08
SITUATION ANALYSIS	14
AUSTRALIAN GOVERNMENT R&D PRIORITIES	16
CORPORATE GOVERNANCE / COMPLIANCE	18
AECL ORGANISATIONAL STRUCTURE	22
AECL BUSINESS / PLANNING CYCLE	23
FINANCIAL REPORT	25
PROJECT / ACTIVITY REPORT	48
GLOSSARY	53



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OUR VALUES

INDUSTRY VISION STATEMENT

A cohesive, profitable and growing Australian egg industry meeting the needs of consumers while operating in a socially and environmentally sustainable fashion.

AECL VISION STATEMENT

A responsible and proactive industry service provider supporting the Australian egg industry to achieve its vision.

AECL MISSION STATEMENT

To develop and drive integrated on-farm solutions and through-chain market services - through R&D and promotional levy investments - that maximise benefits and revenue for the Australian egg industry and the community while minimising barriers and costs for Australian egg producers.



EGG INDUSTRY OVERVIEW

Production – Australia:	345 million dozen eggs - 2009 (Source: Australian Egg Corporation Limited)		
Flock size:	20.119 million hens (inc. pullets) - as at 31 December, 2009 (Source: Australian Egg Corporation Limited)		
State flock percentages:	NSW/ACT	31%	
	Queensland	27%	
	Victoria	25%	
	WA	9%	
	SA/NT	7%	
	Tasmania	1%	
	(Source: Australian Bureau of Statistics, cat. no. 7121)		
Number of egg farms:	309 - as at 30 June, 2009 (Source: Australian Bureau of Statistics, cat. no. 7121)		
Gross value of production at farm gate:	\$413m per annum - 2008/09 (Source: Australian Bureau of Statistics, cat no. 7503)		
Retail prices (average):	\$4.43 per dozen - December quarter, 2009 (Source: Australian Bureau of Statistics, cat no. 6403)		
Gross value of production at market:	\$1.539b - 2009 (Source: Australian Egg Corporation Limited)		
Grocery/retail sales value:	\$465.8m - 2009 (Source: AZTEC Synovate)		
Grocery/retail sales volume:	113.701m dozen - 2009 (Source: AZTEC Synovate)		
Grocery/retail production market share 2009		volume	value
	Cage eggs:	63.5%	49.5%
	Free range eggs:	26.6%	37.3%
	Barn-laid eggs:	7.6%	9.1%
	Organic eggs:	2.2%	4.1%
	(Source: AZTEC Synovate)		
Grocery/retail branding market share 2009		volume	value
	Private-label/generic labels:	55.3%	42.8%
	Proprietary labels:	44.7%	57.2%
	(Source: AZTEC Synovate)		
Grocery/retail pack size market share 2009		volume	value
	6 (half dozen) pack:	10.8%	15.4%
	10 pack:	2.2%	3.4%
	12 pack (dozen):	84.5%	78.5%
	15 pack:	1.5%	1.5%
	Other pack sizes:	1.0%	1.2%
	(Source: AZTEC Synovate)		
Grocery/retail pack weight market share 2009:		volume	value
	<= 350g:	9.9%	14.3%
	351g - 600g	18.8%	20.0%
	601g - 700g	63.2%	55.9%
	701g - 800g	4.9%	6.3%
	>= 801g	3.2%	3.5%
	(Source: AZTEC Synovate)		
Egg product exports – 2009: (FOB equivalent)		volume	value
	Shell eggs	165mt	A\$1.568m
	Egg pulp/liquid	412mt	A\$0.957m
	Egg powder	<1mt	A\$0.003m
	(Source: Australian Bureau of Statistics)		
Egg product imports – 2009: (CIF equivalent)		volume	value
	Eggs preserved/cooked	1,010mt	A\$2.503m
	Egg powder	639mt	A\$5.431m
	Egg pulp/liquid	377mt	A\$1.182m
	(Source: Australian Bureau of Statistics)		



CHAIRMAN'S MESSAGE

As we report on the activities and achievements of 2010, we do so in an environment conducive to now being able to lift egg prices. The 2010 year was definitely a period of two halves. During the first half of the year, egg producers experienced record high egg inventory levels, second only to 12 months earlier, thereby placing downward pressure on price. Over the second half of the year, inventory stocks fell to near record lows and maintained this trend placing upward pressure on price as egg producers scrambled to fill increased orders.

Over the year, egg consumption continued to grow as did industry consolidation, improvements in capital infrastructure across all 3 recognised egg production systems, adoption of new technologies and further enhancements in supply distribution and logistics. Benchmarked to years earlier, there is definitely a maturity and increased level of professionalism now characterising the Australian egg industry. This trend is being recognised by our buyers, the community, government and other non-government organisations. The Australian Egg Corporation Limited (AECL) continues to lead this business approach by providing a responsible and pro-active service to all egg producers as it relates to the provision of promotional service and R&D solutions all of which are amounting to a growing, productive and sustainable business and market environment for all egg producers. Despite this, there will continue to be other egg producers who maintain their current business structures, be them large or small, thereby servicing customers in their own way in an ever changing and dynamic market place. No one business model is right as there is room for all types of egg production businesses no matter their size or location. AECL continues to support and service all egg producers.

Growth of the egg market and the egg industry is characterised by some fundamental indicators. Firstly, we witnessed an increased number of day-olds hatched during the year with monthly volumes averaging in excess of 1.1 million chicks. Secondly, an increase in the number of layers and pullets in the system which at year end totalled 20.7 million birds. Thirdly, while the number of layers as at 30 June was on par with the previous year, the long term trend is up. Fourthly, buoyant growth in retail egg sales increasing by 7% over 2009 levels and lastly, continued growth in egg consumption closing the year at 192 eggs per person indicating egg sales growing at a faster rate than that of the population. This solid platform reflects the operating environment outlined previously and bodes well for continued growth moving forward. These results are indicative of the programs and suite of projects egg producer levies are invested in by AECL each year.

This growth in the egg market is characterised by the quality of AECL programs, additional egg industry investments and egg producer efforts to maintain the presence of eggs on the menu at home, in restaurants and among other catering facilities. This has been achieved by continuing to dispel previous negative health associations with cholesterol, promoting the many nutritional benefits of eggs, continuing to highlight the versatility and convenience of eggs for time-poor consumers and emphasising the great value proposition of eggs as a natural high quality source of bio-available protein. This has all helped to ensure eggs play a vital part in the meal repertoire of Australian consumers on a daily basis. However, AECL can only create market opportunities as it is up to individual egg producers to take advantage of this increased consumer demand by competitively positioning their business and brand offering to maintain or increase their share of the growing market.

Our Research & Development (R&D) portfolio continues to address flock health and disease management, feed availability and bird nutrition, hen welfare, on-farm extension and training, Quality Assurance (QA) and the industry's environmental footprint. Boosted by an increase in R&D levy revenue during 2010, the expenditure of which is matched by the Australian Government, outcomes achieved to date in the research area pertaining to production and consumption can now be maintained. However, the operating environment is also characterised by increasing project costs for the delivery of tangible outcomes by a research community that is reducing in number and expertise over time. This issue has partly been addressed by AECL and further work needs to be done in this regard if we are to ensure the 'health' and availability of our research community moving forward.

While there were numerous positive outcomes and industry enhancements that have occurred during the year, there were also a number of issues that continue to question the egg industry's integrity and ethics which is reflecting negatively on hard-working and honest egg producers. These issues have included animal welfare concerns, food safety outbreaks and truth-in-labelling allegations.

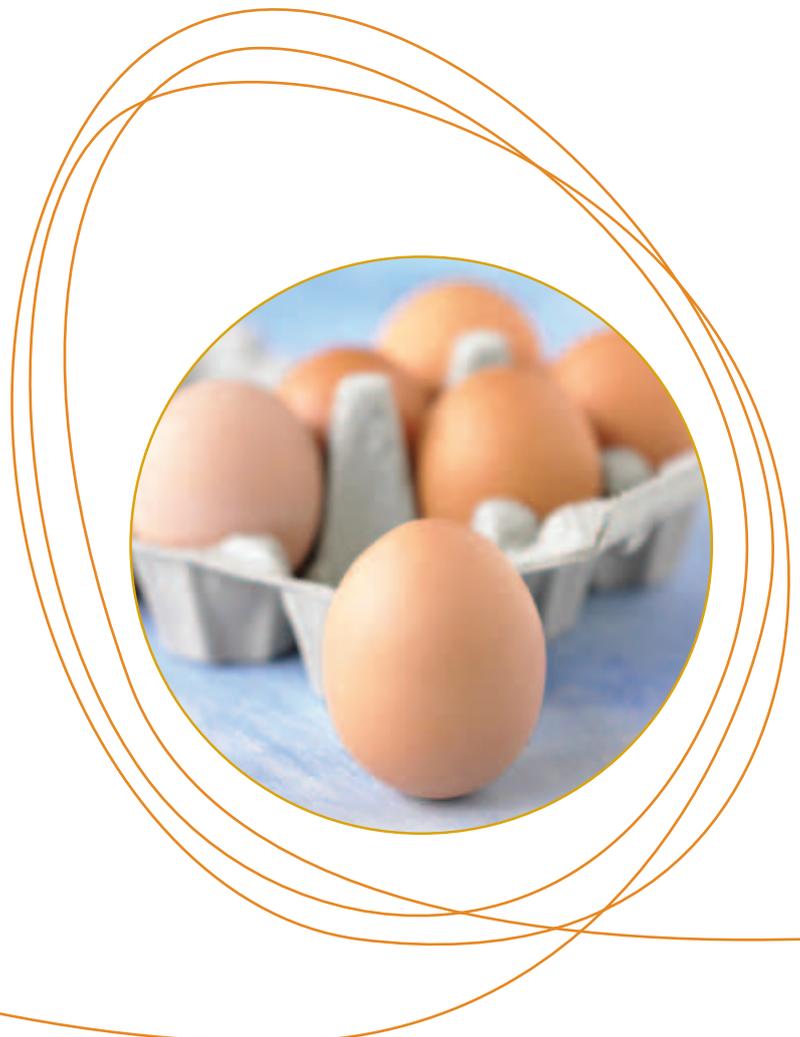
While animal welfare concerns will not abate, the industry must stand firm regarding its ability to farm in a fashion that balances the welfare of all birds, the surrounding farm environment, the ability to provide choice to consumers and being able to feed a hungry world. We cannot achieve all of these ideals through the denigration or removal of any recognised egg production system.

To this end, and through the initiative of the current Chairman of the International Egg Commission (IEC), AECL adopted the IEC Vision statement that highlights the importance of egg farmers who care about: producing the highest quality, safest product; our environment; providing choice; the welfare of our hens; and feeding our growing population. This is not a glib statement but rather an industry creed that does encapsulate what being an egg farmer is all about. AECL has been an active participant of the IEC and to this end I wish to acknowledge the passion and personal commitment the current Chairman of the IEC, who is also a member of the AECL Board, has injected into the international egg industry. Its achievements over recent years are unmatched.

Another key issue that emerged during the year were allegations of product mis-representation and deceptive conduct. AECL supports the full weight of the law coming down on any egg producer who deceives consumers through compromising truth-in-labelling requirements. To this end, we have assisted regulatory authorities by providing any evidence received by AECL. Such allegations or suggestions have a significant impact on the integrity of the egg industry which would take countless years to rebuild.

AECL policies, programs and actions continue to support all egg producers no matter their size, production method or location for the long term betterment of the Australian egg industry. This remained our goal during 2010 and will continue to reflect our efforts moving forward.

Finally, I would like to acknowledge the efforts of all AECL directors who continue to tirelessly contribute their time and efforts to ensure the effective investment of levy funds for all egg producers. We must also acknowledge that this can only be achieved through the passion and active interest shown by the AECL management team.



BOARD OF DIRECTORS



JEFF IRONSIDE

FAICD

AECL CHAIRMAN

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

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

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

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



RUSSELL WARE

LL.M. (Hons.) FAICD

AECL DEPUTY CHAIRMAN

Russell Ware is a non-executive 'specialist' director, AECL Deputy Chairman and Chairman of the Finance & Audit and Governance & Risk Committees, fulfilling the requirements of the corporation's agreement with the Commonwealth 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. Currently he is a non-executive director of the Greater Building Society Ltd, one of the largest building societies in Australia, Chairman of Greyhounds Australasia Ltd, the peak body of greyhound racing in Australia and New Zealand, and Chairman of RetraVision Australia, the well-known retailing store network.

Russell 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 Chairman of the International Egg Commission (IEC) and was awarded the Dennis Wellstead Memorial Trophy for International Egg Person of 2004.

Frank Pace was previously the Chairman of the Seven Hills branch of the Livestock and Grain Producers Association (LPGA) 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.

Most recently, Frank Pace was honoured as the recipient of the 2010 Lindsay Bell award in recognition of his tireless work in both the Australian and International egg industries.



ZELKO LENDICH

B Ec (Hons), MBA

AECL DIRECTOR

Zelko is a non-executive 'elected' Director of AECL and is the Managing Director of Farm Pride Foods Limited, the only publicly listed egg producer in Australia.

During his 15 years experience in the egg industry, Zelko has held several directorship positions including the W.A. Egg Marketing Board, West Coast Eggs, NOVO Foods as well as Executive Chairman of Farm Pride Foods Limited.

Zelko also offers wide ranging experience in commerce, government and the education sector both within Australia and internationally. He has held senior positions at the University of Western Australia's Management Development Institute, Australian Leather Holdings, Jennings Industries Ltd, Wilson Parking International Pty Ltd, McKinsey and Co and with Asea Brown Boveri in the U.K., Sweden and Canada. Whilst with the Western Australian Government he was the principal advisor to the Minister for Transport and a key economic advisor to the Premier of Western Australia.

Zelko has an Economics Degree and a Masters of Business Administration from the University of Western Australia.



JOHN O'HARA

B.Bus (Comm). MAICD

AECL DIRECTOR

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

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

John has been recognised over many years for excellence in business including winning the International Egg Commission's 2004 Crystal Egg Award for marketing excellence, followed by two gold awards in the International Marketing Effectiveness Awards held in New York. In 2005, the Company won the prestigious Campaign of the Year Award from the Australian Marketing Institute and followed up in 2009 taking out the National Award for New Product of the Year. In 2010, Sunny Queen was also voted Number One Product of the Year in a Consumer Survey of Product Innovation (5000 Consumers).

John is a Member of the Australian Institute of Company Directors and is currently a Vice Patron of Surf Life Saving Queensland.



JAMES KELLAWAY

B App Sci (Agr), GDMM, MBA, GAICD, ACIS, AFAIM

AECL MANAGING DIRECTOR

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

James has a Master of Business Administration (MBA) from the Graduate School of Business at the University of Technology Sydney, a Graduate Diploma in Marketing Management from the Graduate School of Management at Macquarie University and a Bachelor of Applied Science in Agriculture from the University of Western Sydney. James is also a Graduate Member of the Australian Institute of Company Directors, a Graduate of the Chartered Secretaries of Australia and an Associate Fellow of the Australian Institute of Management.

He is also Chairman of the Animal Health Australia (AHA) Industry Forum, a non-executive director of the Australian Poultry Co-operative Research Centre (CRC) and the Australian Livestock Export Corporation Limited and on the board selection committees of AHA and the Primary Industries Education Foundation. He also represents the Australian egg industry on several committees of the International Egg Commission.



MANAGING DIRECTOR'S REPORT – 2010

The 09/10 fiscal year and associated business plan delivered programs in response to the 2009-2013 AECL Strategic Plan resulting in further egg consumption gains due to increased awareness, demand and hence sales of eggs in the Australian market. This was supported by targeted Research & Development (R&D) on-farm and throughout the supply chain to increase business productivity and industry sustainability as well as proactive management of industry and market issues on a continual basis.

All projects and activities planned and undertaken during 09/10 responded to the suite of strategies and outcomes that directly address the Company's Mission Statement and AECL Vision to be a "responsible and pro-active industry service provider supporting the Australian egg industry to achieve its vision." From an operational perspective, AECL addressed the six agreed strategies through the adoption and implementation of operating pillars that directly reflected the outcomes to be delivered. These pillars are Market Awareness, Market Education, Supply Chain Enhancement, On-Farm Innovation & Efficiency and Public Affairs & Stakeholder Relations.

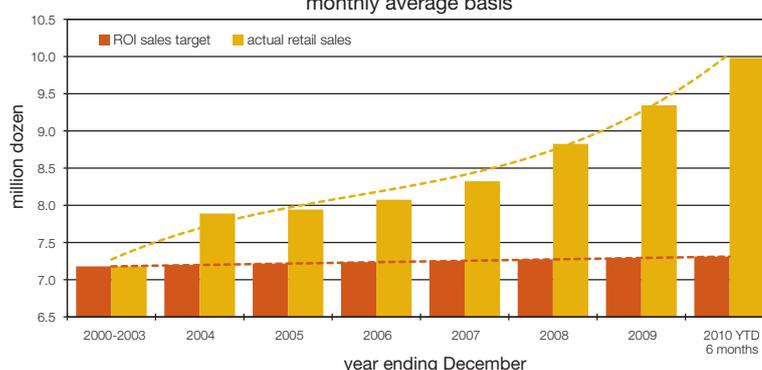
With the assistance of the five Industry Consultative Committees (ICCs) and the four appointed expert groups in formulating program design and implementation, the AECL management team was able to ensure its projects and activities were commercially-responsive to the needs of egg producers and the egg consuming market while also benefiting the broader community during the year.

2010 OPERATING RESULTS

Some key benchmark results for the 2010 fiscal year show continued commercial growth.

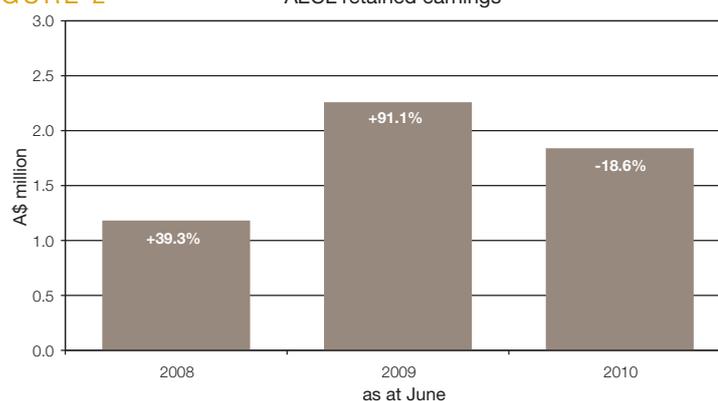
- Laying chicks hatched totalled 13.605 million, up by 9.9% on 2009 levels and up by 18% on the 5-year average.
- Chickens (layers & pullets) at year end totalled 20.665 million, up by 4.9% on 2009 levels and up by 15% on the 5-year average.
- Retail egg volumes reached 117.514 million dozen, up by 7.0% on 2009 levels and up by 17.3% on the 5-year average with retail egg sales totalling \$476.180 million, up by 7.1% on 2009 levels and up by 28.5% on the 5-year average.
- Egg consumption on a per capita basis at year end closed at 192 eggs per person, up from 190 eggs on 2009 levels and up on the 5-year average of 181 eggs. Egg consumption on a linear basis since 2000 totalled 190 in 2010, up from 187 in 2009.
- Return on invested funds increased to total 36.5% as at June YTD, up from the 2009 position of 28.1%. Returns generated since the inception of AECL average 19.1% each year, please see Figure 1 (results of econometric model developed by Professor John Freebairn at the University of Melbourne).
- Retained surpluses for AECL totalled A\$1.840m, down from A\$2.259m as at June 2009 due to a forecasted operating loss for the 09/10 fiscal year resulting in increased program investment for long term industry growth, please see Figure 2.

FIGURE 1 Return on *promotion levy* investment - retail egg sales monthly average basis



Source: AZTEC Synovate, Freebairn

FIGURE 2 AECL retained earnings



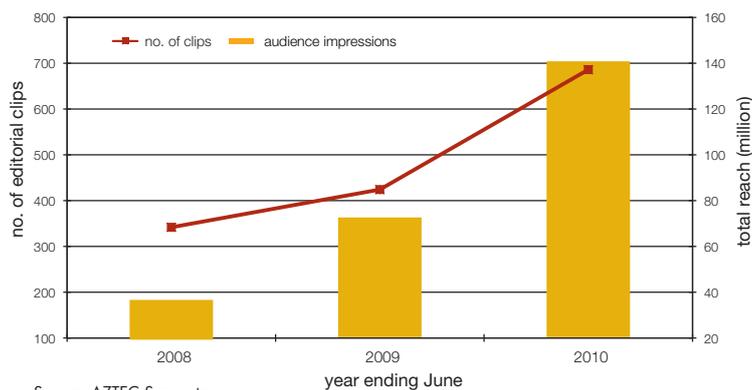
MARKET AWARENESS

During the year, the consumer promotional program primarily focussed on ensuring AECL was able to clearly enunciate and target our agreed market segments with the right messaging. To assist us, AECL undertook our 3rd national Usage & Attitudinal (U&A) market research study including qualitative and quantitative phases with 9 focus groups and 1,600 consumers. The main aim was to assist AECL re-assess its long term marketing strategy while having a deeper understanding of our target audience thereby developing more effective consumer oriented promotional programs. As a result, we have refined our primary market segments characterising them for ease of messaging. One of the many outcomes from the research identified that the Australian population believes 8 eggs per week is a healthy consumption pattern while actual consumption hovers around 5 eggs per week proving great potential to increase consumption.

Our print advertising continued unabated building commitment and repeat purchase of eggs during consumers' regular food shopping visits. In total, we developed 6 creative executions generating appetite appeal where eggs remained the hero with endorsement from the Heart Foundation of Australia. Media was purchased in 8 major national print magazine titles read by our target audience through 55 insertions. During the year we were able to attract more media through value adds than what we purchased generating a great result and ROI on the invested funds. We re-pitched our media strategy and buying service during the year to ensure our current agency was providing the best value given our renewed advertising strategy.

AECL also launched the new digital media release platform during the year which was welcomed by food editors and journalists. In addition, we developed 4 dedicated cooking videos for our consumer website with downloads being much higher than expected. At year end, AECL media had generated 692 clips with a total reach of 140 million impressions, double the results of the previous year with a slightly smaller budget, please see Figure 3.

FIGURE 3 AECL media relations - comparative coverage results



Source: AZTEC Synovate

Our PR was also able to generate increased use of eggs in editorial coverage where the number of egg recipes and the number of eggs used across 4 national magazine titles increase on prior year levels, please see Figure 4.

We continued to refresh and renew our promotional campaign website, www.eggsaseasyas.com.au, and our consumer site, www.eggs.org.au, by installing a downloadable recipe widget; increasing the product branding; updating new recipes and other content; and adding relevant links or pages relating to kids, students, nutrition and the convenience of eggs.

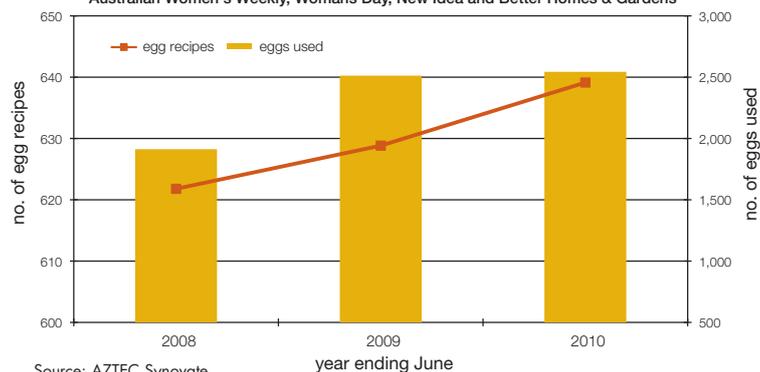
World Egg Day in October again proved a great hit with egg producers, the media and consumers. Activities included the distribution of a media kit enabling egg producers to undertake charity cook-ups and reach out to local media in regional areas. AECL also did media drops at the top rating morning shows in state capital cities and launched a consumer competition attracting over 4,600 entries who cooked their favourite international egg-based dish. Recipe entries were featured on the AECL consumer website. We also partnered with Tefal Australia in supplying 'Toast'n Egg' cookers to the prize winners. These entries enabled AECL to update its CRM data-base the subscribers of which receive our Eggs As Easy As newsletter each month and other cost-effective direct mail promotions.

Our 2010 calendars were again a another hit again this year among egg producers with all 7,000 being distributed among egg producers who made them available to their customers. The egg photography was picked up and used by some major retail accounts for use in their publications to further promote eggs.

During the year, eggs were also one of the three finalists in the 'must have in the pantry' category of the Australian Women's Weekly Product of the Year awards.

The continual engagement of the PR & Promotions ICC ensured our programs were commercially relevant and market responsive with appropriate messaging thereby driving consumption and repeat purchase with shorter shopping cycles.

FIGURE 4 Selected national magazine editorial KPIs - 4 titles
Australian Women's Weekly, Womans Day, New Idea and Better Homes & Gardens



Source: AZTEC Synovate

MANAGING DIRECTOR'S REPORT – 2010 (CONT'D)

MARKET EDUCATION

A key development during the year was the re-branding of the Egg Nutrition Advisory Group (ENAG). First launched in 2004, ENAG and its HealthCare Professional (HCP) members have provided informed, independent, scientific positioning statements to their peers on the nutritional benefits of eating eggs at different life stages and disease states. This continued unabated during the year however the group was re-launched as the Egg Nutrition Council (ENC) with Dr Don McNamara from the US and Dr Cameron Grant from New Zealand joining the Council. During the year Dr McNamara strengthened his association here in Australia by becoming an Honorary Associate Professor of Nutrition at the University of Sydney thereby strengthening the credibility, stature and resources that now make up the Council. Our launch of ENC included a review of the HCP website, www.enc.org.au.

In light of the updated fats positioning statement and new policy of the Heart Foundation of Australia to now consume 6 eggs per week, AECL hosted a media tour with Dr McNamara convening 3 breakfast events where the ENC was able to convey new science about the importance of eggs as part of a healthy, balanced lifestyle. This was used as a platform to educate HCPs and the media resulting in over 80 editorial pieces in print, radio and TV reaching an audience of more than 15.5 million with this activity now shortlisted for a Public Relations Institute of Australia award.

To assist in messaging, AECL convened a roundtable event which led to the development of a white paper to help diminish any doubts GPs, nutritionists or dieticians may have had about the new Heart Foundation of Australia messaging. The paper was launched by ENC at a dedicated breakfast session as part of the DAA conference to help debunk any lingering myths about egg consumption, cholesterol and the risk of cardiovascular diseases and dispatched to nearly 4,000 GPs nationally. We also undertook an audit of our communications through an IPSOS report with opinion leaders and influencers operating within the HCP sector. The outcomes have bolstered our communications strategy moving forward.

AECL was also part of the inaugural Healthy Food Healthy Lifestyle show in Melbourne during the year. This allowed AECL to interact with over 30,000 consumers and educate them on the 6 eggs per week message while showcasing the versatility of eggs at different meal times each day through posters sessions, breakfast briefings, the ENC exhibition stand and a cooking session attended by nearly 200 consumers.

AECL also continued its quarterly release of The Good Egg e-newsletter; the distribution of monthly egg nutritional research updates to DAA members and over 400 HCP subscribers to AECL; increased relationships with the publications Australian Doctor and Medical Observer; and the development and dispatch of the new consumer Egg-cyclopaedia.

Our participation in the food policy coalition with the red meat, dairy, fruit and vegetable industries has also assisted to maintain a voice commensurate with food manufacturers in assisting policy makers and influential public health advisors argue the relevance of fresh foods when establishing nutritional guidelines.

With assistance of the Heart Foundation of Australia and ENC, AECL is now in the best position to dispel long held negative health myths by HCPs by ensuring that HCPs have the right information at their fingertips.

Student education was also a focus during the year with additional resources being committed to addressing this portfolio area moving forward. It is critical for animal agriculture and the egg industry to become engaged and proactive in this space as the divide between city and country widens. As such AECL was invited to assist appoint Board members to the Primary Industries Education Foundation, supported by the National Farmers' Federation (NFF) and the Australian Government while also engaging a Business Development Manager (BDM) to visit schools through a planned incursion program. This is in addition to our ongoing promotion in-schools of industry literature; provision of The Story of Eggs Teachers Resources Kit and associated DVD; worksheet activities; support of the WPSA-sponsored poultry in-schools initiative; and exhibitor presence at the Royal Sydney and Brisbane shows.



EGGS HAVE THE TICK
BECAUSE THEY ARE
A NUTRITIOUS FOOD

CERT TM

SUPPLY CHAIN ENHANCEMENT

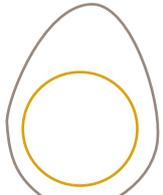
During 2010, AECL focussed on developing a long term plan for the implementation of projects and activities to address tangible stakeholder issues prevalent in the supply chain. This plan was developed with the assistance of the Supply Chain ICC to help ensure investments made were going to be beneficial to egg producers. While investments in this area are not the primary focus of AECL, the Company understands the importance of continual research and improvement in these areas.

Outcomes realised during the year included continual uptake of the standardised outer carton and pallet tape by more egg producers; back-of-store awareness of correct egg handling in retail chain stores; and negotiations towards establishing a training program for major Distribution Centres all with the aim of improving egg quality and reducing the ullage or wastage; the cost of which is passed back to the egg industry. We also established the Egg Labelling Integrity Panel to assist with label approvals and regulatory compliance.

We also continued our close liaison with supply chain partners including the major retail accounts, independent retailers, wholesalers and food service operators.

Contributions and interest in our monthly layer & egg supply forecast report also continued unabated during the year with egg producers representing over 80% of egg production now subscribing to this service. This report provides one of the few industry and market intelligence mechanisms aimed at directly assisting egg producers and constitutes an essential tool for business planning providing early indications of potential egg supply issues.





ON-FARM INNOVATION & EFFICIENCY

Planning and implementation of new and agreed projects continued during the year to affect productivity increases and sustainability in egg production on-farm. To this end, and in close consultation with the ICC, AECL commenced 6 new projects during 2010 to complement the 15 ongoing R&D projects already commissioned. This included initiatives on spent hen transport; reviewing alternative hen disposal options, including composting and co-generation; analysing impacts on spent hens through time off water; and providing data to make key veterinary chemicals available to industry.

AECL played a key role as part of the re-bid team for the Poultry CRC that has resulted in the CRC continuing for another 7.5 years beyond the life of its initial period which was to expire during the year. This has resulted in a government grant of \$28 million being added to participant investments to fund approved research in poultry health & welfare; bird nutrition & environmental stewardship; and safe & quality egg production. AECL is also represented on the CRC Board, the Education Committee and the End-Users Advisory Committee with a number of egg producers.

In close consultation with the egg industry and all research providers to the poultry industries, AECL chaired the development of the national Research, Development & Extension (RD&E) strategy for poultry in 2010. The strategy includes the chicken meat industry and the Poultry CRC with a combined projected investment of more than \$100 million over a 10 year period. The strategy also locks in poultry resource commitments and infrastructure from research providers such as state departments and universities. Key elements of the plan echo those of the CRC in addition to research adoption or extension. AECL was also an active participant in the development of the cross sectoral RD&E strategy on animal welfare and continues to participate in relevant program collaboration with other rural R&D corporations such as the Climate Change Research Strategy for Primary Industries or CCRSPI.

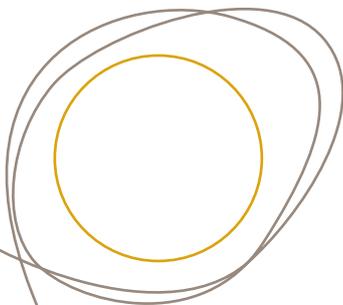
AECL developed the training, education & extension program for egg producers during the year to assist with accredited training of farm workers with financial assistance being provided by the Australian Government. One such resource developed in 2010 was our egg candling & training materials to assist address this important practice on-farm. Our extension officer visited 85 farms over the year providing egg producers with access to information, expertise and knowledge to assist their business operations. This service also enabled AECL to ensure R&D outcome adoption while feeding commercially relevant and producer responsive ideas into future R&D planning.

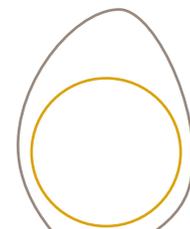
One on-farm tool developed and launched in 2010 was the EggBiz program to assist egg producers with flock data management and decision making to improve business performance. At year end, this tool was being used by over 50 egg producers and AECL has now received inquiries from overseas about the program. Updates and further information about EggBiz can be gleaned from the newly developed weblink www.eggbiz.com.au. I urge all egg producers to adopt this tool on-farm.

A comprehensive and independent review of the EggCorp Assured (ECA) Quality Assurance (QA) program was initiated during 2010. The ultimate aim of the review is to achieve international accreditation to reflect its strength, robustness and integrity prior to a public launch during 2011. AECL also began enhancing our auditing regime by seeking to only appoint dedicated, independent, third party auditors. We also maintained our regime of spot audits during the year. This was complemented by ongoing auditor training and egg producer workshops with farms representing 83% of the national flock holding an EggCorp Assured license at year end.

Final reports received during the year included egg quality testing and identification of quality risk factors; the influence of supply chain conditions on egg quality; occurrence and control of fatty liver hemorrhagic syndrome; and vaccination & Infectious Bronchitis Virus (IBV) challenge in mature laying hens and egg quality.

AECL also commenced investigating new trace element and isotope technologies to complement research previously undertaken on the use of UV to assist ascertain the provenance of eggs. This work will assist determine traceability of eggs and help ensure truth-in-labelling.





PUBLIC AFFAIRS & STAKEHOLDER RELATIONS

During the year we maintained our close liaison with egg producers and other stakeholders through our suite of communication tools. This included our corporate website, www.aecl.org.au; our quarterly Eggstra magazine and fortnightly EggCorp EggsPress newsletter; our 13th Industry Forum and AGM convened in Brisbane; ad-hoc workshops and one-on-one egg producer visits by AECL management; and our involvement in the Poultry Information Exchange (PIX) conference. AECL sincerely believes we 'punch above our weight' as it relates to stakeholder relations and ongoing communication with the egg industry. This is apart from the range of Industry Consultative Committees (ICCs), such as the Public Affairs ICC, that AECL management convene to assist ensure our programs are commercially realistic and meaningful to egg producers. This has assisted us achieve an 8% growth in the number of AECL members during 2010 with associate memberships reaching 22 by year end. AECL recognises that ongoing communication initiatives with our stakeholders are essential and this will not abate moving forward.

A key focus during the year was a review of the current definitions and suite of standards that underpin egg production systems in Australia. To this end, we sought to understand the science that is available globally, the attitudes and views of consumers and take account of the commercial reality prevalent in the egg industry. This included an audit of global research on poultry health & welfare, environmental sustainability and food safety concerns; an analysis of 13 different international standards; and baseline market research undertaken among 9 focus groups and over 5,000 consumers seeking feedback on the markets' knowledge, understanding and attitudes they may have of the egg industry, egg producers and the recognised egg production systems prevalent in Australia. This was in light of perceived animal welfare issues and truth-in-labelling concerns.

The Hen Welfare Advisory Group (HWAG) was bolstered during the year with the addition of Dr Kevin Stafford from Massey University in New Zealand. The Group assisted AECL in ensuring best practice management standards are developed and implemented for the Australian egg industry while also assisting AECL with other initiatives such as the Australian Animal Welfare Strategy and media relations. In a similar vein, the Food Safety Task Force (FSTF) was also engaged during the year providing feedback on food safety events such as the NSW review of the Food Act and the development of the FSANZ standard for eggs and egg products. Continual updates to the website, www.hwag.com.au, also helped inform members of the public regarding any concerns they may have had.

Many industry issues emerged during the year including biosecurity threats, animal welfare and cruelty claims, food safety breaches and animal health scares and the AECL management team reacted swiftly to ensure all media and industry issues were managed in a timely fashion. We have a clear policy of being totally transparent, responsive, up-front and straight with handling any industry issues. This includes continual liaison with all state and territory governments, the Australian Government and government authorities such as FSANZ, the NSW Food Authority, Safefood Queensland and non-government organisations such as the RSPCA and Animal Health Australia (AHA) where AECL remains the chair of the cross-industries forum group.

In terms of media, AECL has been able to increase the positive messaging and amount of favourable media being generated through pro-active media management and editorial relations.

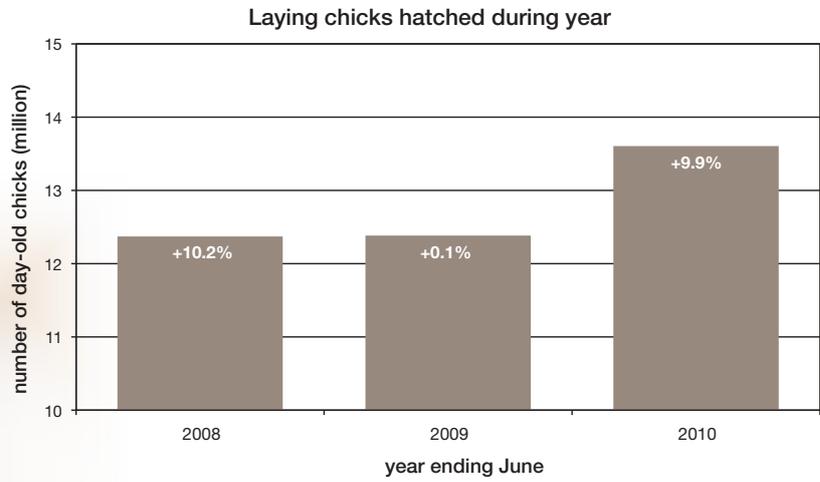
The Laying Chicken (R&D) levy increased during the year from 7.2 cents to 10 cents given the rationale outlined in the AECL Business Case and the ballot that took place in the previous year. This increased investment will allow AECL to deliver on a number of the commitments embedded in the AECL Strategic Plan and help ensure the ongoing viability and sustainability of the egg industry for all.

Finally and most importantly, I wish to thank AECL staff for their dedication and commitment to the Company, the industry and to the egg brand. This has ensured the investments made by AECL provide dividends to egg producers both in the short and long term. Additionally, the vision, guidance and support shown by the AECL Board resulting in prudent program management and corporate oversight for the benefit of egg producers and the Australian community. We look forward to building on the many successes to date in 2011 and beyond.

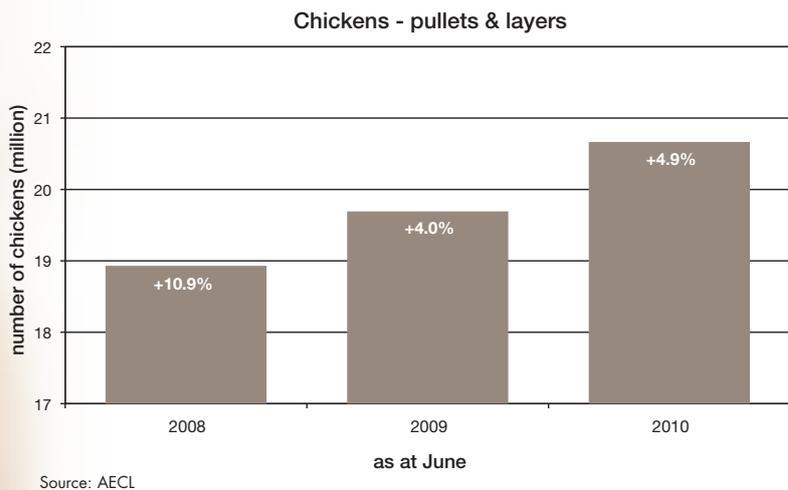


SITUATION ANALYSIS

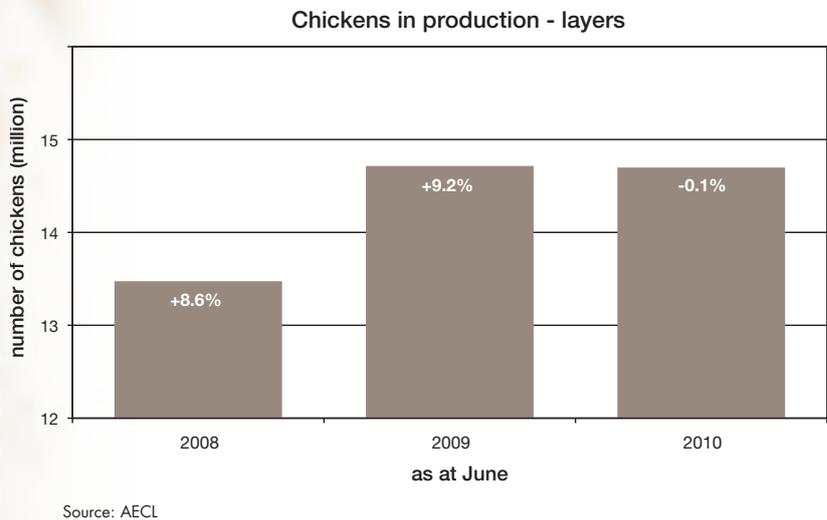
ANALYSIS 1



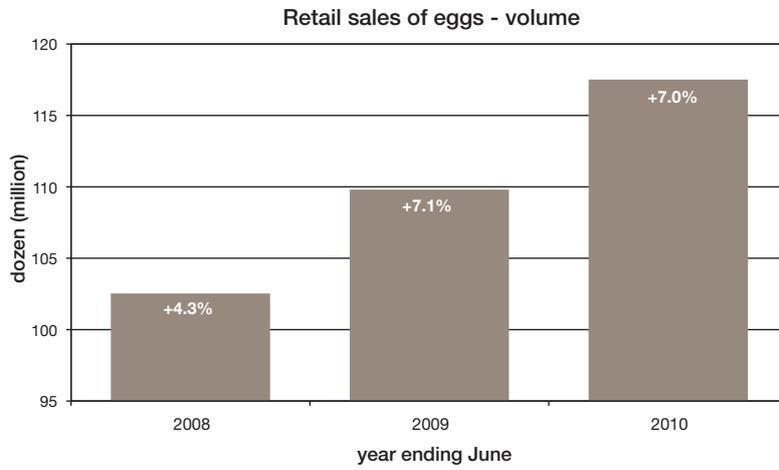
ANALYSIS 2



ANALYSIS 3

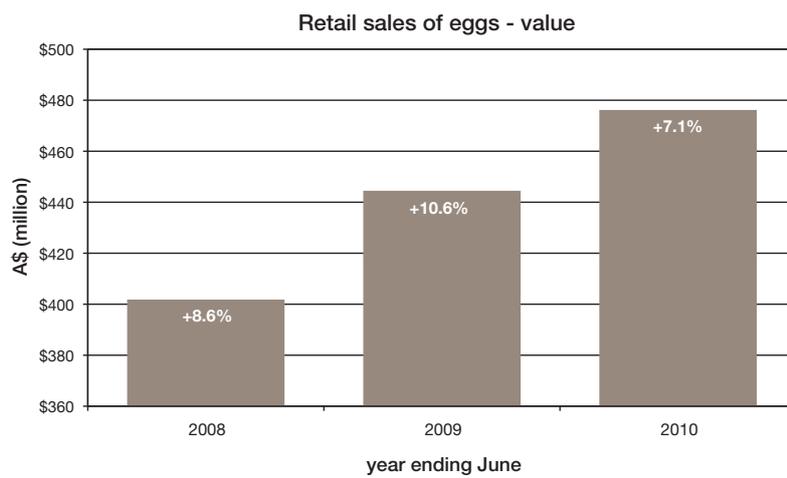


ANALYSIS 4



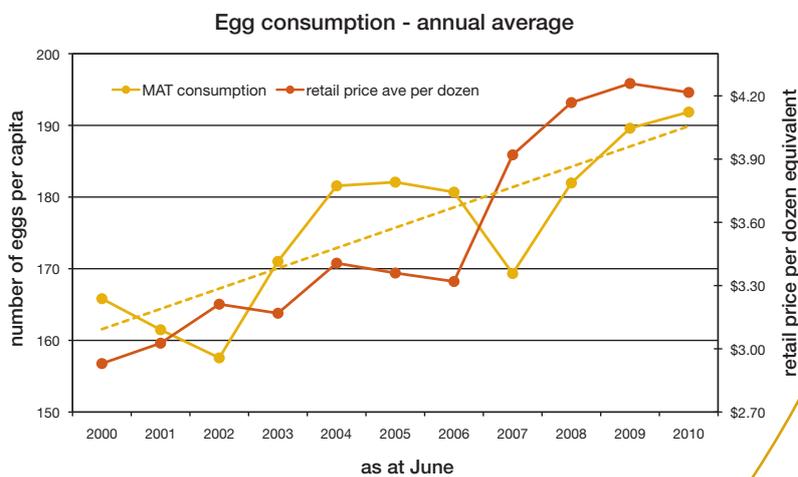
Source: AZTEC Synovate

ANALYSIS 5



Source: AZTEC Synovate

ANALYSIS 6



Source: AZTEC Synovate, ABS, AECL

AUSTRALIAN GOVERNMENT R&D PRIORITIES

Investment in Research & Development (R&D) is critical to meet industry needs and Australian Government R&D priorities. R&D overcomes production challenges and decreases the costs of production through innovation and technology transfer. AECL's R&D investment assists growth, improvement, profitability and long-term sustainability of the egg industry.

R&D embraced by the egg industry delivers benefits to egg producers and other industry stakeholders, to the operating environment and the wider Australian community. The industry's commitment to R&D and innovation is demonstrated by the higher productivity growth that has been occurring as a result of investment in R&D at the farm level, throughout the supply chain and in developing the market. To sustain productivity gains continual investment, coordination and linkage of R&D throughout the supply chain and marketing system is critical.

AECL is cognisant of the Australian Government being a key funding source matching R&D funds collected from egg producers. As part of the Australian Government's broader R&D policy, the egg industry currently receives one government dollar for every industry dollar invested in eligible R&D projects/activities.

To help guide the egg industry's broad investment in R&D, government priorities have been identified which map the challenges to be faced over the next five years by the agribusiness sector. The priorities focus on five challenges:

- Boosting industry productivity and adding value.
- Effective operation of supply chains and markets for existing and new products.
- Supporting effective natural resource management.
- Building resilience to climate variability and climate change.
- Protecting Australia from bio-security threats.

To meet these challenges and support the egg industry research effort, continued investment must also be made in building skills and advancing technology throughout the industry.

AECL is also an active participant in the Council of Rural Research & Development Corporations group which enables the egg industry to share information and outcomes across industry groups as well as seek opportunities to co-invest in broader industry research initiatives.

AECL will report against the national research and rural R&D priorities on an annual basis as part of the organisation's ongoing commitment to measurement of program outcomes.



NATIONAL RESEARCH PRIORITY	RURAL R&D PRIORITY	2009-2010 R&D FOCUS	
		PROJECTS	INVESTMENT
Promoting and maintaining good health (through strengthening Australia's social and economic fabric and preventive healthcare – healthy food production)	Productivity and adding value (Improve the productivity and profitability of existing industries and support the development of viable new industries.)	3	\$109,308
	Supply chain and markets (Better understand and respond to domestic and international market and consumer requirements and improve the flow of such information through the whole supply chain, including to consumers.)	16	\$913,794
An environmentally sustainable Australia	Natural resource management (Support effective management of Australia's natural resources to ensure primary industries are both economically and environmentally sustainable.)	2	\$8,340
	Climate variability and climate change (Build resilience to climate variability and adapt to and mitigate the effects of climate change.)	2	\$68,788
Safeguarding Australia	Biosecurity (Protect Australia's community, primary industries and environment from biosecurity threats.)	5	\$280,435
Frontier Technologies for Building and Transforming Australian Industries	Innovation skills (Improve the skills to under take research and apply its findings.)	11	\$569,297
	Technology (Promote the development of new and existing technologies.)	3	\$76,158

CORPORATE GOVERNANCE / COMPLIANCE

The Australian Egg Corporation Limited (AECL) is committed to conducting its business in a way that is open and accountable to all stakeholders. Corporate governance is the system of management and controls exercised in the stewardship of AECL. AECL is a public company limited by guarantee and as a result, is not listed on the Australian Stock Exchange (ASX) but has developed its framework for corporate governance in line with the Corporate Governance Principles and Recommendations as developed by the ASX Corporate Governance Council. AECL believes its corporate governance practices are rigorous and of a high standard and as a result is willing to report against the recognised principles of corporate governance.

PRINCIPLE #1:

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

The AECL Board's functions include:

- Setting company policies and procedures;
- Approving major strategies, plans, work programs and budgets;
- Responding to management recommendations on major initiatives, including significant investments, capital and funding proposals, senior appointments, executive remuneration, succession plans, financial results, performance against plans, issues relating to internal controls and the management of risk;
- Approving significant capital expenditure;
- Ensuring AECL acts legally and responsibly on all matters and that the highest ethical standards are maintained; and
- Ensuring AECL operates within the requirements of the Corporations Act and the SFA with the Australian Government.
- As per Rule 14 of the AECL Constitution, the Board may appoint the Managing Director. The Board also has the power to remove the Managing Director.

The AECL Board meets monthly or as otherwise required to perform its duties and requires a quorum of a majority of directors eligible to vote. Each director has one vote. To meet operational needs, the Board may convene by using electronic methods.

In addition, the Board has two standing Committees to assist it in carrying out its responsibilities.

- Finance & Audit Committee
- Governance & Risk Committee

The Board delegates responsibility for the implementing of the strategic direction and for managing the day-to-day operations to the Managing Director.

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

PRINCIPLE #2:

STRUCTURE THE BOARD TO ADD VALUE

As per the AECL Constitution, the AECL Board comprises up to four 'elected' directors, and up to three 'specialist' directors, one of whom is the Managing Director.

'Specialist' directors are appointed by the AECL Board and ratified by members at the first available General Meeting of the Company. Appointments are made to ensure a balance of skills and expertise in accordance with the criteria set out in the Statutory Funding Agreement between the Australian Government and AECL and the Constitution.

The Board includes at least one director who can demonstrate from his experience that he is highly skilled in corporate governance.

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

After consultation with the 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.

PRINCIPLE #3:

PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

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

The 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.

PRINCIPLE #4:

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Finance & Audit Committee meets four times each year. The Managing Director and Finance & Corporate Services Manager / Company Secretary attend all committee meetings at the invitation of the Committee. The Committee also meets privately with the external auditor without AECL management present.

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

The role and responsibilities of the Finance and Audit Committee include:

Financial Statements – reviews AECL's financial statements, effectiveness and compliance with accounting policies and standards and adequacy of disclosures.

Investments – The Committee reviews matters relating to the investment of assets in line with AECL policy. The Committee obtains advice from external investment advisors when necessary.

Appointment of External Auditor – The Committee reviews the performance of the external auditor annually, and can recommend to the Board any changes to the appointment it deems appropriate. The external auditor may attend member meetings and may be available to answer questions from members about the conduct of the audit and the preparation and content of the audit report and AECL's accounts.

Audit – reviews the auditors' performance, the professional independence of the auditors, audit policies, procedures and reports, as a direct link between the Board and the Company's auditors.

CORPORATE GOVERNANCE / COMPLIANCE (CONT'D)

PRINCIPLE #5:

MAKE TIMELY AND BALANCED DISCLOSURE

AECL is not a publicly listed company and is not subject to ASX Listing Rule disclosure requirements. It does however, report to its members and the Australian Securities and Investments Commission (ASIC) in the form required by the Corporations Act and discloses significant information on a continuous basis as detailed in Principle #6.

Under the Statutory Funding Agreement (SFA) with the Australian Government, AECL is required to present a financial report to the Department of Agriculture, Fisheries & Forestry every six months. In addition, the Chairman and Managing Director meet bi-annually with the Minister, or his nominated delegate, to report on the Company's performance against the SFA. Any significant matters are to be reported to the Department.

PRINCIPLE #6:

RESPECT THE RIGHTS OF SHAREHOLDERS

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

A person is eligible to be a member of AECL if they are an Australian egg producer and a levy payer and the owner of laying hens over the age of 18 weeks, owned at the end of the previous financial year, for the purposes of the production of eggs for human consumption. Members have the number of votes determined by the number of laying hens over the age of 18 weeks and may vote at any General Meeting on any resolution, including the election of directors, the ratification of 'specialist' director appointments and the total remuneration payable to the directors of the Company.

AECL communicates regularly with its members, and all known egg producers using bi-weekly newsletters, quarterly industry magazines, Annual Report including the Statutory Financial Report and producer access to the Company's website.

The AECL Board encourages full participation of members at the AGM to ensure a high level of accountability and understanding of the Company's strategy and goals. In the event that a member is unable to attend the AGM they are encouraged to appoint proxies to express their views at the AGM by completing and lodging a Proxy Form.

PRINCIPLE #7:

RECOGNISE AND MANAGE RISK

AECL has established a Governance & Risk Committee to review all internal control and policies, the practice of good governance, management procedures employed and the systems of risk management employed by the Company.

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

- Adherence to all relevant Australian Accounting Standards.
- Development and adoption of a strategic plan covering a period of 3 to 5 years.
- Development and implementation of a risk management plan in accordance with Australian Standards.
- Development and implementation of a fraud control plan.
- Development and implementation of an intellectual property management plan.
- Development and compliance with annual operating plans.
- Measurement of 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 (OH&S) and privacy.



PRINCIPLE #8:

ENCOURAGE ENHANCED PERFORMANCE

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

- Roles and responsibilities;
- Timeliness of advice and direction to management;
- Effectiveness of Board meetings;
- Interaction with management; and
- 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.

PRINCIPLE #9:

REMUNERATE FAIRLY AND RESPONSIBLY

AECL conducts annual performance appraisals and goal setting for all staff.

Total remuneration for non-executive directors has been set in the Company's Constitution at a maximum of \$150,000 per annum. Aggregate Board remuneration can only be increased with the consent of the Company's members. AECL's Constitution also provides for non-executive directors to be paid additional remuneration where they perform services outside the scope of the ordinary duties of an AECL director. Remuneration of AECL management is reviewed once each year.

PRINCIPLE #10:

RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

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

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

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

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. The Australian Government is also a major stakeholder.

The Australian Government provides matching contributions to AECL for eligible R&D expenditure to a limit of 0.5% of the egg industry's Gross Value of Production (GVP). As a result, the Australian Government is a key stakeholder of AECL.

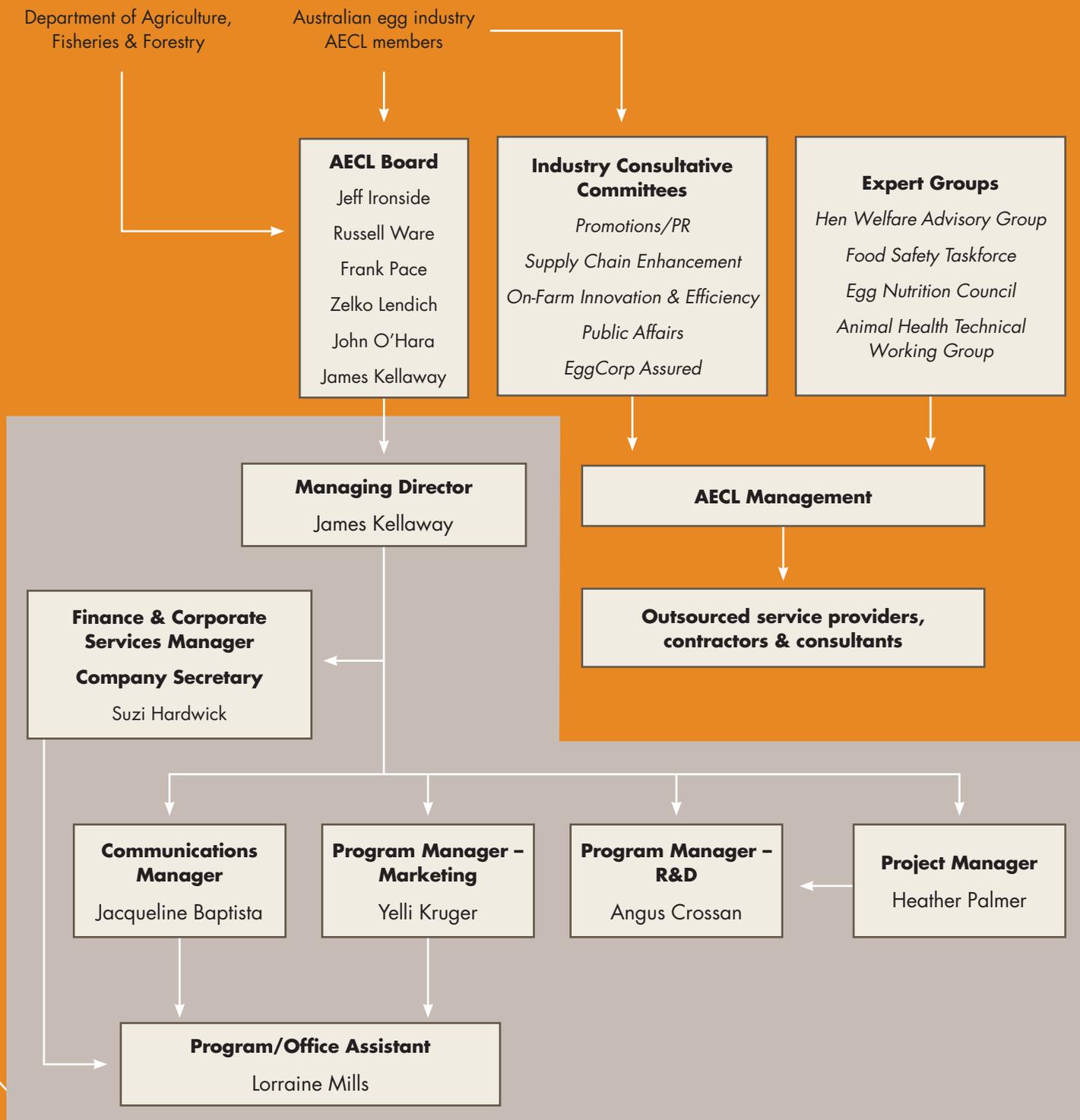
Components of the AECL Strategic plan are consistent with a number of the government's national and rural R&D funding priorities. The Plan reflects the dynamic and competitive nature of the Australian egg market and recognises the emergence of new developments and trends in research and production, quality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

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

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

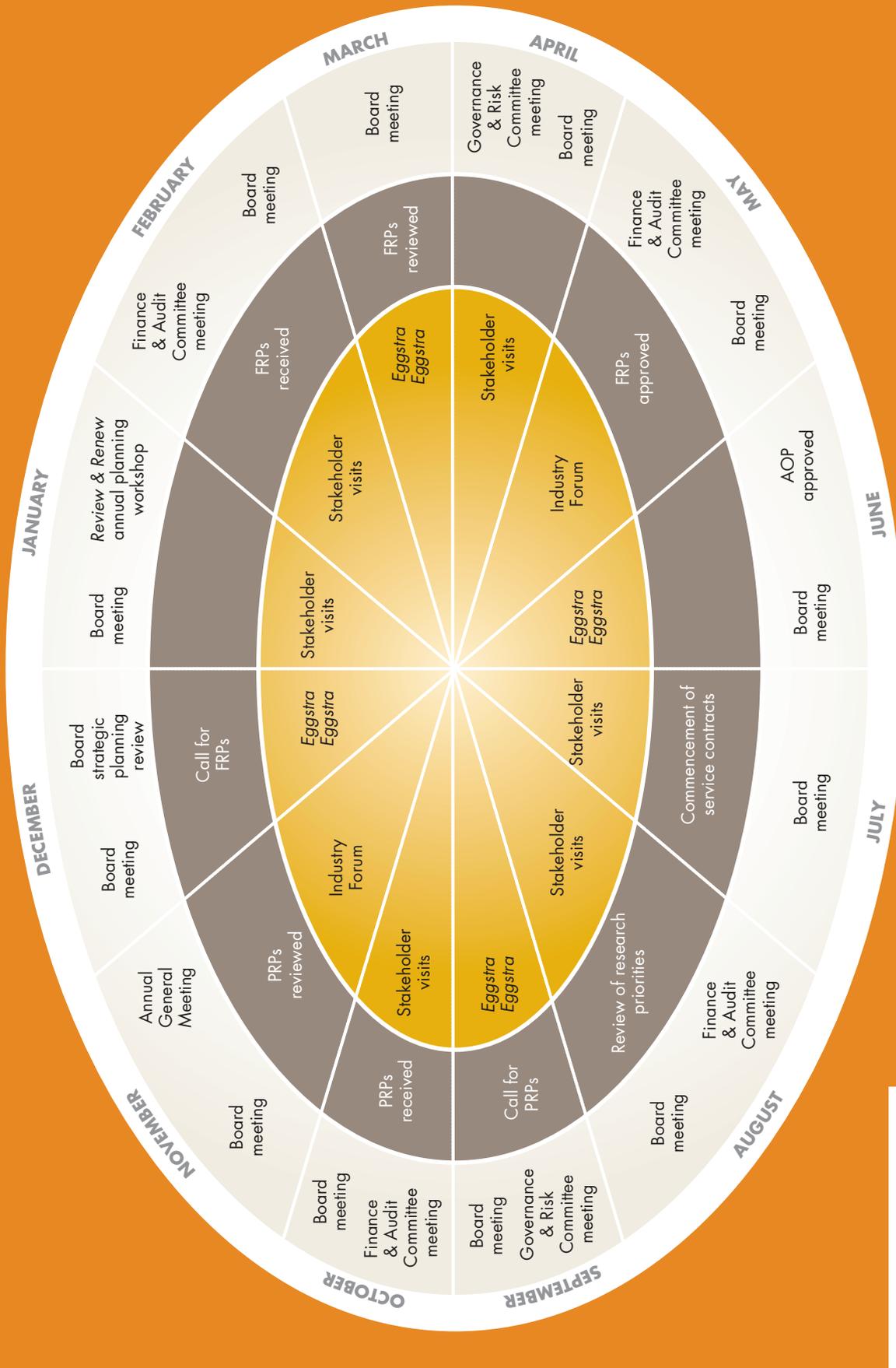
Strategies to address sustainable management and maintenance of Australia's natural resources remain a priority. Poultry farms have a smaller more intensive environmental 'footprint' than many other more extensive agricultural enterprises in Australia and environmental impacts are closely regulated by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

AECL ORGANISATIONAL STRUCTURE



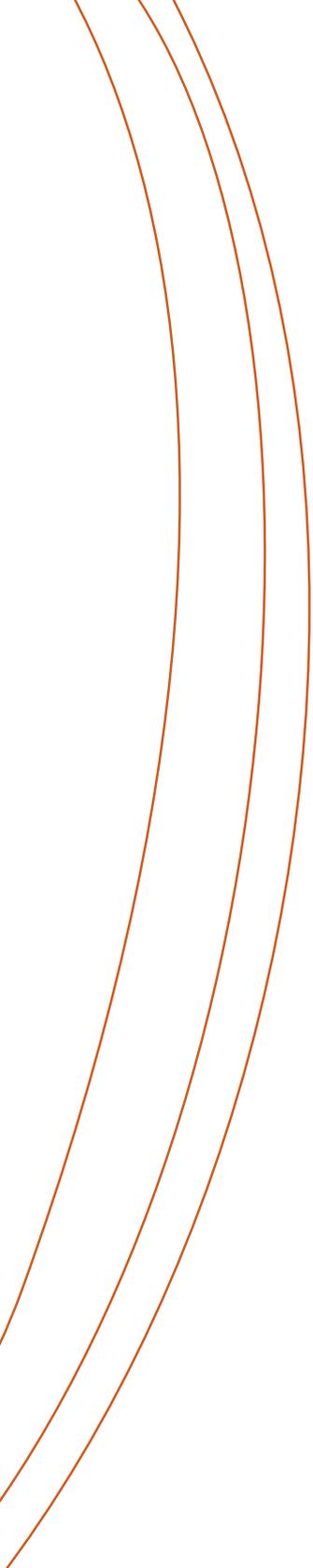
■ AECL Management Team

AECL BUSINESS / PLANNING CYCLE



Board/management
 R&D
 Communications
 PRP – Preliminary Research Proposal
 FRP – Full Research Proposal





FINANCIAL REPORT

DIRECTORS' REPORT	26
AUDITOR'S INDEPENDENCE DECLARATION	28
DIRECTORS' DECLARATION	29
STATEMENT OF COMPREHENSIVE INCOME	30
STATEMENT OF FINANCIAL POSITION	31
STATEMENT OF CHANGES IN EQUITY	32
STATEMENT OF CASH FLOW	33
NOTES TO THE FINANCIAL STATEMENTS	34
INDEPENDENT AUDITOR'S REPORT	46

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2010.

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
Russell Ware
Frank Pace
Zelko Lendich
John O'Hara
James Kellaway

DIRECTORS QUALIFICATIONS

Directors qualifications are detailed in the Annual Report.

MEETINGS OF DIRECTORS

During the year to 30 June 2010 there were 14 meetings of directors, 4 Finance & Audit committee meetings and 2 Governance & Risk committee meetings.

The number of meetings attended by each director was:

	Board Meetings		Finance & Audit Committee Meetings		Governance & Risk Committee Meetings	
	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009
Jeff Ironside	14	12	4	3	2	1
Russell Ware	14	13	4	3	2	1
Frank Pace	11	12	4	3	-	1
Zelko Lendich	13	7	4	2	-	1
John O'Hara	14	13	4	3	1	1
James Kellaway	14	13	4	2	2	1

CORPORATE INFORMATION

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

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

The entity employed 7 employees at 30 June 2010 (2009 : 7).

PRINCIPAL ACTIVITIES

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

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

RESULTS

The deficit of the entity for the year ended 30 June 2010 was \$419,049 (2009: surplus of \$1,046,889).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

AUSTRALIAN EGG CORPORATION LIMITED

DIRECTORS' REPORT (CONT'D)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

FUTURE DEVELOPMENTS AND RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307 C of the *Corporations Act 2001* is set out on page 28.

Signed in accordance with a resolution of the directors.



Jeff Ironside
Chairman



James Kellaway
Managing Director

Sydney
Date : 26 August 2010

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Australian Egg Corporation Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.



PKF



Arthur Milner

Partner

Sydney, 26 August 2010

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au

PKF | ABN 83 236 985 726

Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia

DX 10173 | Sydney Stock Exchange | New South Wales

The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

AUSTRALIAN EGG CORPORATION LIMITED
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 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Jeff Ironside
Chairman



James Kellaway
Managing Director

Sydney
Date : 26 August 2010

STATEMENT OF COMPREHENSIVE INCOME

	Notes	30 June 2010 \$	30 June 2009 \$
Revenues from Operating Activities	2	5,824,249	5,972,390
Expenditure			
Market Awareness	3(a)	(1,927,089)	(1,543,878)
Market Education	3(b)	(921,324)	(464,389)
Supply Chain Enhancement	3(c)	(235,930)	(254,348)
On-Farm Innovation & Efficiency	3(d)	(1,525,509)	(1,413,407)
Public Affairs & Stakeholder Relations	3(e)	(1,209,911)	(804,405)
Corporate Costs	3(f)	(339,324)	(356,285)
Levy Collection Costs	3(g)	(84,211)	(88,789)
Total Expenses		(6,243,298)	(4,925,501)
(Deficit)/Surplus for the year		(419,049)	1,046,889
Other Comprehensive Income for the year, net of tax		-	-
Total Comprehensive Income for period	10	(419,049)	1,046,889

The above Statement of Comprehensive Income should be read in conjunction with accompanying notes

STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2010	30 June 2009	1 July 2008*
Current Assets		\$	\$	\$
Cash & Cash Equivalents		2,288,415	2,126,751	968,719
Trade & Other Receivables	4	467,678	743,560	530,869
Total Current Assets		2,756,093	2,870,311	1,499,588
Non-Current Assets				
Financial Assets (AEEL)	5	1	1	1
Property, Plant and Equipment	6	59,368	71,398	89,374
Total Non-Current Assets		59,369	71,399	89,375
Total Assets		2,815,462	2,941,710	1,588,963
Current Liabilities				
Trade & Other Payables	7	890,473	626,229	313,130
Provisions	8	28,665	16,610	31,490
Total Current Liabilities		919,138	642,839	344,620
Non-Current Liabilities				
Provisions	9	56,579	40,077	32,438
Total Non-Current Liabilities		56,579	40,077	32,438
Total Liabilities		975,717	682,916	377,058
Net Assets		1,839,745	2,258,794	1,211,905
Equity				
Retained Surplus	10	1,839,745	2,258,794	1,211,905
Total Equity		1,839,745	2,258,794	1,211,905

* See note 1(o) for details regarding the change in accounting policy

The above Statement of Financial Position should be read in conjunction with accompanying notes

STATEMENT OF CHANGES IN EQUITY

	Notes	Retained earnings \$	Total Equity \$
Balance at 1 July 2008		-	-
Adjustment on change in accounting policy	1(o)	1,181,821	1,181,821
Correction of error	11(c)	30,084	30,084
Restated total equity at the beginning of the financial year		1,211,905	1,211,905
Total comprehensive income for the year as reported in 2009 financial statements		-	-
Adjustment on change in accounting policy	1(o)	1,045,433	1,045,433
Correction of error	11(c)	1,456	1,456
Restated total equity at the beginning of the financial year		1,046,889	1,046,889
Balance as at 30 June 2009		2,258,794	2,258,794
Total comprehensive income for the year		(419,049)	(419,049)
Balance as at 30 June 2010		1,839,745	1,839,745

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

STATEMENT OF CASH FLOW

	Notes	30 June 2010 \$	30 June 2009 \$
Cash Flows from Operating Activities			
Receipts from funding and other sources		6,546,232	5,703,244
Payments to Suppliers and Employees		(6,433,411)	(4,610,658)
Interest Received		57,605	67,215
Net Cash Flows provided by Operating Activities		170,426	1,159,801
Cash Flows from Investing Activities			
Advances to Related Parties		(212)	(472)
Purchase of Property, Plant and Equipment		(8,550)	(1,298)
Net Cash Flows used in Investing Activities		(8,762)	(1,770)
Net Increase (Decrease) in Cash Held			
Add opening cash brought forward		2,126,751	968,720
Cash & Cash Equivalents Carried Forward	11	2,288,415	2,126,751

The above Statement of Cash Flow should be read in conjunction with accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the Australian Egg Corporation Limited, a Company limited by guarantee, incorporated and domiciled in Australia, as an individual entity.

The financial report is presented in Australian dollars which is the Company's functional and presentation currency.

The financial report was authorised for issue by the directors on 26th August 2010. The Company's directors have the power to amend and re-issue the financial report.

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

This financial report has been prepared on an historical cost basis with the exception of financial assets and liabilities to which the fair value basis of accounting has been applied.

A number of new Australian Accounting Standards and amendments to existing Standards have been issued but which are not yet effective. The directors are of the opinion that these new Standards and amendments will not have a significant impact on the financial report in the period of initial application.

ACCOUNTING STANDARDS NOT PREVIOUSLY APPLIED

The Company has adopted the following new and revised Australian Accounting Standards issued by the AASB, which are mandatory to apply to the current reporting period. Disclosures required by these standards that are deemed material have been included in this financial report on the basis that they represent a significant change in the information that was previously made available:

Presentation of Financial Statements

AASB 101 Presentation of Financial Statements prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- The replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- The adoption of the single statement approach to the presentation of the Statement of Comprehensive Income; and
- Other financial statements are renamed in accordance with the Standard.

Segment Reporting

The Company has applied the following revised accounting standard AASB 8 - 'Operating Segments' from 1 July 2009. AASB requires a 'Management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in no change to the reporting segment as the operating segment continues to be reported in a manner consistent with the internal reporting provided to the directors of the Company.

The following is a summary of material accounting policies adopted in the preparation of the financial report. The accounting policies have been consistently applied, and except where there is a change in accounting policy (refer to Note 1 (0)), are consistent with those of the previous year.

a 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.

b Cash and Cash Equivalents

Cash on hand and in banks is stated at nominal value.

For the purposes of the Cashflow Statement, cash includes cash on hand and at bank.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

c Receivables

Trade receivables are recognised and carried at original invoice amount less any allowance for doubtful debts. An allowance 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.

d 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.

e Plant and Equipment

Plant and equipment is measured at cost less accumulated depreciation and any identified impairment loss. Plant and equipment is depreciated on a straight line basis over its useful life.

Depreciation	2010	2009
Office Equipment	2 - 10 yrs	2 - 10 yrs
Leasehold Improvements	Term of Lease	Term of Lease

f Trade and Other Payables

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

g Operating Leases - Rental Premises and Photocopier

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

The Company renewed its operating lease regarding its premises at Level 4, 107 Mount Street, North Sydney NSW 2060, commencing 1 October 2008. Under the terms of the lease agreement, the entity was entitled to receive the first three months of the lease term free from rent. A lease incentive liability has been raised to record the rental expense payable in relation to the rent free period. Lease payments are allocated between the rental expense and the reduction of the lease incentive liability over the lease term (5 years). This lease expires on 30 September 2013. Rental payments will be expensed in the financial year in which they occur. Contingent rentals for the year end 30 June 2010 are recognised as an expense in the financial year incurred.

h 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.

i Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Australian Government Matching Funds

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

Levy Receipts

The Levies Revenue Service of the Department of Agriculture, Fisheries and Forestry Australia collects statutory levies (research and development levies and promotion levies) on behalf of the Company. Revenue from levies are recognised as revenue upon accrual of the levy amounts.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

i Revenue Recognition (Continued)

Application of Funds

In accordance with the Statutory Funding Agreement between the Government and the Company, the Company must spend the statutory levies collected in a manner that is consistent with the Strategic Plan and Annual Operating Plans approved by the Australian Government.

Research and Development payments and Government matching payments may only be applied by the Company for research and development activities related to the industry, for the benefit of the industry and in the case of the Government matching funds, also for the benefit of the Australian community generally.

The Company must ensure there is a clear distinction between expenditure on research and development activities and other activities. This distinction is noted via the Annual Operating Plans approved by the Government and tracked via the accounting system.

Co-Funder Contributions

Revenue from Co-Funder Contributions is recognised when an invoice is raised, in accordance with the terms specified in contracts with co-funding partners.

Interest Revenue

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

j Income Taxes

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

k Goods and Services Tax (GST)

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

- the net amount of GST recoverable from, or payable to, the taxation authority is included as part of other assets or other liabilities in the Statement of Financial Position.
- cash flows are included in the Statement of Cash Flow 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.

l 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.

m Economic Dependency

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

n Critical Accounting Estimates and Judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

o Change in Accounting Policy

Effective 1 July 2009, the Company changed its accounting policy in relation to revenue recognition. Under the previous accounting policy, revenue from all sources was only recognised at the point of expenditure. The directors now consider it appropriate to recognise revenue for approved research and promotional activities when the right to receive it is established. This will bring the accounting treatment for these items in line with the practice adopted by similar organisations. Prior year comparatives have been restated to reflect the new accounting policy.

The following adjustments were made to the Statement of Comprehensive Income and Statement of Financial Position as at 1 July 2009.

	2009 Previously stated	2009 Adjust	1-Jul-09 Restated	2008 Previously stated	2008 Adjust	1-Jul-08 Restated
Statement of Comprehensive Income (extract)						
Surplus for the year*	-	1,046,889	1,046,889	-	333,702	333,702
Statement of Financial Position (extract)						
Unearned revenue R&D levy	(283,465)	283,465	-	(98,453)	98,453	-
Unearned revenue Promo levy	2,510,719	(2,510,719)	-	1,280,274	(1,280,274)	-
Net assets	2,227,254	(2,227,254)	-	1,181,821	(1,181,821)	-
Retained surplus	-	2,227,254	2,227,254	-	1,181,821	1,181,821

*amounts are after correction of error referred to in Note 11(c)

Statement of Financial Position items other than those mentioned above were not affected by the retrospective adoption of the revised policy.

2. REVENUE FROM OPERATING ACTIVITIES

	Notes	30 June 2010 \$	30 June 2009 \$
Revenues from Operating Activities			
Promotion Levies		3,432,377	3,934,654
Research and Development (R & D) Levies		1,034,519	909,986
Government Contributions		1,034,519	909,986
Other Income	2(a)	322,834	217,764
		5,824,249	5,972,390

2a Other Income

Associate Membership	25,756	10,200
Government Grants	94,625	73,355
Interest	89,488	67,215
Royalties	59,734	35,897
Sales Publications & other income	53,231	31,097
Total	322,834	217,764

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROGRAM EXPENSES BY OPERATING PILLAR

3a Market Awareness

30 June 2010 30 June 2009

\$ \$

The programs run within the Market Awareness pillar are:

Consumer program

Media Relations program

The strategic purpose of these programs is to raise awareness, demand and consumption levels of eggs among the 4 low consuming target markets by positively reinforcing the fact that eggs provide an easy, healthy, tasty and versatile meal and snack solution and are an essential part of a modern, healthy lifestyle in order to convert light users into heavy users.

Projects / activities	1,793,303	1,386,283
Project travel	740	9,673
Program management costs	133,046	147,922
Total	1,927,089	1,543,878

3b Market Education

The programs run within the Market Education pillar are:

Consumer program

Media Relations program

Health Care Professionals program

Student Educational program

The strategic purpose of these programs is to educate the 4 low consuming target markets by reinforcing the good health benefits of eggs while qualifying misconceptions associated with limiting egg consumption, giving permission to eat more eggs more often and thereby demonstrating how eggs are an essential part of a modern, healthy lifestyle and balanced eating plan in order to convert light users to heavy users.

Projects / activities	764,595	307,246
Project travel	5,943	9,220
Program management costs	150,786	147,923
Total	921,324	464,389

3c Supply Chain Enhancement

The programs run within the Supply Chain Enhancement pillar are:

Retail Services program

Supply Chain program

The strategic purpose of these programs is to enhance the effectiveness, transparency and efficient movement of eggs through the supply/demand chain from point-of-lay to the point-of-purchase including logistics and development of value-added propositions to provide product choice for consumers.

Projects / activities	85,054	81,708
Project travel	90	103
Program management costs	150,786	172,537
Total	235,930	254,348

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROGRAM EXPENSES BY OPERATING PILLAR (CONTINUED)

3d On-Farm Innovation and Efficiency

30 June 2010 30 June 2009

\$ \$

The programs run within the On-Farm Innovation and Efficiency pillar are:

Basic and Applied Research program

Egg Quality program

Poultry CRC program

The strategic purpose of these programs is to innovate commercially-responsive and production efficient solutions to enhance industry and stakeholder competitiveness and sustainability of egg businesses and communities over the short and long term.

Projects / activities	1,221,936	1,117,360
Project travel	19,742	41,380
Program management costs	283,831	254,667
Total	1,525,509	1,413,407

3e Public Affairs & Stakeholder Relations

The programs run within the Public Affairs & Stakeholder Relations pillar are:

Government Relations program

Corporate Communications program

Issues Management program

The strategic purpose of these programs is to ensure effective industry communication, media relations and policy formulation/management to enhance the operating environment, community knowledge and understanding of the egg industry and its associated service delivery programs and outcomes.

Projects / activities	793,487	494,783
Project travel	61,635	79,571
Program management costs	354,789	230,051
Total	1,209,911	804,405

3f Corporate Costs

Accounting and Administration	33,148	38,669
Premises	27,016	29,480
Board/AGM expenses	43,810	43,793
Employment expenses	235,350	244,343
Total	339,324	356,285

3g Levy Collection Costs

Levy Collection Cost - Promotion	62,255	66,963
Levy Collection Cost - R&D	21,956	21,826
	84,211	88,789

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROGRAM EXPENSES BY OPERATING PILLAR (CONTINUED)

3h Net (Deficit)/Surplus	Notes	30 June 2010	30 June 2009
		\$	\$
The net (deficit)/surplus has been arrived at inclusive of these items:			
Depreciation		20,579	19,275
Employee costs		1,064,283	956,989
Lease expenses		109,285	111,982

4. TRADE & OTHER RECEIVABLES (CURRENT)

Trade Debtors		251,101	593,395
Other Receivables		57,992	4,381
Prepayments		22,878	10,289
Security Deposit	19	132,000	132,000
		<hr/>	<hr/>
		463,971	740,065
Amounts other than trade debts receivable from related parties:			
Wholly owned Subsidiary:			
AEEL		3,707	3,495
Related Entity:			
AEIA		-	-
		<hr/>	<hr/>
		3,707	3,495
Total		467,678	743,560

5. OTHER FINANCIAL ASSETS

Controlled Entities - unlisted

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

As at 30 June 2010 Australian Egg Corporation Limited owned 100% of the capital in Australian Egg Export Pty Ltd being 1 fully paid ordinary share (2009 : 1)

6. PROPERTY, PLANT AND EQUIPMENT

Office Equipment

At Cost		82,864	74,314
Accumulated Depreciation		(54,511)	(42,794)
		<hr/>	<hr/>
		28,353	31,520

Leasehold Improvements

At Cost		88,619	88,619
Accumulated Depreciation		(57,604)	(48,742)
		<hr/>	<hr/>
		31,015	39,877

Total Property, Plant and Equipment

At Cost		171,483	162,933
Accumulated Depreciation and Amortisation		(112,115)	(91,536)
		<hr/>	<hr/>
Total Written Down Amount		59,368	71,398

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)	Notes	30 June 2010	30 June 2009
		\$	\$
Reconciliations			
Office Equipment			
Carrying Amount at Beginning		31,520	40,635
Additions		8,550	1,298
Disposals		-	-
Depreciation		(11,717)	(10,414)
		<u>28,353</u>	<u>31,519</u>
Leasehold Improvements			
Carrying Amount at Beginning		39,877	48,738
Additions		-	-
Depreciation		(8,862)	(8,861)
		<u>31,015</u>	<u>39,877</u>
7. TRADE & OTHER PAYABLES (CURRENT)			
Trade Creditors		504,453	326,076
Other Payables		367,854	246,398
Unearned Income - Government Grant		-	30,000
Lease Incentive		18,166	23,755
		890,473	626,229
8. PROVISIONS (CURRENT)			
Employee Entitlements	12	28,665	16,610
		28,665	16,610
9. PROVISIONS (NON-CURRENT)			
Employee Entitlements		56,579	40,077
	12	56,579	40,077
10. EQUITY			
Retained Surplus			
Balance at Beginning of Year		2,258,794	1,211,905
Net (Deficit)/Surplus		(419,049)	1,046,889
Balance at End of Year		1,839,745	2,258,794

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. CASHFLOW INFORMATION	30 June 2010	30 June 2009
	\$	\$
(a) Reconciliation of net cash flows from operations		
Net (Deficit)/Surplus	(419,049)	1,046,889
<i>Non-cash Items</i>		
Depreciation of non-current assets	20,579	19,275
<i>Changes in Assets and Liabilities</i>		
(Increase)/decrease in trade and other receivables	276,094	(212,219)
Increase/(decrease) in trade and other payables	264,244	313,097
Increase/(decrease) in provisions	28,558	(7,241)
Net cashflow provided by operating activities	170,426	1,159,801
(b) Reconciliation of Cash		
Cash balance comprises:		
Cash on hand	250	250
Cash at bank	2,288,165	2,126,501
Closing Cash Balance	2,288,415	2,126,751
(c) Correction of Error		

When Australian Egg Industry Association (AEIA) was deregistered in 2003 it was resolved by the management committee that all assets and liabilities be transferred to Australian Egg Corporation Limited (AECL). However, funds held in an existing bank account of AEIA were not transferred to AECL in error. This error had the effect of understating the bank balance and total assets by \$31,540 and retained surplus and total equity by \$31,540 as at 30 June 2009.

The error has been corrected by restating each of the affected financial statement line items for the prior year as described above.

12. EMPLOYEE ENTITLEMENTS

Employee Entitlements

Provisions (Current)	28,665	16,610
Provisions (Non-Current)	56,579	40,077
	85,244	56,687

13. EXPENDITURE COMMITMENTS

Lease expenditure commitments

Operating Leases (non-cancellable)		
Minimum lease payments		
-not later than one year	113,555	90,156
-later than one year and not later than five year	263,899	316,666
Aggregate lease expenditure contracted for at balance date	377,454	406,822

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. CONTINGENT LIABILITIES

	30 June 2010	30 June 2009
	\$	\$

There are no contingent liabilities as at 30 June 2010.

15. SUBSEQUENT EVENTS

There have been no significant events that have occurred since 30 June 2010 that require separate disclosure.

16. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Income paid or payable, or otherwise made available, in respect of the financial year to 30 June 2010, to all directors and key management personnel of Australian Egg Corporation Limited, directly or indirectly, from the entity or any related party.

Remuneration - Short-term Benefits	481,579	425,903
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17. REMUNERATION OF AUDITORS

Amounts received by PKF for :

-an audit or review of entity	16,500	19,000
-other services	-	2,500
	16,500	21,500

18. RELATED PARTY DISCLOSURES

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

Jeff Ironside
 Russell Ware
 Frank Pace
 Zelko Lendich
 John O'Hara
 James Kellaway

(b) Interests in subsidiaries

As at balance date Australian Egg Corporation Limited owned 100% of the issued capital in Australian Egg Export Pty Limited being 1 ordinary share fully paid at \$1 (2009 : 1).

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

(i) Wholly owned group transactions

Amounts loaned to Australian Egg Export Pty Limited	212	472
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19. RECEIVABLES - SECURITY DEPOSIT

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

	132,000	132,000
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. SEGMENT INFORMATION

Segment products and locations

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

21. FINANCIAL RISK MANAGEMENT POLICIES

The Company's financial instruments comprise cash, cash equivalents, accounts receivable and accounts payable.

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

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

Interest rate risk

The Company is exposed to interest rate fluctuations on its cash at bank and cash on deposit. The Company actively monitors interest rates for cash at bank and on deposit to maximise interest income.

The Company maintains cash reserves to a level considered prudent to offset any fluctuations in interest rates received.

The Company received total interest for the year of \$89,488 (2009 : \$67,215). These amounts represent the maximum exposure to interest rate fluctuations faced by the Company during the respective periods.

The Company'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:

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

Liquidity risk

The Company manages liquidity by monitoring forecast cash flows and ensuring that adequate liquid funds are maintained.

The Company does not hold overdraft facilities.

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

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

The Company also earns income from the sale of marketing or R&D resources to various parties. Credit evaluations are not conducted on these parties as the amounts in question are not considered material. For the year end 30 June 2010 the total income from these sources was \$43,195 (2009 : \$31,131)

Trade and other payables are expected to be paid as follows:

Less than 6 months

6 months to 1 year

1 year to 2 years

	30 June 2010	30 June 2009
	\$	\$
	890,472	626,228
	-	-
	-	-
	<u>890,472</u>	<u>626,228</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Credit risk

Credit risk arises from exposures to customers as well as through deposits with financial institutions. The Company is exposed to two main sources of credit risk - amounts receivable in respect of levy funds collected and distributed to the Company by the Australian Government and funds on deposit with banks.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties. Funds are deposited only with those banks and financial institutions approved by the Board. Such approval is only in respect of banks that hold an A rating from Standard and Poor's or an equivalent rating from another reputable ratings agency.

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

At 30 June 2010 no Trade Debtors were considered to be impaired.

Ageing of receivables is as follows:

	30.06.10	0-30 days	31-60 days	61+ days
Total Trade Debtors	251,101	248,660	75	2,366
	30.06.09	0-30 days	31-60 days	61+ days
Total Trade Debtors	593,395	581,953	11,277	165

Price Risk

The Company is not exposed to any material commodity price risk.

Net Fair Values

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

Sensitivity Analysis

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

At 30th June 2010, the effect on interest received, with all other variables remaining constant would be as follows:

	Surplus \$	Equity \$
Year ended 30 June 2010		
- Increase in interest rate by 2%	45,768	45,768
- Decrease in interest rate by 2%	(45,768)	(45,768)
Year ended 30 June 2009		
- Increase in interest rate by 2%	41,904	41,904
- Decrease in interest rate by 2%	(41,904)	(41,904)

INDEPENDENT AUDITOR'S REPORT

To the members of Australian Egg Corporation Limited

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Australian Egg Corporation Limited (the company), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

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Auditor's Opinion

In our opinion the financial report of Australian Egg Corporation Limited is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.



PKF



Arthur Milner

Partner

Sydney, 26 August 2010

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PROJECT / ACTIVITY REPORT

STRATEGY 1

Monitor, analyse, understand and address market attitudes, behaviour, consumption and preferences of eggs and perceptions of the egg industry in the Australian market.

OUTCOME

Industry is aware of and addressing consumer attitudes, behaviour and preferences for eggs while the community respects and recognises all egg production systems and minimal food safety risks associated with egg consumption.

PROJECT/ACTIVITY	OUTCOME	AECL PILLAR	R&D PRIORITY
Market research – campaign tracking	Tracking shifts in beliefs and attitudes about eggs and the role eggs play in nutrition among consumers and HCPs.	Market Education	2
Market research – AZTEC retail scan data	Understand and track the purchasing behaviour of market segments to better target campaigns, maximise ROI and measure program/sales performance.	Market Awareness	2
Consumer attitudes and behaviour research	Benchmark outcomes from previous U&A research to quantify and qualify shifts in behaviour and attitude to market segments so as to better target promotional and PR campaigns.	Market Awareness	2
GP Reach – research	Benchmark outcomes from previous research to quantify and qualify shifts in attitude of opinion leaders so as to better target market promotional and PR campaigns.	Market Education	2
CARMA media analysis – research	Improve tracking of issues, program success and media perceptions incorporating results into issues management response and ongoing program development.	Public Affairs & Stakeholder Relations	2
Egg production systems research	Consumer perceptions and attitudes of the egg industry and definitions of different egg production systems understood and comprehended by AECL and the egg industry.	Public Affairs & Stakeholder Relations	2



STRATEGY 2

Execute integrated and market-responsive product marketing campaigns to assist raise awareness, demand, purchase and consumption of eggs in the Australian market among identified target market segments.

OUTCOME

Continual growth in egg sales as per the outcomes of the 'Freebairn model' providing an effective return on invested funds and positive growth trend in egg sales each year.

PROJECT/ACTIVITY	OUTCOME	AECL PILLAR	R&D PRIORITY
National consumer print advertising campaign "eggs, as easy as."	Change egg consumption behaviour of the low-consuming market segments and positively impact the purchase cycle by reinforcing the fact that eggs are easy to prepare and are an essential part of a modern, healthy lifestyle.	Market Awareness	2
National consumer digital advertising campaign "eggs, as easy as."	Change egg consumption behaviour of the low-consuming market segments and create word-of-mouth promotion by engaging consumers via interactive digital activity.	Market Awareness	2
National consumer media-buy (ATL)	Low-consuming market segments more aware of the versatility of eggs and how easy they are to prepare while educating all egg consumers on the health aspects associated with including eggs into a balanced healthy diet.	Market Education	2
National consumer media & PR	Increase demand and purchase of eggs nationally by showing all 4 low consuming segments the ease of incorporating eggs into their diet and educating them about the specific health and nutrition benefits of eggs, no matter their life stage.	Market Awareness	2
Campaign POS/Promotions	Change egg consumption behaviour of the low-consuming market segments by influencing the purchase decision at the point-of-sale thereby adding another reminder and touch-point for consumers.	Market Awareness	2
Campaign creative & POS material	HCPs more informed of the role eggs play in the diet and the nutritional qualities of eggs among the target market.	Market Education	2
National HCP events campaign	Influence egg endorsement and recommendation from healthcare professionals by promoting the health and nutritional benefits of eggs as it relates to their patients and clients at selected events.	Market Education	2
National HCP media campaign	Active egg restrictors are positively influenced through effectively communicating the role that eggs play in a healthy and balanced diet resulting in a decrease of this market segment.	Market Education	2
National HCP PR campaign	Increased awareness of the nutritional qualities of eggs and the role eggs play in maintaining a healthy diet.	Market Education	2
Student education	Educating primary-aged school children, related teachers and parents how eggs are easy fun, creative and healthy so that this natural, nutritionally dense food is demanded during a crucial time of childhood development.	Market Education	2
Nutrition advice and dietetics review	Help influence egg endorsements and communications to HCPs and KOLs in nutrition and food choice.	Market Education	2
Tolerance in raw egg allergy on consumption of cooked egg	Decrease the prevalence of allergic sensitivity in infants through factual communication of scientific research findings.	Market Education	1,2
How and when to introduce eggs to avoid egg allergies	Optimal timing information regarding introduction of egg into infant diets associated with egg allergy through evidence to allay fears of including eggs in infant diets.	Market Education	1,2
Egg industry issues and crisis management	Protection and where possible enhancement of the reputation of the Australian egg industry through the timely identification and effective management of egg industry issues.	Public Affairs & Stakeholder Relations	N/A
Egg industry welfare strategy	Improved positive perception of the Australian egg industry and increased understanding of role and importance in the Australian economy among key media and consumers, particularly by improving consumer and stakeholder awareness of facts around animal welfare.	Public Affairs & Stakeholder Relations	N/A
NHF 'Tick' license fee	Greater awareness of positive health benefits arising from the consumption of eggs while ensuring cost effective access and use of the NHF 'Tick' trademark by egg producers (sub-licensees) and ensuring consistency of use.	Public Affairs & Stakeholder Relations	2

PROJECT / ACTIVITY REPORT (CONT'D)

STRATEGY 3

Enhance egg distribution channels and the merchandising environment to drive supply efficiencies throughout the value chain.

OUTCOME

Greater level of transparency throughout the supply/demand chain is achieved with enhanced product merchandising and management of the egg category at the Point-Of-Sale (POS).

PROJECT/ACTIVITY	OUTCOME	AECL PILLAR	R&D PRIORITY
Customer relationship management	Maintain and improve the relationship with key egg industry customers.	Supply Chain Enhancement	2
Egg Handling Manual – Transport	Egg ullage minimised during transport of eggs from the egg producer to the final point-of-sale. Provision of tools to egg producers, marketers, retailers and other stakeholders enabling correctly handled egg boxes and pallets to minimise ullage within the supply chain.	Supply Chain Enhancement	2
Review of potential for consolidation of animal welfare and food safety audits	Identification of differences between all statutory and commercial QA requirements prevalent in the egg industry relative to EggCorp Assured (ECA).	On-Farm Innovation & Efficiency	2

STRATEGY 4

Identify, measure and address inefficiencies in the Australian egg production and supply chain through benchmarking, research and analysis.

OUTCOME

On-farm and supply chain inefficiencies understood, monitored and addressed through consultation with egg producers and resolved or minimised through the application and adoption of research.

PROJECT/ACTIVITY	OUTCOME	AECL PILLAR	R&D PRIORITY
Egg ullage/wastage research	Understanding of egg ullage in the supply chain and adoption of new and improved practices.	Supply Chain Enhancement	2
Egg industry RD&E business development service	Better informed egg industry of R&D outcomes and application on-farm while providing feedback and ensuring direct input into future priority areas.	On-Farm Innovation & Efficiency	6
Egg industry extension program development and communication	A quantitative characterisation of on-farm innovation and efficiency and review of methods for improved extension practices.	On-Farm Innovation & Efficiency	6
Poultry Co-operative Research Centre (CRC)	Maintain and enhance the egg industry's investment in R&D as it relates to hen nutrition, health, welfare and the environment for community benefit and the food safety and quality of eggs.	On-Farm Innovation & Efficiency	6

STRATEGY 5

Initiate the development and uptake of innovations and industry information that will enhance industry competitiveness and sustainability.

OUTCOME

Industry information and innovation needs identified, researched and adopted to provide a more competitive and sustainable egg industry.

PROJECT/ACTIVITY	OUTCOME	AECL PILLAR	R&D PRIORITY
Egg Corp Assured (ECA) national egg quality assurance program	Differentiate egg producers by identifying egg producers who comply to 'best management practice' and gain uptake by egg businesses.	On-Farm Innovation and Efficiency	2
Climate change research strategy (CCRSPi)	Participation in a cross-sector research strategy to maximise ROI in relation to climate change information, research and adaptation.	On-Farm Innovation & Efficiency	6
Poultry science and innovation recognition and awards	Development and retainment of poultry science skills in the egg industry.	On-Farm Innovation & Efficiency	6
Egg production software	Development and uptake of the second version of a flock management software package for egg producers to increase on-farm management efficiency.	On-Farm Innovation & Efficiency	7
Life Cycle Analysis (LCA) of Australian egg production	Industry's carbon 'footprint' quantified and understanding of possible exposure under an Emissions Trading Scheme (ETS).	On-Farm Innovation & Efficiency	4
Salmonella control in commercial layer flocks	Determination of the most appropriate regimes of use for the available Salmonella vaccines for decreasing the prevalence of Salmonella in commercial egg layer flocks.	On-Farm Innovation & Efficiency	2,5
Veterinary permits and APVMA registration project	Animal health maintained among replacement pullets and laying hens due to permits being granted for three 'critical' veterinary medicines.	Public Affairs & Stakeholder Relations	5,7
Determine the cause and methods of control for Spotty Liver Syndrome	Improved productivity of commercial layers placed in alternative systems without the need for antibiotics.	On-Farm Innovation & Efficiency	5
Importance of space and nests for laying hens in cages	Improved welfare outcomes of laying hens in cages through better knowledge and understanding of the importance of space and nests in cages.	On-Farm Innovation & Efficiency	2,6
Improved control measures for infectious bursal disease virus	Improve the egg industry's knowledge regarding gene mutations of IBDV (Infectious Bursal Disease Virus) to better manage the disease.	On-Farm Innovation & Efficiency	5
Feed grain partnership - sorghum	Increased value and yield of sorghum as a feed ingredient, via gene regulation, thereby ensuring the egg industry's access and security to cost efficient feed sources into the future.	On-Farm Innovation & Efficiency	3
IBV in Australian layer flocks, a focus on egg quality	Improve the egg industry's knowledge regarding the contribution of IBV to declining egg quality.	On-Farm Innovation & Efficiency	5
Non-invasive assessment of stress in commercial housing systems	Industry information on the relative effects of production system on physiological stress indicators.	On-Farm Innovation & Efficiency	7
Test to differentiate Rispens CV1988 vaccine from wild type MDV	Development of a diagnostic test differentiating between wild type and vaccine strains of MDV – improving the industry's ability to manage MDV.	On-Farm Innovation & Efficiency	1

PROJECT / ACTIVITY REPORT (CONT'D)

STRATEGY 6

Build industry resources to deliver stakeholder-responsive programs and information in a timely manner.

OUTCOME

An adequately resourced egg industry and service provider thereby allowing the provision of technical, market and production-based skills to be engaged on demand.

PROJECT/ACTIVITY	OUTCOME	AECL PILLAR	R&D PRIORITY
ECA Egg Labelling Panel	To enhance the rigor in label approvals to help ensure truth-in-labelling among ECA licensees and HFT Tick sub-licensees.	On-Farm Innovation and Efficiency	2
Poultry RD&E strategy development	A secure co-contribution strategy between the poultry industry and research providers to ensure sustained access to critical research and development skills and resources to enhance egg production and productivity.	Public Affairs & Stakeholder Relations	6
Layer & egg supply forecasting model enhancement & report	Inform egg businesses of industry forecasts so that they can make better decisions on the timing of flock replacements and likely industry egg supply levels thereby minimising volume and price variations and managing supply better.	Supply Chain Enhancement	2
Local scientific and research seminar and conference support	Improved dissemination of egg industry R&D results and professional development of local researchers.	On-Farm Innovation & Efficiency	6
Travel grants for scientific conference attendance or study tours	Communication of AECL funded R&D outcomes and improving knowledge and network base of local researchers and stakeholders.	On-Farm Innovation & Efficiency	6
Egg Nutrition Advisory Group (ENAG)	Create and update scientific positioning statements on the health and nutritional benefits of eggs to increase the demand for eggs.	Market Education	2
Food safety reputation	Improved consumer awareness of eggs and food safety and improved industry preparedness to deal effectively with a food safety or exotic disease outbreak.	Public Affairs & Stakeholder Relations	2
Livestock feed grain users group and feed grain partnership	Progress towards the security and availability of feed grain at internationally competitive prices.	Public Affairs & Stakeholder Relations	1
Liaison with Animal Health Australia (AHA)	Better informed egg industry on animal health matters with secure funding arrangements under the Emergency Animal Disease Response Agreement (EADRA).	Public Affairs & Stakeholder Relations	5
Rural R&D Chairs Committee (CRRDCC)	Maintain the egg industry's consultation and relationship with government on R&D matters to assist demonstrate community benefit as per the SFA and government R&D priorities.	Public Affairs & Stakeholder Relations	6
Meetings with the Federal Minister and DAFF	Better informed Australian Government regarding the programs and activities of AECL and the Australian egg industry as per the SFA.	Public Affairs & Stakeholder Relations	N/A
Egg industry meetings & conferences	Better informed AECL, egg producers and service providers through exposure to international markets, industries, concepts and ideas.	Public Affairs & Stakeholder Relations	N/A
Stakeholder relations - egg producers	Egg industry involvement in AECL activities and full knowledge on program outcomes and levy investments to appease stakeholder issues as they relate to AECL operations.	Public Affairs & Stakeholder Relations	N/A

STRATEGY 6 (CONT'D)

PROJECT/ACTIVITY	OUTCOME	AECL PILLAR	R&D PRIORITY
Corporate communications	Informed egg producers on AECL programs and activities through maintaining and enhancing stakeholder relationships in addition to improving access to products and publications designed to enhance business opportunities.	Public Affairs & Stakeholder Relations	N/A
Animal Health ICC & TWG	Better informed AECL from stakeholder and expert feedback and management of industry expectations.	Public Affairs & Stakeholder Relations	N/A
EggCorp Assured ICC	Better informed AECL from stakeholder and expert feedback and management of industry expectations.	Public Affairs & Stakeholder Relations	N/A
On-Farm Innovation & Efficiency ICC	Better informed AECL from stakeholder and expert feedback and management of industry expectations.	Public Affairs & Stakeholder Relations	N/A
Promotions & PR ICC	Better informed AECL from stakeholder and expert feedback and management of industry expectations.	Public Affairs & Stakeholder Relations	N/A
Public Affairs ICC	Better informed AECL from stakeholder and expert feedback and management of industry expectations.	Public Affairs & Stakeholder Relations	N/A
Supply Chain Enhancement ICC	Better informed AECL from stakeholder and expert feedback and management of industry expectations.	Public Affairs & Stakeholder Relations	N/A

GLOSSARY

AAWS	Australian Animal Welfare Strategy	FSANZ	Food Standards Australia New Zealand
AECL	Australian Egg Corporation Limited	FSTF	Food Safety Task Force
AHA	Animal Health Australia	HWAG	Hen Welfare Advisory Group
AI	Avian Influenza	ICC	Industry Consultative Committee
AOP	Annual Operating Plan	IEC	International Egg Commission
ASIC	Australian Securities and Investments Commission	IPP	Industry Partnerships Program
CRC	Cooperative Research Centres	LCA	Life Cycle Assessment
CRRDC	Council of Rural Research & Development Corporation	NAHIS	National Animal Health Information System
CSIRO	Commonwealth Scientific Research Organisation	PR	Public Relations
DAFF	Department of Agriculture, Fisheries and Forestry	R&D	Research and Development
DPI	Department of Primary Industry	RD&E	Research Development and Extension
ECA	Egg Corp Assured	RDC	Research and Development Corporation
ELG	Egg Labelling Guide	RSPCA	Royal Society for the Prevention of Cruelty to Animals
EMS	Environmental Management Systems	TWG	Technical Working Group
ENC	Egg Nutrition Council (previously ENAG)		

ABN 66 102 859 585

This 2010 Annual Report is prepared by the Australian Egg Corporation Limited (AECL). AECL is a producer-owned, public, unlisted company that integrates marketing, communications, research and development and policy services for the benefit of the Australian egg industry. AECL is a not-for-profit entity and is funded by egg producer statutory levies collected by Government and matched R&D contributions from the Australian Government.

AUSTRALIAN EGG CORPORATION LTD
LEVEL 4, 107 MOUNT STREET NORTH SYDNEY NSW 2060
PHONE: 02 9409 6999 • FAX: 02 9954 3133
ABN: 66 102 859 585
WWW.AECL.ORG

