

AUSTRALIAN **EGG**
CORPORATION LIMITED



AECL | 2013
A N N U A L
| R E P O R T



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Our Values

EGG INDUSTRY VISION

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

AECL VISION

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

AECL MISSION

To develop and drive integrated on-farm solutions and through chain and market services 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

Egg production – Australia (based on hatchings): <i>(Source: AECL)</i>	397 million dozen eggs – 2012			
Flock size (based on hatchings): <i>(Source: AECL)</i>	22.554 million (pullets & layers) – as at 31 December, 2012 16.859 million (layers) – as at 31 December, 2012			
State flock percentages 2012: <i>(Source: ABS, cat. no. 7121)</i>	NSW/ACT:	32%	WA:	10%
	Queensland:	27%	SA/NT:	5%
	Victoria:	25%	Tasmania:	1%
Number of egg farms: <i>(Source: ABS, cat. no. 7121)</i>	301 – as at 30 June, 2012			
Gross value of egg production at farm gate: <i>(Source: ABS, cat no. 7503)</i>	\$583.4m per annum – 2011/12			
Gross value of egg production at market: <i>(Source: AECL)</i>	\$1.672b – 2012			
Egg consumption (based on hatchings): <i>(Source: AECL)</i>	213.9 eggs per capita (MAT) – December 2012			
Grocery/retail egg price (average): <i>(Source: AZTEC)</i>	Cage eggs	\$3.24 per dozen – 2012		
	Free range eggs	\$5.23 per dozen – 2012		
	Barn-laid eggs	\$4.66 per dozen – 2012		
Grocery/retail egg sales value: <i>(Source: AZTEC)</i>	\$566.3m – 2012			
Grocery/retail egg sales volume: <i>(Source: AZTEC)</i>	134.3m dozen – 2012			
Grocery/retail production market share 2012: <i>(Source: AZTEC)</i>		<i>volume</i>	<i>value</i>	
	Cage eggs	51%	39%	
	Free range eggs	38%	47%	
	Barn-laid eggs	10%	11%	
	Organic eggs	1%	3%	
Grocery/retail branding market share 2012: <i>(Source: AZTEC)</i>		<i>volume</i>	<i>value</i>	
	Private-label/generic labels	50%	40%	
	Proprietary labels	50%	60%	
Grocery/retail pack size market share 2012: <i>(Source: AZTEC)</i>		<i>volume</i>	<i>value</i>	
	6 (half dozen) pack	9%	12%	
	10 pack	2%	4%	
	12 (dozen) pack	78%	75%	
	15 pack	2%	2%	
	18 pack	7%	6%	
	30 pack	1%	1%	
Grocery/retail pack weight market share 2012: <i>(Source: AZTEC)</i>		<i>volume</i>	<i>value</i>	
	< = 350g	8%	11%	
	351g – 600g	13%	16%	
	601g – 700g	64%	59%	
	701g – 800g	4%	5%	
	> = 801g	11%	9%	
Egg product exports – 2012: (FOB equivalent) <i>(Source: ABS)</i>		<i>volume</i>	<i>value</i>	
	Shell eggs	688mt	A\$2.130m	
	Egg pulp/liquid	295mt	A\$0.918m	
	Egg powder	<1mt	A\$0.006m	
Egg product imports – 2012: (CIF equivalent) <i>(Source: ABS)</i>		<i>volume</i>	<i>value</i>	
	Eggs preserved/cooked	159mt	A\$0.498m	
	Egg powder	640mt	A\$5.132m	
	Egg pulp/liquid	530mt	A\$1.660m	

Chairman's Message



Similar to previous years, 2013 has been a challenging one for the egg industry as we confront changing consumer and retailer demands, increased government regulations and compliance requirements, greater community interest in the egg industry and the way we farm, hen husbandry challenges including increased biosecurity threats, and generally higher operating risks. Suffice to say, producing eggs is a tough and demanding business.

While AECL cannot solve these challenges, we can assist by developing tips and tools for use by egg producers through the investment of funds in agreed program areas and project initiatives to help address the egg industry's Vision of being "...a cohesive, profitable and growing Australian egg industry meeting the needs of consumers while operating in a socially and environmentally sustainable fashion."

AECL reached its 10-year anniversary during 2012/13, providing an opportunity to take stock and reflect on some of the changes that have occurred to our industry over the last decade. The egg industry initiated the development of AECL as the egg industry's service provider, through a submission provided to government by the former Australian Egg Industry Association (AEIA) during March 2001. Being personally involved in its inception, 220 egg producers representing 94% of hen ownership at the time took part in the vote, with 97% voting in favour to establish AECL, which commenced operations in February 2003.

The key issue to have affected our business has been the introduction of hen housing changes legislated by government as per requirements contained in the 4th edition of the *Model Code of Practice for the Welfare of Animals – Domestic Poultry*. These changes have resulted in many egg producers investing more than 50% of their total asset base on new laying systems and capital infrastructure. In total, around \$500 million would have been invested nationwide by Australia's egg producers. While industry investment has been critical, the industry has also witnessed outbreaks of emergency diseases such as avian influenza mainly through wild birds infecting our laying hens, food safety challenges relating to reported cases of salmonellosis in the community, trespass and farm raids by activist groups, and a growing city/country divide with more people becoming unfamiliar with how their food is produced and the challenges farmers face in growing sufficient quantities of quality food with minimal risk to the farmer and the consumer.

Over the last 10 years, the average number of chicks placed has increased from 913,152 per month in 2003 to 1.149 million in 2013, representing a 26% increase. This has translated into the number of laying chickens increasing (based on hatching statistics) from 12.199 million in 2003 to 16.398 million in 2013, an increase of 34% (please see *Figure 1*). In terms of egg production, the number of eggs produced has increased from 274 million dozen in 2003 to 397 million in 2013 representing an increase of 45% with the market value increasing by 102% (please see *Figure 2*). Our ultimate indicator is egg consumption which has increased from 164 eggs in 2003 to 213 eggs in 2013, an increase of 30% (please see *Figure 3*). These macro indicators show the growth of the Australian egg industry which has grown at a faster rate than Australia's population.

Our suite of programs under the Consumption, Credibility and Cohesion operating pillars seek to directly address the five agreed strategies, outcomes and key performance measures of AECL. During 2013, we maintained our promotional strategy under the tag line 'Eggs, Easy As' investing in both above- and below-the-line campaigns to speak with consumers and the healthcare professional community. At the same time, we

Chairman's Message

launched our digital and social media platforms under the tag line 'Your Eggs, Your Choice' to start a conversation with consumers regarding hen husbandry and the different farming systems while featuring a number of egg producers. AECL has also broadened the suite of on-farm services through enhancing our extension service and increasing the offering of training programs to assist up-skill egg producers and their farm staff building capacity and capability across the egg industry for the longer term.

Our suite of communications to egg producers through the AECL fortnightly newsletter, quarterly magazines, one-on-one site visits, industry forums, Board forums, the Board Communique and the AGM remain critical to ensure access for all egg producers, no matter their size, location or farming system, to AECL Directors and Board business anywhere and anytime. This is supported by our many Industry Consultative Committees (ICCs) and Expert Groups retained by management who provide feedback to AECL staff on program direction, design and implementation.

As an egg producer and levy payer, I look back on the range of services and achievements delivered by AECL over the last 10 years and look forward to AECL building on the successes achieved to date for the benefit of all egg producers over the next 10 years. The egg industry will become more reliant on the strategic investment of industry funds and government contributions towards research and development to ensure the industry can reach its vision over the longer term. AECL will play its part by ensuring the ongoing investment in egg promotions to increase egg consumption and the ongoing investment in research, development and extension to improve on-farm productivity and business sustainability.

As farmers and egg producers, we are passionate about producing – safely – the highest quality protein, feeding our growing population and ensuring food affordability, providing consumer choice, caring for the environment, and ensuring the health and well-being of our laying hens.

Finally, I would like to thank my fellow AECL directors and all AECL staff who remain committed and dedicated to advancing the egg industry and delivering maximum return on all statutory levy funds.

Figure 1 Chickens in egg production – layers (based on hatchings)

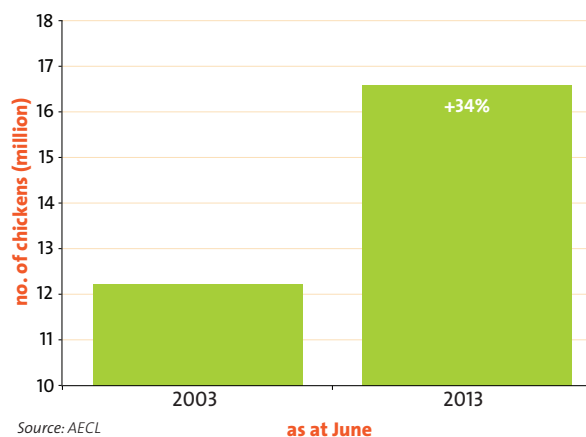


Figure 2 Egg production & market value (based on hatchings & grocery value)

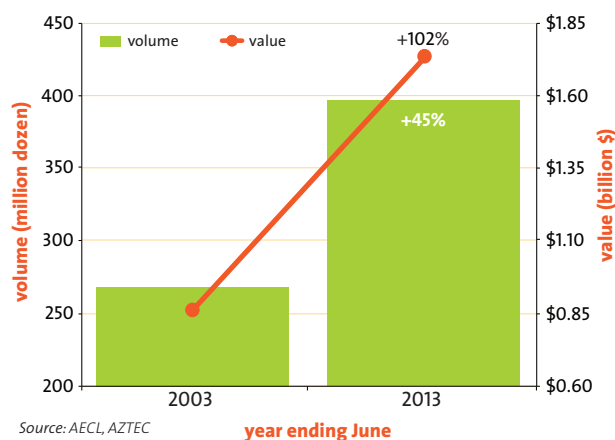
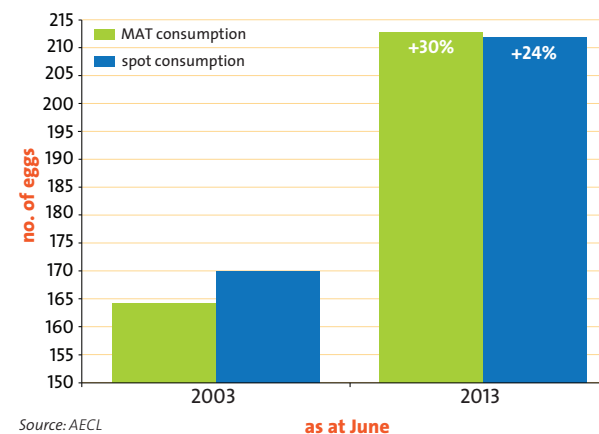


Figure 3 Egg consumption – per capita (based on hatchings)



AECL 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).

In 2010, Jeff was elected a Financial Controller of the International Egg Commission (IEC).

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, and Chairman of Greyhounds Australasia Ltd, the peak body of greyhound racing in Australia and New Zealand.

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
AM

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 Honorary President of the International Egg Commission (IEC) and was the Chairman of the IEC from 2007-2010. He was honoured as the recipient of the 2010 Lindsay Bell award in recognition of his tireless work in both the Australian and International egg industries, and was awarded the Dennis Wellstead Memorial Trophy for International Egg Person of 2004.

Frank Pace was previously the Chairman of the Seven Hills branch of the Livestock and Grain Producers Association (LPGA) and a member of the NSW Farmers' Association Egg Committee. He was also a previous committee of management member and Vice President of the former Australian Egg Industry Association (AEIA). Frank was also a member of the Agriculture Ministerial Advisory Council (AMAC).

Most recently, Frank was appointed a Member of the Order of Australia (AM) for of his contribution to the egg industry, both in Australia and internationally.

AECL Board of Directors



Zelko Lendich
B Ec (Hons), MBA

AECL Director

Zelko Lendich 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 18 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.



Cheryl Hayman
B. Com (Marketing)

AECL Director

Cheryl was appointed as non-executive 'specialist' director to the AECL Board in March 2013.

Cheryl Hayman is founder and principal of Hayman Strategy – a consultancy which provides a broad range of business and marketing solutions to corporations.

Cheryl is a professional director who is on the Board of Clover Corporation – an ASX listed company, JIMACO Ltd and St Johns' (NSW), as well as holding director roles on the Australian Businesswomens' Network Board and the Board of Peer Support Australia. She is also a member of the Osteoporosis Australia Fundraising Committee and volunteers for Dressed for Success.

In her professional life, Cheryl has a strong understanding of social media platforms, is a writer of blogs, and provides online training through webinars and podcasts. Her current specialisation is branding across social media platforms.

Prior to establishing her business, Cheryl's lengthy corporate career encompassed big brands in major multi-national organisations. Much of her experience has been with consumer brands in retail environments. Cheryl's extensive career covers FMCG, franchise retail and B2B brand development.

Cheryl has worked for many organisations as both a marketing consultant and advisory board member during her career.

Cheryl participates in many industry committees, including the AFA Advertising Effectiveness committee, and was a founder of the Marketing Womens' Association, specialising in mentoring and developing young professionals. She is also an accredited Mentor for Coaching and Mentoring Australia.



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

AECL Managing Director

James Kellaway is the sole executive director of the AECL Board and has extensive agribusiness experience in brand management, business development 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, operations 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.

James is a non-executive director of the Australian Poultry Co-operative Research Centre (CRC), where he is also a member of the Audit & Risk Committee, and a Board member of the International Egg Commission (IEC). He is also the current Chairman of the Marketing Committee of the IEC. He is the past Chairman of the Animal Health Australia (AHA) Industry Forum and a previous director of the Australian Livestock Export Corporation where he was also a member of the Finance, Audit & Risk Committee.

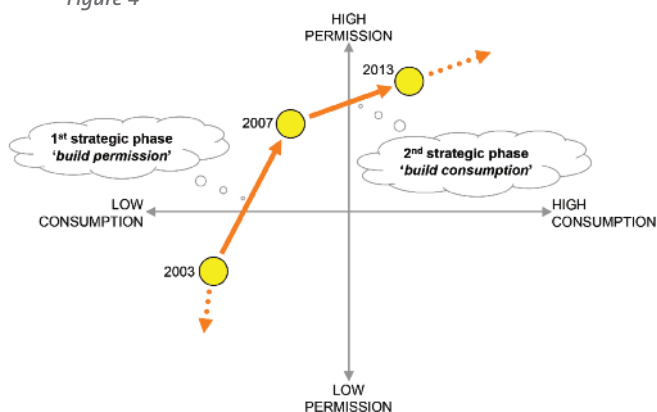
Managing Director's Report

During the year in review, AECL passed its 10 year anniversary of delivering professional services to the Australian egg industry. Since it commenced operations in February 2003, AECL has had a three-staged strategic approach of:

- » establishing the AECL business as a new service provider to the egg industry
- » gaining effectiveness in program delivery, and
- » driving efficiencies in operations to increase service value.

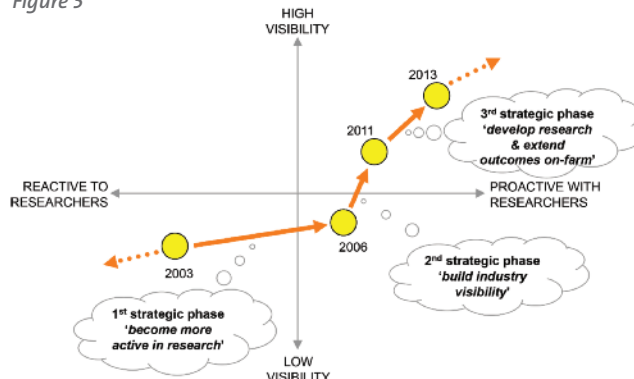
Since inception, AECL has had at its core the objective of driving egg consumption to higher levels through investing the newly established Egg Promotion Levy. This has been achieved by responding to extensive market research to raise awareness, generate demand, increase sales and ultimately, raise per capita egg consumption. We have built permission prior to building consumption through a market-responsive and targeted communications strategy.

Figure 4



At the same time, AECL has re-defined and extended Research and Development (R&D) to ensure programs are industry-driven addressing key on-farm productivity issues and industry challenges through investing the Laying Chicken Levy and matched Government contribution. AECL is now focussed on being proactive to industry issues by commissioning more research to address agreed industry concerns and on-farm challenges. We have also broadened the work program to place more emphasis on developing and extending research to ensure applicability, relevance and visibility for all egg producers, thereby driving adoption and technology transfer.

Figure 5



AECL has adjusted its investments in line with industry demands and changes to the operating environment over our first 10 years of delivering services. This has resulted in the following:

- » Income has increased by 43% since the Corporation's first year of operating, largely as a result of increased chick hatchings, success in receiving government grants, achievements in attracting non-levy income and the delivery of a two-staged agreed increase in the Laying Chicken Levy rate from 7.2 cents to 10 cents per chick purchased from December 2009 and then to 13.5 cents from February 2011. (Please see Figure 6.)
- » A change in the makeup of AECL income has resulted in the contribution of the Egg Promotion Levy declining from representing 58% of income in 2004 to now representing 48% with an increase in the Laying Chicken Levy now representing 22%, up from 13% during 2004 (Please see Figure 7).
- » Expenditure has increased by 105% since the Corporation's first year of operating with a more diverse portfolio of programs extending research into project development, extension and training and more heavily-weighted promotional campaigns. (Please see Figure 8).
- » Return On Investment (ROI) for the Egg Promotion Levy has increased to 61% since the commencement of operations in 2003 with returns generating an average of 29% each year since the inception of AECL (results of econometric model developed by the University of Melbourne and updated by Economic Research Associates). (Please see Figure 9).

Managing Director's Report

Figure 6

AECL Income

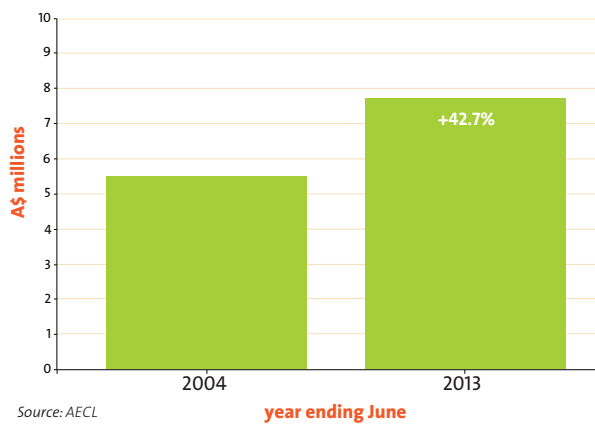


Figure 7

AECL Income – 2004

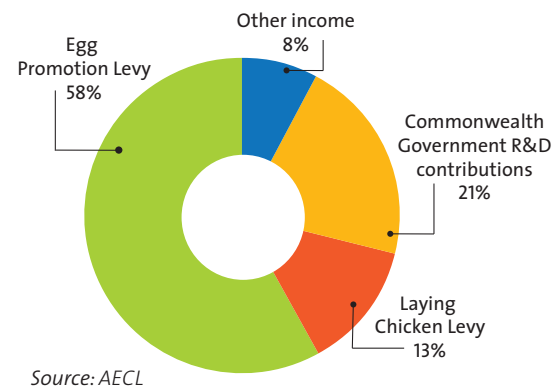
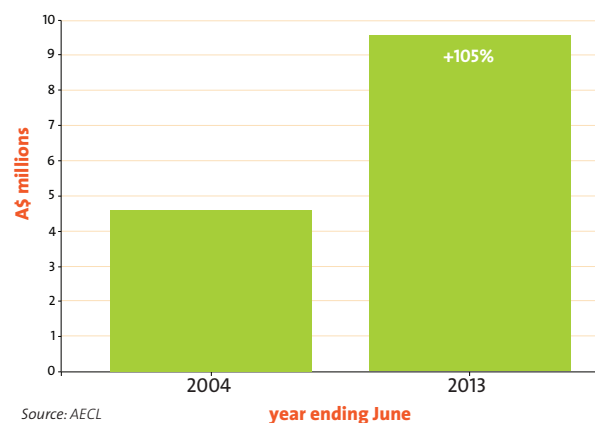


Figure 8

AECL Expenditure



AECL Income – 2013

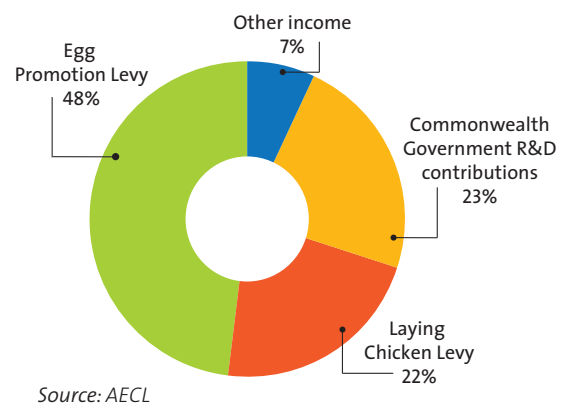


Figure 9

Return on promotion levy investment – grocery egg sales monthly average basis



Managing Director's Report

The development of our third AECL Strategic Plan in the lead up to the 2013 year, in close consultation with the egg industry, afforded AECL the opportunity to take stock and refine our operating program to consolidate in three key areas of program delivery. These areas are:

Consumption, to increase egg demand and market sales;

Credibility, to enhance industry and product credibility; and

Cohesion, to build industry cohesion and unity.

Consumption

In terms of consumer awareness, print and online were the predominant media channels used in 2013 to keep eggs top of mind whilst the shopping centre and radio activations were used to support the tactical World Egg Day, Pancake Day and Easter campaigns. The overall reach achieved was higher than the previous year with the magazine channel reaching 77% of our target audience who saw the creative more than five times and we were able to negotiate 184% of added media value. Online, more than 8.5 million impressions were achieved with a Click-Through-Rate (CTR) of 0.22% which led to an additional 19,000 visits to our consumer website (www.eggs.org.au).

In terms of radio, 882,000 members of our target audience heard our advertisements two or more times. We also trialled shopping centre eyelites, as another touch-point, with 42% of our audience seeing our posters more than 13 times.

Our media relations program centered on monthly recipes and two spikes of activities around World Egg Day and Pancake Day. Media generated from these campaigns resulted in 141 pieces of recipe-based coverage with a total of 12.2 million impressions and 72 pieces of nutrition-based coverage with a total of 30.5 million audience impressions.

Results through our promotional efforts have witnessed a continual softening in attitudes concerning the need to limit egg intake, with claimed egg consumption increasing from 3.7 to 4.1 eggs per week. Among those consumers who say they have increased their egg consumption, health and diet-related reasons remain the most common response followed by new ways to cook and use eggs.

In terms of our Health Care Professionals (HCP) program and with the assistance of our Egg Nutrition Council (ENC), AECL developed 31 advertorials which were published in *Primary Times*, *Australian Doctor*, *REPS Magazine*, *Activate* magazine and *Medical Observer*.

This activation was supported by online advertising in *Friday Facts*, a General Practitioner (GP) e-mail newsletter, and *Six Minutes*, the Australian Doctor website.

We continued to profile the membership and work undertaken by the ENC to the media which resulted in 11.8 million audience impressions, establishing this important group as a credible source of independent nutritional information for HCPs (For further information, please refer to www.enc.org.au). Additionally we helped develop, and are now members of, the International Egg Nutrition Consortium established by the International Egg Commission (IEC) which enables AECL to contribute research to and easily gain the most recent research on human nutritional science and research as it relates to eggs from around the world.

To assist spread the egg health message further, ENC attended the International Dietetics Congress, the Fitness Expo, GPCE in Sydney and Melbourne and the Dietitians Association of Australia (DAA) Conference. More than 90% attendance at all ENC presentations was achieved and an average of 150 new email newsletter subscribers was attained at each conference event. In addition, we convened a nutritional myths seminar which was attended by more than 40 highly respected HCPs and health focused media who were educated on the top 10 lingering health myths with eggs and cholesterol being one of them. Not only did we receive effective media coverage regarding the seminar, we were also able to strengthen ENC's relationship with key influencers in the healthcare sphere.

AECL initiated an online educational program presented by ENC which focuses on healthy eating and cholesterol, allergies, pregnancy and the elderly. The program is accredited for GPs, dieticians, personal trainers and practice nurses to count towards their annual Continuing Professional Development (CPD) goal. More than 100 HCPs, mainly GPs, have taken part in this program and further interest is growing.

Ongoing monitoring of our HCP program has shown an increase in the number of GPs that believe five or more eggs per week is a healthy level of consumption for the majority of people. Also, nearly six out of 10 GPs now agree or strongly agree that the dietary benefits of eggs outweigh any potential increase in serum cholesterol with more than half of GPs believing that egg intake has little to no effect on serum cholesterol levels. Finally, more than half of GPs agree or strongly agree that the National Heart Foundation's updated fats positioning statement makes them more comfortable encouraging patients to eat six eggs a week.

Managing Director's Report

Ongoing tracking by AECL of changes in attitudes and behavior towards eggs by consumers and the HCP community will continue into the New Year to help assess the impact of the consumer awareness, media relations and HCP programs.

Credibility

Credibility of the egg industry and the product is vital to increase industry sustainability and is integral to the role that AECL can play to assist the egg industry meet its vision of being "...a cohesive, profitable and growing Australian egg industry meeting the needs of consumers while operating in a socially and environmentally sustainable fashion."

This pillar managed in excess of 40 projects across research, development, extension and training areas, all focused on providing on-farm and supply chain benefits. A number of projects were completed during the year providing industry with information regarding the allergies associated with eggs, optimisation of ventilation of sheds, stress and wellbeing of hens with respect to space allowance and nest boxes, and the management of salmonella via vaccination, to name a few. More information is now available on the new R&D section of the AECL corporate website at www.aecl.org.

A key focus during the year for AECL was to improve the communication and extension of research. This year saw the completion of a new information system, hosted on the AECL corporate website. The portal delivers straightforward search options to provide information for egg producers, consultants and other interested stakeholders. I encourage you to visit this site and provide us with feedback for ongoing improvement.

Other projects that seek to increase the ROI on Laying Chicken Levy investment include the commercial development of the egg traceability project and the completion of the commercial agreement for the AECL diagnostics support project. The traceability project aims to improve supply-chain security and brand value of the egg category. The commercial agreements are now finalised and we expect services to be available to the egg industry in the New Year through a joint-venture between AECL and the research provider. AECL also envisages the use of this technology by other interested parties both locally and internationally which could result in substantial royalties potentially flowing to AECL.

The Hen Support project has been another program highlight this year. The on-farm tool developed aims to provide information to assist egg producers manage production performance. The proof-of-concept and development work is now complete, finishing AECL's role in the development. The tool is now being commercialised prior to roll-out and ongoing use. It provides an effective platform for AECL information and extension services. For further information please refer to www.hensupport.com.au.

The hen welfare and best practice production systems program has continued to provide leadership in preparation for a future review of the 4th edition of the Model Code of Practice for the Welfare of Animals – Domestic Poultry to develop an agreed suite of Standards & Guidelines. Very high stakeholder engagement was achieved through AECL convening workshops of egg producers, scientists, regulators and welfare agencies. The aim was to identify commonalities and facilitate the use of robust scientific knowledge within the review process.

The extension services provided by AECL has maintained farm visits and assisted with the development of the industry's QA program. An exciting outcome of the extension effort is another tool titled Integrated EggBiz. This saw a successful collaboration and the development of the fourth iteration of the egg industry's flock performance tool. The latest version, combining two separate programs into one web-based program, provides enhanced decision support tools and improves the accessibility and sustainability of the program.

The program features strongly in AECL's Diploma training course and is a key component of AECL's new extension support services, which are expected to be launched next year. The program is now available for egg producers and support is provided via an IT help desk. Please refer to www.iebiz.com.au.

During the year, we finalised the development of Egg Standards of Australia (ESA), an industry Quality Assurance (QA) program, and sought a Certification Trade Mark (CTM) from IP Australia. AECL withdrew this application based on an Initial Assessment from the Australian Competition & Consumer Commission (ACCC) with the intent of considering feedback received by the ACCC prior to launching ESA. As a result, the CTM Egg Corp Assured (ECA) program has been enhanced and currently remains AECL's QA program available to egg producers.

Managing Director's Report

AECL continues to support the development of industry's capability and careers. The skills and knowledge development program completed the industry's second Certificate III course, with 25 new graduates. The egg industry Diploma course continues to develop high-quality resources and is adapting to student training needs balancing demanding production positions with their studies. The program now has more than 40 alumni with another 20 to join after the completion of the current Diploma course. Training is also a key feature of AECL's welfare and food safety programs where skillsets in these areas have been initiated during the year. AECL's ongoing collaboration with government agencies, educational institutions and the egg industry generally are fundamental to the success of this program. Please refer to www.aecl.org/skills-and-knowledge.

Cohesion

Effective communication conducive to egg industry stakeholder situations and operating environments is essential to ensure appropriate AECL program design, reporting, success and adoption occurs. The tactical use of videos has become a valued AECL communications channel as Australia adapts to social media and digital technologies.

One of the featured AECL videos of the year highlighted the egg industry's deep sense of corporate social responsibility. It showcased the industry's commitment to FoodBank, a worthy charity whose efforts are focused on providing nutritious food, free of charge, to Australia's most disadvantaged families. A number of Australian egg producers have for some time now donated eggs to FoodBank to help feed the poor. AECL decided that this worthy story needed to be told through video on social media. The video was also featured on the front page of the AECL corporate website. Other in-kind and cash contributions have been made to Oxfam Australia, the Cancer Council, the St Vincent de Paul Society and the Fred Hollows Foundation.

Another area where AECL has successfully extended communications with stakeholders has been the AECL Industry Forums. During the year, AECL commenced filming Forum presentations and subsequently made them available to egg producers through the AECL corporate website (www.aecl.org). This service has proven popular for those keen to keep up-to-date with the latest news about AECL projects and other industry issues but were unable to attend the Forum due to other commitments. The service means egg producers can view Forum presentations via the website at a time and

location of their choosing. AECL intends to further enhance this communications channel into the future.

Despite the use of new electronic communication technologies, AECL has maintained the use of the written word and produced numerous publications extolling the outcomes of AECL programs. These publications include the recently reformatted quarterly *Eggstra! Eggstra!* magazine that now is part-funded through advertising, and the fortnightly e-newsletter *EggCorp EggsPress*. *Eggstra! Eggstra!* is distributed to key people in Australian governments and other stakeholder organisations. It is also distributed to egg industry organisations around the world, AECL associate members, relevant scientists, poultry veterinarians, advertisers and egg producers across the country. The magazine also contains the AECL Report insert which details outputs or KPIs that have been delivered against the Annual Operating Plan (AOP) for each budgeted project. The open rate of *EggCorp EggsPress* has consistently averaged more than 50% – well above open rates for e-newsletters generally. This e-newsletter is recognised by governments who appreciate information about important biosecurity issues, for example, which is distributed to Australian egg producers in times of emergency.

During the year, we developed and published the first edition of the 'Your Eggs, Your Choice' booklet. This publication has proven popular with egg producers, government and other stakeholders as a source of information about the egg industry. AECL's relatively new social media platforms of the same name, 'Your Eggs, Your Choice', continues to slowly grow and informs audiences with regular updates of news and industry information.

AECL also convened two Industry Forum events in 2013 which attracted a large number of delegates. Held in Sydney and on the Sunshine Coast, the Forums featured speakers who explained the latest research project outcomes and egg promotional campaigns. One 'experiment' of the year's forums has been the use of live presentations from around the world utilising the internet. This has meant AECL has been able to secure high level speakers from the US, UK and NZ egg industries to explain the latest developments about eggs in their respective countries.

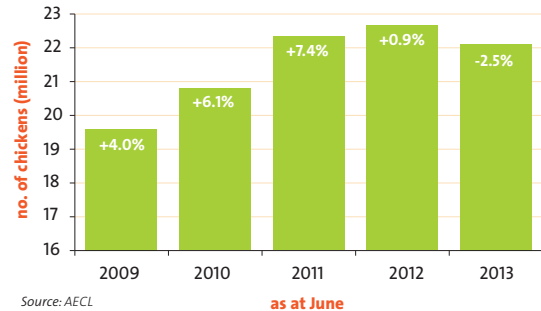
Finally, I wish to thank the AECL Board members for their support of the dedicated AECL staff team which reflects the AECL values of being accountable, showing respect, demonstrating leadership and creating innovation every day in their AECL work duties.

Situation Analysis

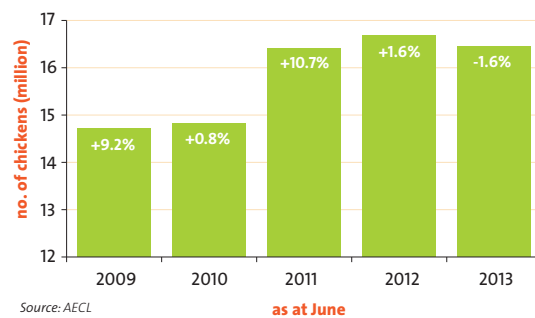
Laying chicks hatched



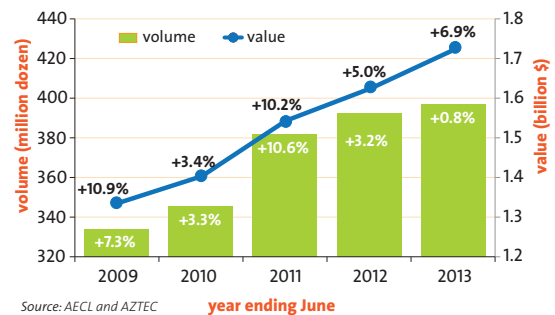
Chickens – pullets & layers



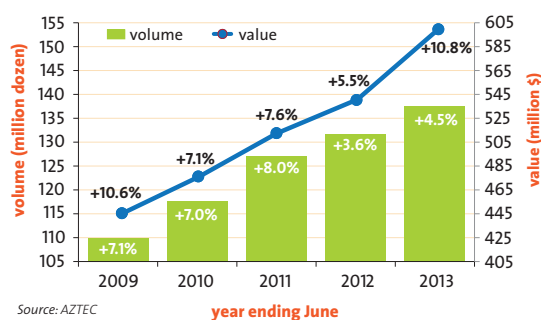
Chickens in egg production – layers
(based on hatchings)



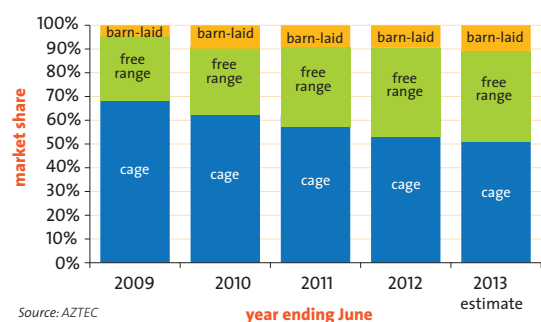
Egg production & market value
(based on hatchings & grocery value)



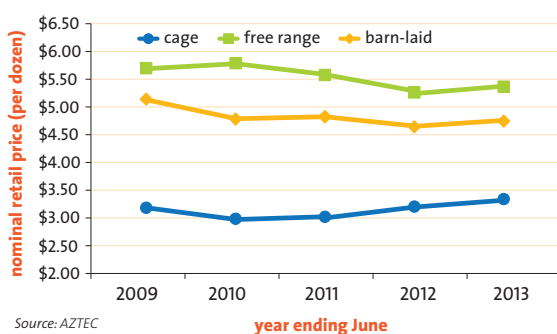
National retail sales of eggs



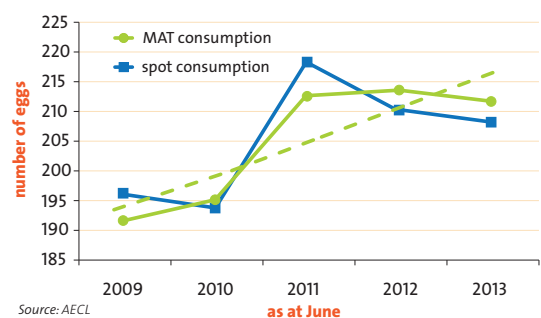
Retail sales of eggs by segment



Grocery sales value of eggs – by segment



Egg consumption – per capita
(based on hatchings)



Collaboration

Many of AECL's projects are undertaken in collaboration with industry, other research providers and other Rural Development Corporations (RDCs). Collaboration is undertaken in order to fund research and development to address the national & Rural Research Development Priorities and to deliver research and development or promotions

services in a more efficient and effective manor.

The AECL percentage contribution tabled are the cash contribution but does not include allocation of in-kind contributions.

Collaborative projects for the 2012-13 year are tabled opposite:



Collaboration

Code	Project Name	AECL %	Partners	Expenditure 2012/13
1MC901	Tolerance in raw egg allergy on consumption of cooked egg	14%	MCRI	\$450
1UA091	How and when to introduce eggs to avoid allergies	20%	UA	\$46,780
1SK121	Skills and knowledge training NWDF	–	Egg producers, DIISRTE, Agrifood Skills	\$232,899
1RI101	Horizon scholarship: Primary industries undergraduate scholarship program	15%	APL, CRDC, GRDC, GWRDC, RIRDC, AHL, AML, DAFF, Woolworths	\$51,067
1US111	Effects of rearing on inappropriate conflict behaviours that predispose cannibalism	60%	US, UM	\$117,447
1UN111	Field application of Rispens- specific qPCR test	40%	UNE	\$72,945
1GR091	Feedgrain partnership	–	APL, DA, GRDC, MLA, RIRDC, Pork CRC, SFMCA	\$8,128
1NRDE	National Poultry RD&E strategy	20%	RIRDC, US, UNE, UN	\$65,049
1PCRC	Poultry cooperative research centre	17%	RIRDC, UNE, UM, DEEDI CSIRO, Bioproperties, 21 non-essential participants	\$319,950
1UQ101	Dietary available phosphorus requirements of laying hens	45%	UQ, Hy-line, Ridley, Feedworks	\$109,344
1CCRS	Climate change research strategy	3%	APL, FWPA, GRDC, GWRDC, DA, HAL, FRDC, AWI, RIRDC, AMPC, CRDC, MLA, AG, SG, UM, CSIRO	\$7,500
1UM091	Importance of space and nest for laying hens in cages	39%	UM	\$93,471
1SX091	Determine the cause and methods of control for Spotty Liver Syndrome	88%	Scolexia	\$54,316
1UN112	Pullet and layer flock uniformity: an epidemiological industry-based approach	67%	DIISRTE, Agrifood Skills	\$122,708
1RD112	Scoping a civil society governance scheme for egg production systems	50%	UNE, UA	\$129,246
1UT111	Egg industry training initiative	62%	UT	\$13,112
1SK101	Delivery of skill and knowledge via the Enterprise Based Productivity Program (EBPPP)	30%	DIISRTE, Agrifood Skills, egg producers	\$29,974
1RD122	Carbon Farming Initiative (CFI); manure management consortium	5%	APL, DA, RIRDC, MLA, UWA, QDPI, DAFF, FSA Consulting	\$28,226

Australian Government RD&E Priorities

Australian Government RD&E Priorities
Investment in Research, Development & Extension (RD&E) capacity is critical to meet egg industry needs over the longer term and Australian Government R&D priorities.

RD&E assists build productivity on-farm and throughout the supply chain and hence sustains a healthy and viable egg industry into the future.

More specifically, investments in RD&E help overcome production challenges and decreases the costs of production through innovation and technology transfer. RD&E embraced by the egg industry delivers benefits to layer and egg industry stakeholders operating within the broader environment and the wider Australian community.

The egg industry's commitment to RD&E and innovation is demonstrated by the higher productivity growth that has been occurring as a result of investments in RD&E at the farm level, throughout the supply chain, and in developing the market. To sustain productivity gains, continual investment, coordination and linkage of RD&E throughout the supply chain and marketing system is critical.

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

To help guide the egg industry's investment in RD&E, government rural RD&E priorities have been identified

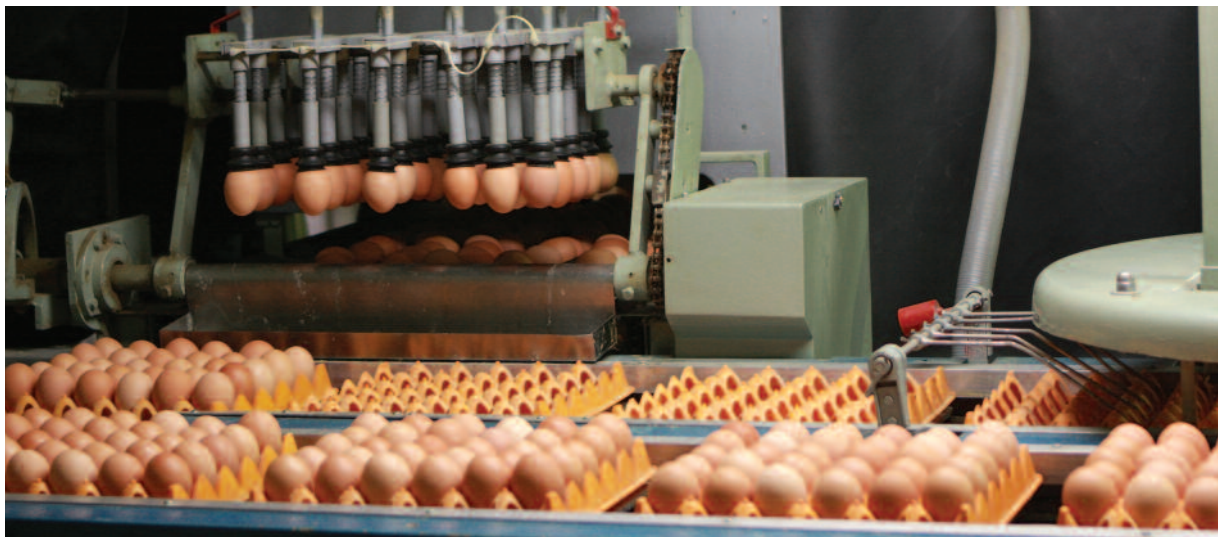
that address the broader national research priorities of government which map the challenges to be faced over the medium to longer term by the agribusiness sector. For the egg industry, the priorities focus on the following challenges:

- » Boosting industry productivity and adding value.
- » Effective operation of supply chains and markets for existing and new products.
- » Protecting Australia from biosecurity threats.
- » Ensuring innovation and enriching the workforce through targeted education, skills development and diversification of employment.
- » Promoting cross-sectoral collaboration, innovation and efficiency of RD&E investments throughout the supply chain.

To meet these industry challenges and support RD&E business efforts, continued investments must be made by AECL for the benefit of egg producers and the Australian community.

AECL is also an active participant in the Council of Rural Research & Development Corporations which enables the egg industry to share information and outcomes through collaborating across industry groups seeking opportunities to co-invest in broader industry research, development and extension initiatives.

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



Australian Government RD&E Priorities

NATIONAL RESEARCH PRIORITY	RURAL RD&E PRIORITY	2012-2013 RD&E FOCUS	
		PROJECTS	INVESTMENT
Promoting and maintaining good health (through strengthening Australia's social and economic fabric and preventive healthcare – healthy food production)	1. Productivity improvement & adding value Improve the productivity and profitability of existing industries and support the development of viable new industries.	31	\$982,616
	2. Supply chain, markets and value chain effectiveness & efficiency 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.	20	\$782,270
An environmentally sustainable Australia	3. NRM and sustainable environmental resource management Support effective management of Australia's natural resources to ensure primary industries are both economically and environmentally sustainable.	6	\$104,433
	4. Climate variability & climate change Build resilience to climate variability and adapt to and mitigate the effects of climate change.	6	\$93,656
Safeguarding Australia	5. Biosecurity Protect Australia's community, primary industries and environment from biosecurity threats.	9	\$73,693
Frontier Technologies for Building and Transforming Australian Industries	6. Innovation, workforce, skills & education Improve the skills to undertake research and apply its findings.	15	\$458,827
	7. Technology Promote the development of new and existing technologies.	8	\$0
Ministerial advice – 1 Feb, 2010	8. Maintaining & improving international market access opportunities Combat pests & diseases that can potentially be obstructive to trade and to guide production decisions in accordance with the requirements of consumers.	N/A	N/A
	9. Diversity Build strong leadership capacity in the sector and encourage a diversity of people in primary industries, including a greater role for Indigenous Australians, women and young people.	11	\$454,699
	10. Collaboration Develop, implement & monitor the national RD&E plans for each sector.	21	\$567,927
	11. Evaluation Support the joint RDC evaluation process to demonstrate returns on investments made and to assist guide future investments.	8	\$208,986

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, oversight 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 on an annual basis.

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 AECL Constitution, the Statutory Funding Agreement (SFA) with the Australian Government and the Egg Industry Service Provision Act 2001. 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 industry-agreed 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;
- » Ensuring AECL operates within the requirements of the Company's Constitution, the Corporations Act 2001, the SFA with the Australian Government and the Egg Industry Service Provision Act 2002; and
- » Appointing or removing 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 of the Company to the Managing Director.

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 sought by a selection committee and 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 Constitution and Statutory Funding Agreement between the Australian Government and AECL.

The Board includes at least one director who can demonstrate that they are 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.

Corporate Governance/Compliance

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 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, adequacy of disclosures and reconciliation of all bank accounts.

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.

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 2001 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.



Corporate Governance/Compliance

PRINCIPLE #6:

Respect the rights of shareholders

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 motion, 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, a quarterly industry magazine, the Annual Report including the statutory financial statements and provides member access to the Company's website.

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

PRINCIPLE #7:

Recognise and manage risk

AECL has established a Governance & Risk Committee to review all internal controls 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

In 2013 AECL engaged an external consultant to conduct a review 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 of their fiduciary duties as company directors.

PRINCIPLE #9:

Remunerate fairly and responsibly

AECL conducts annual performance appraisals and goal setting for all staff which assists in determining remuneration levels for all staff which is reviewed once each year.

Total remuneration for non-executive directors has been set in 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.

Corporate Governance/Compliance

Total remuneration for the Managing Director comprises of short term benefits (cash salary and an at-risk bonus) and post-employment benefits (statutory superannuation entitlement).

The AECL Board reviews the performance of the Managing Director on an annual basis in line with outcomes delivered and of the achievements reached across the Company.

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 on behalf of the wider community.

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).

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.

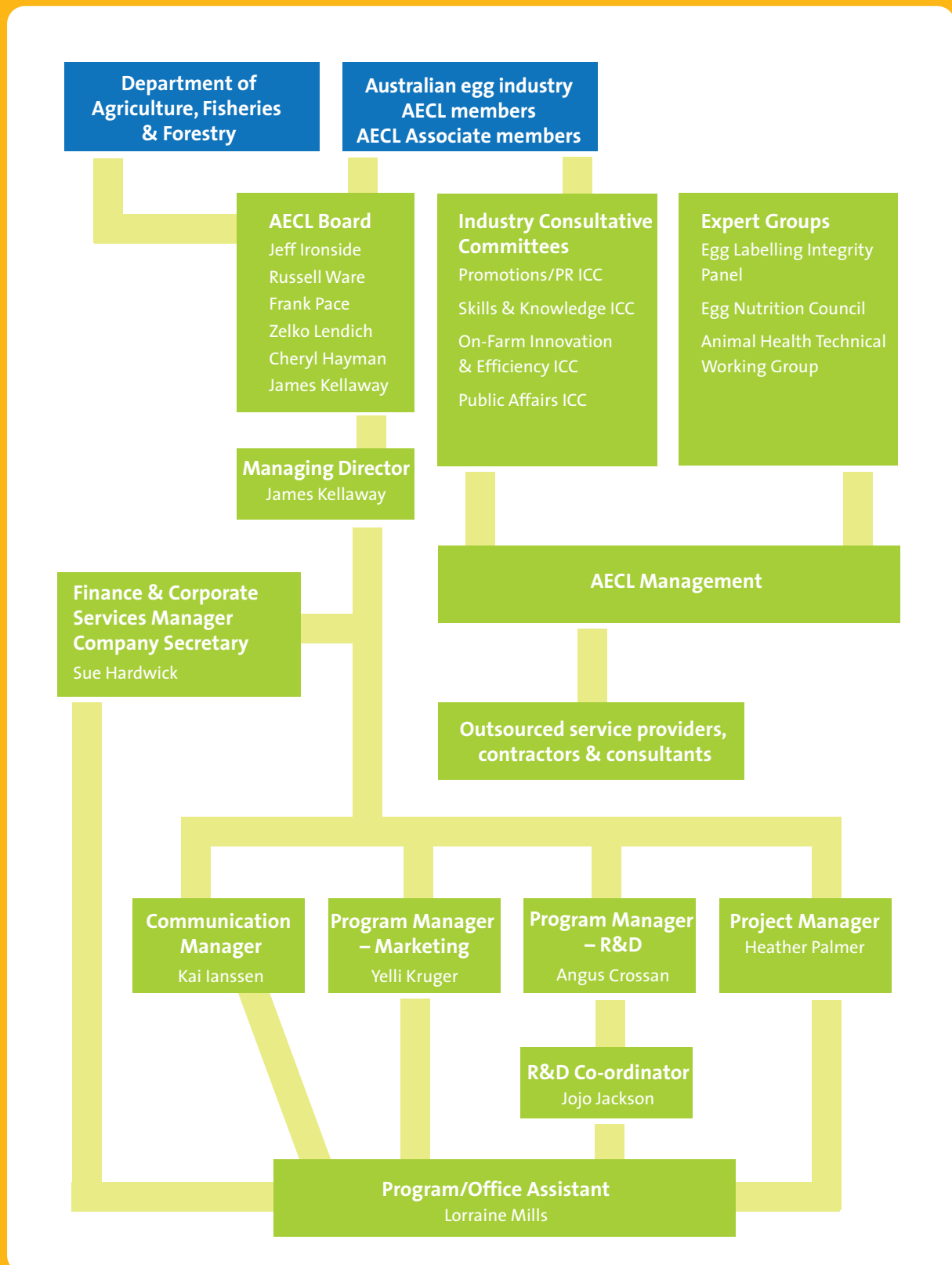
Ongoing program development will be cognisant of all government R&D priorities as they pertain to the issues prevalent in the Australian egg industry.

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 Business/Planning Cycle



Financial Report

Financial Statements for the Year Ended 30 June 2013

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Directors' Report

Directors' Report

Your directors submit their report for the year ended 30 June 2013.

Directors

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

Jeff Ironside

Frank Pace

Zelko Lendich

Russell Ware

John O'Hara (Resigned 21 February 2013)

Cheryl Hayman (Appointed 18 March 2013)

James Kellaway

Directors Qualifications

Directors qualifications are detailed in the Annual Report.

Meetings of Directors

During the year to 30 June 2013 there were 14 meetings of directors, four Finance & Audit committee meetings and two Governance & Risk committee meetings.

The number of meetings attended by each director was:

	Board Meetings		Finance & Audit Committee Meetings		Governance & Risk Committee Meetings	
	2012–2013	2011–2012	2012–2013	2011–2012	2012–2013	2011–2012
Jeff Ironside	14	14	4	4	2	2
Russell Ware	14	14	4	4	2	2
Frank Pace	13	13	4	4	2	2
John O'Hara	9	14	3	4	1	2
Zelko Lendich	14	14	4	4	2	2
Cheryl Hayman	3	–	1	–	1	–
James Kellaway	14	14	4	4	2	2

Corporate Information

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

The registered office of the company is:

Suite 4.02

Level 4, 107 Mount Street

North Sydney, N.S.W., 2060

The company employed 8 employees at 30 June 2013 (2012:9).

Directors' Report

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 deficits of the company for the year ended 30 June 2013 was \$1,694,764 (2012: deficit \$665,051).

Significant Changes in the State of Affairs

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

Significant Events after the Balance Date

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

Future Developments and Results

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

Environmental Regulation and Performance

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

Indemnification and Insurance of Directors

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

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

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 307C of the Corporations Act 2001 is set out on page 3.

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



Jeff Ironside
Chairman

Auditor's Declaration of Independence



Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 10, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF AUSTRALIAN EGG CORPORATION LIMITED

As lead auditor of Australian Egg Corporation Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Arthur Milner', is written above the printed name.

Arthur Milner
Partner

BDO East Coast Partnership

Sydney

22 August 2013

BDO East Coast Partnership, ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

Auditor's Declaration of Independence

Australian Egg Corporation Limited

Directors' Declaration

In the opinion of the directors:

- » the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- » the attached financial statements and notes hereto give a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the financial year ended on that date;
- » there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors



Jeff Ironside
Chairman

Statement of Comprehensive Income

Australian Egg Corporation Limited

	Notes	30 June 2013 \$	30 June 2012 \$
Revenue	2	7,773,049	8,632,799
Expenditure			
Consumption	3a	(3,961,013)	(4,190,313)
Credibility	3b	(3,455,380)	(2,842,398)
Cohesion	3c	(1,448,597)	(1,636,190)
Corporate Costs	3d	(584,128)	(528,908)
Levy Collection Costs	3e	(18,695)	(100,041)
Total Expenses		(9,467,813)	(9,297,850)
Deficit for the year		(1,694,764)	(665,051)
Other Comprehensive Income for the year, net of tax		–	–
Total Comprehensive Income for the year	10	(1,694,764)	(665,051)

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

Statement of Financial Position

Australian Egg Corporation Limited

	Notes	30 June 2013 \$	30 June 2012 \$
Current Assets			
Cash & Cash Equivalents		1,688,361	3,179,212
Trade & Other Receivables	4	571,034	1,218,115
Total Current Assets		2,259,395	4,397,327
Non-Current Assets			
Financial Assets (AEEL)	5	1	1
Property, Plant and Equipment	6	91,763	47,256
Total Non-Current Assets		91,764	47,257
Total Assets		2,351,159	4,444,584
Current Liabilities			
Trade & Other Payables	7	1,107,306	1,526,792
Employee Benefits	8	115,313	105,478
Total Current Liabilities		1,222,619	1,632,270
Non-Current Liabilities			
Employee Benefits	9	34,426	23,436
Total Non-Current Liabilities		34,426	23,436
Total Liabilities		1,257,045	1,655,706
Net Assets		1,094,114	2,788,878
Equity			
Retained Surplus	10	1,094,114	2,788,878
Total Equity		1,094,114	2,788,878

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

Statement of Changes of Equity

Australian Egg Corporation Limited

	Notes	Retained Earnings \$	Total Equity \$
Balance as at 1 July 2011		3,453,929	3,453,929
Total comprehensive income for the year	10	(665,051)	(665,051)
Balance as at 30 June 2012		2,788,878	2,788,878
Balance as at 1 July 2012		2,788,878	2,788,878
Total comprehensive income for the year	10	(1,694,764)	(1,694,764)
Balance as at 30 June 2013		1,094,114	1,094,114

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

Statement of Cash Flows

Australian Egg Corporation Limited

	Notes	30 June 2013 \$	30 June 2012 \$
Cash Flows from Operating Activities			
Receipts from funding and other sources (inclusive of GST)		8,928,619	9,079,945
Payments to suppliers and employees (inclusive of GST)		(10,459,598)	(9,729,885)
Interest received		130,044	189,621
Net Cash Flows from Operating Activities		(1,400,935)	(460,319)
Cash Flows from Investing Activities			
Advances to related parties		(531)	(296)
Purchase of property, plant and equipment		(89,385)	(14,512)
Net Cash Flows from Investing Activities		(89,916)	(14,808)
Net (Decrease)/Increase in Cash & Cash Equivalents		(1,490,851)	(475,127)
Cash & Cash Equivalents at the beginning of the year		3,179,212	3,654,339
Cash & Cash Equivalents at The End of The Year	11	1,688,361	3,179,212

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

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Note 1. Significant accounting policies

The financial report covers Australian Egg Corporation Limited as an individual entity. The Financial report is presented in Australian dollars, which is Australian Egg Corporation Limited's functional and presentation currency.

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 22 August 2013. The directors have the power to amend and reissue the financial report.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2013. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

The following Accounting Standards and Interpretations are most relevant to the company:

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

The company has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments).

The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The amendments also introduced the term 'Statement of profit or loss and other comprehensive income' clarifying that there are two discrete sections, the profit or loss section (or separate statement of profit or loss) and other comprehensive income section.

Notes to Financial Statements

Basis of preparation

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

Historical cost convention

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

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 Statement of Cash Flows, cash includes cash on hand and at bank.

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 Property, Plant and Equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any identified impairment loss.

Property, plant and equipment is depreciated on a straight line basis over its useful life.

Depreciation

	2013	2012
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 company.

Notes to Financial Statements

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 November 2012. Under the terms of the lease agreement, the entity was entitled to receive a fitout to the value of \$50,000 plus a rental rebate to the value of \$50,000 in years 2 to 5 of the lease. A lease incentive liability has been entered to reflect both tranches of the lease incentive. Lease payments are allocated between the rental expense and the reduction liability over the lease term (5 years). This lease expires on 31 October 2017. Rental payments will be expensed in the financial year in which they occur. Contingent rentals for the year end 30 June 2013 are recognised as an expense in the financial year incurred.

h Provisions

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

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. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Australian Government Matching Funds

The Australian Government matches funding on a dollar for dollar basis on approved research and development funded projects, up to a level of 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 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.

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.

Interest Revenue

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

Other Revenue

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

Notes to Financial Statements

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

l Employee Benefits

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

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. 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.

o Comparatives

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

Notes to Financial Statements

	Notes	30 June 2013	30 June 2012
		\$	\$

2. Revenue from Operating Activities

Promotion Levies		3,731,809	4,327,833
Research and Development (R & D) Levies		1,757,722	1,893,646
Government Contributions		1,757,722	1,893,646
Other Revenue	2a	525,796	517,674
Total		7,773,049	8,632,799

2a. Other Revenue

Associate Membership		45,588	42,476
Co-Funder payments		11,182	20,000
Interest		199,726	158,879
Royalties		104,121	199,726
Training		215,521	91,959
Functions		38,051	14,2950
Licences Fees		25,839	18,240
Other		41,498	91,802
Total		525,796	517,674

3. Program Expenses by Operating Pillar

3a. Consumption

The programs run within the Consumption pillar are:

Consumer awareness program

Consumer education program

Media Relations program

Health Care Professionals program

The strategic purpose of these programs is to enhance market awareness of eggs and educate consumers on the health benefits of consuming eggs leading to an increased demand. This is to be achieved by positively reinforcing the fact the eggs provide a tasty, quick and easy meal solution at any time of day. Also, demonstrating that eggs are an essential part of a modern, healthy and balanced eating plan in order to convert light users into heavy users.

Projects/activities	3,698,391	3,907,236
Project travel	8,156	56,810
Program management costs	254,466	226,267
Total	3,961,013	4,190,313

Notes to Financial Statements

	Notes	30 June 2013	30 June 2012
		\$	\$

3b. Credibility

The programs run within the Credibility pillar are:

Hen welfare & best practice productions systems

Product quality program

Skills & knowledge development program

QA program

The strategic purpose of these programs is to underpin on-farm and through chain credibility and sustainability of the egg industry leading to an increase in industry and product credibility. This is to be achieved by the delivery of innovative and commercially-responsive solutions that enhance the skills and knowledge of industry through its stakeholders thereby ensuring the industry's rights to farm or social licence and assisting a culture of continuous product quality improvement and on-farm management.

Projects/activities	2,891,404	2,346,104
Project travel	63,819	34,080
Program management costs	500,157	462,214
Total	3,455,380	2,842,398

3c. Cohesion

The programs run within the Cohesion pillar are:

Stakeholder communications program

Corporate communications program

The strategic purpose of these programs is inclusiveness among all egg industry stakeholders leading to a united and cohesive egg industry. This is to be achieved by providing egg producers with meaningful services, information and standards from which egg producers can autonomously progress their business while providing timely egg industry messages to media, government and other stakeholders that inspire growth, dissolve conflict, build trust and grow confidence in the egg industry.

Projects/activities	1,003,332	1,172,737
Project travel	67,953	50,269
Program management costs	377,312	413,184
Total	1,448,597	1,636,190

Notes to Financial Statements

	Notes	30 June 2013	30 June 2012
		\$	\$

3d. Corporate Costs

Accounting and Administration	101,887	59,723
Premises	35,967	40,746
Board/AGM expenses	69,404	64,558
Employment expenses	376,870	363,881
Total	584,128	528,908

3e. Levy Collection Costs

Levy Collection Cost – Promotion	11,023	70,245
Levy Collection Cost – R&D	7,672	29,796
Total	18,695	100,041

3f. Net Deficit

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

Depreciation	29,349	25,200
Employee costs	1,219,666	1,197,618
Lease expenses	102,233	113,159
Bad debt expense	–	2,119

Notes to Financial Statements

	Notes	30 June 2013	30 June 2012
		\$	\$

4. Trade & Other Receivables (Current)

Trade Receivables		427,992	1,011,642
Other Receivables		15,025	39,771
Lease Incentive receivable		50,000	–
Prepayments		7,000	29,997
Security Deposit	18	70,280	132,000
		570,297	1,213,410

Amounts other than trade debts receivable from related parties

Wholly owned Subsidiary:

AEEL	–	4,499
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Related Entity:

AEIA	737	206
	737	4,705

Total	571,034	1,218,114
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Australian Egg Export Pty Ltd was voluntarily deregistered on 17 July 2013 as the company had remained inactive for seven years.

5. Financial Assets

Controlled Entities – unlisted

AEEL	1	1
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As at 30 June 2013 Australian Egg Corporation Limited owned 100% of the capital in Australian Egg Export Pty Ltd being 1 fully paid ordinary share (2011:1)

Notes to Financial Statements

	Notes	30 June 2013	30 June 2012
		\$	\$

6. Property, Plant and Equipment

Office Equipment			
At Cost	59,463	106,153	
Accumulated Depreciation	(36,108)	(72,190)	
	23,355	33,963	

Leasehold Improvements			
At Cost	69,762	88,620	
Accumulated Depreciation	(1,354)	(75,327)	
	68,408	13,293	

Total Property, Plant and Equipment			
At Cost	129,225	194,773	
Accumulated Depreciation and Amortisation	(37,462)	(147,517)	
Total Written Down Amount	91,763	47,256	

Reconciliations

Office Equipment			
Carrying Amount at Beginning	33,963	35,789	
Additions	15,129	14,513	
Disposals	(6,603)	–	
Depreciation	(19,134)	(16,339)	
	23,355	33,963	

Leasehold Improvements			
Carrying Amount at Beginning	13,293	2,215	
Additions	69,762	–	
Disposals	(4,432)	–	
Depreciation	(10,215)	(8,862)	
	68,408	13,293	

Notes to Financial Statements

	Notes	30 June 2013	30 June 2012
		\$	\$

7. Trade & Other Payables (Current)

Trade Payables	954,823	1,339,091
Other Payables	65,817	105,803
Lease Incentive	86,666	6,988
Unearned revenue	—	74,910
	1,107,306	1,526,792

8. Employee Benefits (Current)

Employee Benefits	115,313	105,478
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9. Employee Benefits (Non-Current)

Employee Benefits	34,426	23,436
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10. Equity

Retained Surplus		
Balance at Beginning of Year	2,788,878	3,453,929
Net (Deficit)/Surplus	(1,694,764)	(665,051)
Balance at End of Year	1,094,114	2,788,878

Notes to Financial Statements

	Notes	30 June 2013	30 June 2012
		\$	\$

11. Cashflow Information

(a) Reconciliation of net cash flows from operations

Net Deficit	(1,694,764)	(665,051)
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Non-cash Items

Depreciation of non-current assets	29,349	25,200
Loss on disposal of fixed assets	15,529	–

Changes in Assets and Liabilities

(Increase)/decrease in trade and other receivables	647,612	(290,236)
Increase/(decrease) in trade and other payables	(419,487)	452,050
Increase/(decrease) in employee benefits	20,826	17,718
Net cashflow from operating activities	(1,400,935)	(460,319)

(b) Reconciliation of Cash

Cash balance comprises:

Cash on hand	250	250
Cash at bank	1,688,111	3,178,962
Closing Cash Balance	1,688,361	3,179,212

12. Expenditure Commitments

Lease expenditure commitments

Operating Leases (non-cancellable)

Minimum lease payments

– not later than one year	117,822	118,200
– later than one year and not later than five years	400,722	26,248
Aggregate lease expenditure contracted for at balance date	518,544	144,448

Notes to Financial Statements

	Notes	30 June 2013	30 June 2012
		\$	\$

13. Contingent Liabilities

There are no contingent liabilities as at 30 June 2013 and 30 June 2012.

14. Subsequent Events

There have been no significant events that have occurred since 30 June 2013 that require separate disclosure.

15. Remuneration of Key Personnel

Income paid or payable, or otherwise made available, in respect of the financial year to 30 June 2013, to all directors and key management personnel of Australian Egg Corporation Limited, directly or indirectly, from the company or any related party.

Remuneration – Short-term Benefits	443,576	471,127
Remuneration – Post-employment Benefits	20,324	23,263
	463,900	494,390

16. Remuneration of Auditors

Amounts received by BDO for:		
– audit of the financial statements	17,500	17,500
– other services	–	–
Total	17,500	17,500

Notes to Financial Statements

	Notes	30 June 2013	30 June 2012
		\$	\$

17. Related Party Disclosures

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

Jeff Ironside
 Frank Pace
 Zelko Lendich
 Russell Ware
 John O'Hara (resigned 21 February 2013)
 Cheryl Hayman (appointed 18 March 2013)
 James Kellaway

Disclosures relating to remuneration of directors and key management personnel are set out in Note 15.

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

Amounts (forgiven)/loaned to Australian Egg Export Pty Limited	(4,494)	296
Amounts loaned to Australian Egg Industry Association	482	–
	(4,012)	296

18. 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. The decline in the amount on deposit is within the terms on the new lease that commenced on 1 November 2012. Accordingly, these funds are not available for general use.

	70,280	132,000
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19. 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.

Notes to Financial Statements

	Notes	30 June 2013	30 June 2012
		\$	\$

20. Financial Risk Management Policies

The company's financial instruments comprise cash, cash equivalents, receivables and payables.

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.

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 30 June 2013, the effect on interest received, with all other variables remaining constant would be as follows:

	Surplus \$	Equity \$
Year ended 30 June 2013		
– Increase in interest rate by 2%	33,767	33,767
– Decrease in interest rate by 2%	(33,767)	(33,767)
Year ended 30 June 2012		
– Increase in interest rate by 2%	63,584	63,584
– Decrease in interest rate by 2%	(63,584)	(63,584)

Notes to Financial Statements

	Notes	30 June 2013	30 June 2012
		\$	\$

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 receivables 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.

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

Less than 6 months	1,020,640	1,444,894
6 months to 1 year	–	–
1 year to 2 years	–	–
	1,020,640	1,444,894

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.

Ageing of trade receivables is as follows:

	30 June 2012	0-30 days	31-60 days	61+ days
Total Trade Receivables	430,111	424,945	2,778	2,388
	30 June 2012	0-30 days	31-60 days	61+ days
Total Trade Receivables	1,013,760	985,129	26,373	2,258

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 amounts.

Independent Auditor's Report



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Sydney NSW 2000
Australia

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 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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.

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

Independent Auditor's Report



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Egg Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'AM', is written over a faint, larger 'BDO' logo.

Arthur Milner
Partner

Sydney

22 August 2013

Project/Activity Report

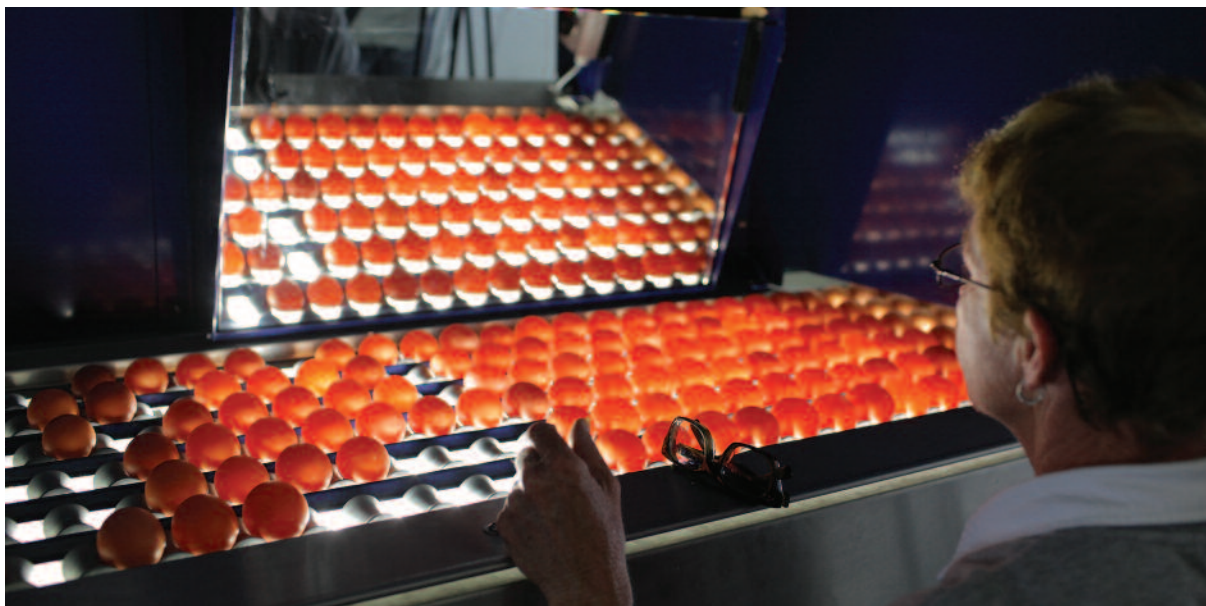
STRATEGY 1

Monitor, analyse, understand and address market attitudes, behaviour, consumption and preferences for 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
Consumer focus group research (new)	Testing of new consumer creative to ensure cut-through and measurable growth in consumption of eggs by using the selected creative.	Consumption	2, 11
Consumer attitudes & behaviour tracking research – Newspoll (continue)	Shifts in consumer behaviour and attitudes to eggs analysed and benchmarked to assist in future campaign development.	Consumption	2, 11
Market Research – AZTEC retail scan data (continue – under contract)	Purchasing behaviour of the low consuming target market segments identified to better target campaigns, maximise ROI and measure program/sales performance.	Consumption	2, 11
Mapping of egg supply chain (new)	Egg supply chain mapped across all market channels to assist better target campaigns and hence promotional investments thereby increasing overall egg demand and return on invested funds.	Consumption	2
GP market research (continue)	Shift in HCPs attitudes to eggs analysed and benchmarked to assist in future campaign development.	Consumption	2, 11
Immunological changes when egg allergic kids eat baked egg (continue – under contract)	Increased usage of eggs among children with an egg allergy through the removal of existing barriers to egg consumption.	Consumption	1, 2



Project/Activity Report

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

Year-on-year growth in egg awareness, demand and sales realised providing effective return on invested funds and positive growth trends in egg sales each year.

Project/Activity	Outcome	AECL Pillar	R&D Priority
Australian Centre for Food Integrity (new)	Egg industry better informed of consumer views and market better educated on animal agriculture and where their food comes from.	Cohesion	2, 10
Consumer advertising creative development (continue)	Increased egg consumption of the low consuming target market segments by shortening the purchase cycle and increasing top-of-mind awareness of eggs.	Consumption	1, 2
Consumer advertising digital campaign (continue)	Increased egg consumption of the low consuming target market segments by shortening the purchase cycle and increasing top of mind awareness of eggs.	Consumption	1, 2
Consumer advertising media buy (continue)	Increased egg consumption of the low consuming target market segments by shortening the purchase cycle and increasing top of mind awareness of eggs.	Consumption	1, 2
Consumer promotions & POS campaign (continue)	Increased egg consumption of the low consuming target market segments by shortening the purchase cycle and increasing top of mind awareness of eggs.	Consumption	1, 2
National Heart Foundation (NHF) 'Tick' licence (continue)	Greater awareness of positive health benefits from the consumption of eggs through cost effective access and consistent use of the NHF 'Tick' Certification Trade Mark by egg producers (sub-licensees).	Consumption	2
Nutrition advice & dietetics review (continue)	Increased health and nutritional knowledge about eggs known and communicated to HCPs and KOLs.	Consumption	1, 2
Dieticians Association of Australia (continue)	Increased awareness of eggs among HCPs as a great source of nutrition thereby debunking the cholesterol myth and ensuring eggs are promoted as part of a healthy balanced diet.	Consumption	2
HealthCare Professions (HCP) events campaign (continue)	Increased awareness of eggs among HCPs as a great source of nutrition thereby debunking the cholesterol myth and ensuring eggs are prescribed to patients as part of a healthy eating plan.	Consumption	2
HealthCare Professionals (HCP) media campaign (continue)	Increased awareness of eggs among HCPs as a great source of nutrition thereby debunking the cholesterol myth and ensuring eggs are prescribed to patients as part of a healthy eating plan.	Consumption	1, 2
HealthCare Professionals (HCP) creative & POS material (continue)	Increased awareness of eggs among HCPs as a great source of nutrition thereby debunking the cholesterol myth and ensuring eggs are prescribed to patients as part of a healthy eating plan.	Consumption	1, 2

Project/Activity Report

STRATEGY 2 CONTINUED...

Project/Activity	Outcome	AECL Pillar	R&D Priority
ENC website development (continue)	Increased awareness of eggs among HCPs as a great source of nutrition thereby debunking the cholesterol myth and ensuring eggs are prescribed to patients as part of a healthy eating plan.	Consumption	1, 2
Consumer PR campaign (continue)	Increased egg consumption by the low consuming target market segments by shortening the purchase cycle and increasing top of mind awareness of eggs.	Consumption	1, 2
HealthCare Professionals (HCP) PR campaign (continue)	Increased awareness of eggs among HCPs as a great source of nutrition thereby debunking the cholesterol myth and ensuring eggs are prescribed to patients as part of a healthy eating plan.	Consumption	1, 2
Are eggs good for people with Type 2 diabetes? (continue – under contract)	Increased usage of eggs among people with Type 2 diabetes through the removal of existing barriers to egg consumption.	Consumption	1, 2
Egg Nutrition Council (ENC) (continue)	Increased awareness of eggs among HCPs as a great source of nutrition thereby debunking the cholesterol myth and ensuring eggs are prescribed to patients as part of a healthy balanced diet.	Consumption	2, 9
'All about eggs' student education incursion (continue)	School students informed about how eggs are nutritious, great value, versatile, great tasting and produced in an ethical and appropriate manner.	Credibility	2, 9



Project/Activity Report

STRATEGY 3

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
Dietary available phosphorus requirements of laying hens (continue – under contract)	Egg production enhanced with respect to bird nutrition, feed costs and environmental pollution.	Credibility	1, 3, 10
Effects of rearing on inappropriate conflict behaviours that predispose cannibalism (continue – under contract)	Cannibalistic pecking reduced thereby improving animal welfare, flock performance and uniformity.	Credibility	1, 10
Feedgrain partnership (continue)	A secure and quality supply of feedgrain enhanced through effective partnerships and industry collaborations achieved.	Credibility	1, 3, 4, 5, 10
Field application of Rispens-specific qPCR test (continue – under contract)	Vaccination success and effective methods for detecting MDV outbreaks in vaccinated flocks.	Credibility	1, 5, 10
Behavioural and physiological characterisation of 'outdoor' and 'indoor' hens (continue – under contract)	Egg production, health and egg quality implications addressed through characterisation of the effects of the use of the outdoor range on behaviour and physiology of free-range hens.	Credibility	1, 2
Nutrient specific appetite as a driver for feather pecking in hens (continue – under contract)	Links between nutrient receptors, appetite and feather pecking behaviour in hens understood.	Credibility	1
On-farm euthanasia of spent hens (continue – under contract)	Building strength and capacity within the egg industry to more effectively manage the change of practices associated with flock depopulation, euthanasia, processing, and composting. Euthanising of spent hens.	Credibility	1, 3, 5, 7
Optimising calcium formulation in modern laying hens (continue – under contract)	Lower diet costs and improved performance (production and FCR) for commercial hen production achieved.	Credibility	1
Effects of time off feed and water on the welfare of spent laying hens. Phase 2: Behavioural indicators (continue – under contract)	Welfare implications of different times off feed and water among spent hens known with improvements in industry policies resulting.	Credibility	1, 3, 7
Egg differentiation and provenance (continue)	Deceptive and misleading conduct minimised through the adoption of technology that determines the provenance of eggs.	Credibility	1, 2, 7

Project/Activity Report

STRATEGY 3 CONTINUED...

Project/Activity	Outcome	AECL Pillar	R&D Priority
Public health significance of layer farm or egg associated Salmonella isolates (continue – under contract)	Improved understanding of the public health significance of Salmonella serovars and extent of invasiveness and virulence.	Credibility	1, 2
Understanding the physiology of shell pigmentation and colour deterioration in laying hens (continue – under contract)	Quantitative information concerning the location of pigment in the layers of the egg shell and identification of sites of pigment synthesis in the oviduct.	Credibility	1, 2
Layer & egg supply forecasting model enhancement & report (continue)	Egg producers informed of industry trends and market movements leading to better business planning.	Cohesion	1, 2



Project/Activity Report

STRATEGY 4

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

Outcome

Industry information and innovation needs identified, researched and adopted to provide a more credible industry that is competitively positioned in the market.

Project/Activity	Outcome	AECL Pillar	R&D Priority
Augmented reality on-pack labelling technology (new)	Consumers educated on egg farming systems and other information pertaining to on-pack labelling..	Credibility	2, 7
Nutrition Information Panel (NIP) review (new)	Nutritional assessment and profile of Australian eggs updated and information used in the NIP for egg cartons.	Consumption	2
Pullet and layer flock uniformity: an epidemiological industry-based approach (continue – under contract)	Benchmarking of flock uniformity and performance regarding persistency and longevity of lay achieved.	Credibility	1, 10
Carbon Farming Initiative: manure management consortium (continue – under contract)	Improved environmental profile of egg production with respect to greenhouse gas emissions. Access to manure management opportunities with respect to the Carbon Farming Initiative.	Credibility	3, 4, 10
Industry development, collaboration and R&D-related policy management (continue)	Promotion and defence of industry needs and influence with respect to on-farm innovation and efficiency.	Credibility	1, 6, 7, 9
Delivery of skills and knowledge via the National Workforce Development Fund (NWDF 2011) (continue – under contract)	Capacity and capability of the egg industry enhanced through the delivery of skills and knowledge to egg producers and their employees driving farm efficiency and productivity.	Credibility	6, 9, 10
Egg industry RD&E business development service (continue)	Better informed egg industry of R&D outcomes and application on-farm while providing feedback and ensuring direct input into future investments.	Credibility	1, 2, 6
Egg industry extension and dissemination (continue)	Improved dissemination of R&D information and transfer/ adoption of new science and program outcomes.	Credibility	1, 2, 6, 9

Project/Activity Report

STRATEGY 5

Build and maintain industry resources and capacity to deliver stakeholder-responsive programs, research, extension and information in a timely manner.

Outcome

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

Project/Activity	Outcome	AECL Pillar	R&D Priority
Delivery of skills and knowledge via the Enterprise-Based Productivity Places Program (EBPPP) (continue – under contract)	Delivery of skills and knowledge to egg producers and their employees through building the capacity and capability of the industry to ensure hen welfare, production efficiency and productivity.	Credibility	6, 9, 10
Horizon Scholarship: primary industries undergraduate scholarship program (continue – under contract)	Greater adoption of new skills and talent attracted to and sustained within the egg industry due to increased awareness of career opportunities at the graduate level.	Credibility	6, 9, 10
National poultry RD&E strategy (continue – under contract)	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 in the future delivered.	Credibility	1, 6, 10
Research seminar, conference study tours and grants (continue)	Improved communication and dissemination of egg industry R&D results and professional development of industry stakeholders.	Credibility	6, 9, 10
Quality Assurance (QA) development and training (new)	Auditor skills enhanced and QA program efficiency improved through the development of auditing technology and templates.	Credibility	3, 5, 6, 7, 8
Egg industry meetings and conferences (continue)	Better informed AECL, egg producers and service providers through exposure to international markets, community trends, production concepts and ideas.	Cohesion	N/A
Liaison with Animal Health Australia (AHA) (continue)	Better informed egg industry on animal health matters with secure funding arrangements under the Emergency Animal Disease Response Agreement (EADRA).	Cohesion	5, 10
Meetings with the Federal Minister and DAFF (continue)	Better informed Australian Government regarding Australian egg industry issues, the operations and governance of AECL and AECL programs and investments.	Cohesion	N/A
Stakeholder relations – corporate (continue)	Egg industry involvement in AECL projects/activities and knowledge on program outcomes and levy investments with stakeholders supporting AECL operations.	Cohesion	N/A
Skills and Knowledge ICC (continue)	Better informed AECL from stakeholder and expert feedback ensuring maximum impact on program development and execution.	Cohesion	9

Project/Activity Report

STRATEGY 5 CONTINUED...

Project/Activity	Outcome	AECL Pillar	R&D Priority
Promotions/PR ICC (continue)	Better informed AECL from stakeholder and expert feedback ensuring maximum impact of program development and execution.	Cohesion	9
On Farm Innovation and Efficiency ICC (continue)	Better informed AECL from stakeholder and expert feedback ensuring maximum impact of program development and execution.	Cohesion	9
Public Affairs ICC (continue)	Better informed AECL from stakeholder and expert feedback ensuring maximum impact of program development and execution.	Cohesion	9
Council of Rural Research and Development Corporations (CRRDC) (continue)	Collaborative R&D efforts and efficiency in communication across RDCs maximised as per the SFA and government R&D priorities.	Cohesion	10, 11
AECL publications and websites (continue)	Informed egg industry stakeholders with dynamic, engaging and relevant publications, fact sheets and websites.	Cohesion	N/A
AECL industry events (continue)	Informed egg producers about the latest R&D and marketing news from AECL as well as relevant industry news and technologies from around the country and the world.	Cohesion	N/A
Egg industry and AECL program videos (continue)	Stakeholders and the community better informed and educated thereby increasing industry credibility and community knowledge.	Cohesion	N/A
IEC – FAO lifecycle analysis for poultry (continue – under contract)	Development of an internationally-recognised LCA model to measure GHG emissions in the poultry industry and to benchmark poultry performance against other livestock species.	Credibility	3, 4, 10
AECL R&D program evaluation (continue)	Knowledge, awareness and return on the investment of R&D dollars across the suite of R&D funded projects.	Credibility	11
Animal health Technical Working Group (TWG) (continue)	AECL and egg industry better informed through expert animal health feedback and advice ensuring biosecurity measures are maintained and project execution maximised.	Credibility	1, 5, 9
Development of research knowledge and expert group (new)	AECL and egg industry aware of latest science through expert advice and insight to ensure best practice on-farm and throughout the supply chain is maintained.	Credibility	1, 2, 5, 6, 9
Integrated EggBiz – egg production software (continue)	Increased on-farm efficiency and hen productivity through the adoption of integrated flock management software.	Credibility	6, 7
Egg industry training initiative (continue)	Recognised industry training for transfer of skills through the development of a single-source, industry relevant training scheme.	Credibility	6, 9, 10
High school education and capacity building (continue)	Improved careers and industry information provided to high school students through the development of curriculum-specific resources for high schools.	Credibility	6

Project/Activity Report

STRATEGY 5 CONTINUED...

Project/Activity	Outcome	AECL Pillar	R&D Priority
Egg Standards Australia – national egg quality assurance program (continue)	The egg industry differentiated and those eggs complying to BMP identified by consumers as being the eggs of choice through the adoption of an internationally accredited QA program.	Credibility	1, 2, 5
Egg Corp Assured (ECA) national egg quality assurance programme (continue)	QA program maintained and egg producer licenses migrated to the ESA program.	Credibility	1, 2, 3, 4, 5
Egg Labelling Integrity Panel (continue)	Perceived misleading conduct minimised through the use of an expert panel to review and provide feedback on egg carton labels.	Credibility	1, 2, 9
Poultry Cooperative Research Centre (CRC) (continue – under contract)	R&D investments leveraged and maximised in hen nutrition, bird health, animal welfare, food safety, egg quality and the environment for community benefit.	Credibility	1, 3, 4, 6, 7, 9, 10



AECL Industry Consultative Committees and Expert Groups

MEMBERSHIP

Consultative Committees:

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Farm Pride Foods Ltd

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Mr Andros Chrysiliou
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Dr Geoffrey Annison
Australian Food & Grocery Council

Glossary

AAWS	Australian Animal Welfare Strategy	IP	Intellectual Property
ABS	Australian Bureau of Statistics	IPP	Industry Partnerships Program
ACARA	Australian Curriculum Assessment & Reporting Authority	IRR	Internal Rate of Return
ACCC	Australian Competition and Consumer Commission	KPI	Key Performance Indicator
AECL	Australian Egg Corporation Limited	LCA	Life Cycle Assessment
AEIA	Australian Egg Industry Association	MAT	Moving Annual Total
AGM	Annual General Meeting	NAHIS	National Animal Health Information System
AHA	Animal Health Australia	NH&MRC	National Health & Medical Research Council
AI	Avian Influenza	NPV	Net Present Value
AICD	Australian Institute of Company Directors	OHS	Occupational Health & Safety
AOP	Annual Operating Plan	PDA	Personal Digital Assistant
ASIC	Australian Securities and Investments Commission	PIEF	Primary Industries Education Foundation
ASX	Australian Securities Exchange	PIRSA	Primary Industries and Regions South Australia
BCR	Benefit Cost Ratio	PIX	Poultry Information Exchange
CIF	Cost Insurance Freight	POS	Point-Of-Sale
CPD	Continuing Professional Development	PR	Public Relations
CRC	Co-operative Research Centre	PRP	Preliminary Research Proposal
CRRDC	Council of Rural Research & Development Corporations	QA	Quality Assurance
CSIRO	Commonwealth Scientific and Industrial Research Organisation	QR	Quick Response (matrix barcode)
CTR	Click Through Rate	RAS	Royal Agricultural Society
DAA	Dietitians Association of Australia	R&D	Research and Development
DAFF	Department of Agriculture, Fisheries and Forestry	RD&E	Research, Development and Extension
DPI	Department of Primary Industries	RDC	Research and Development Corporation
ECA	Egg Corp Assured	ROI	Return On Investment
EEO	Equal Employment Opportunity	RSPCA	Royal Society for the Prevention of Cruelty to Animals
EFA	Egg Farmers of Australia Inc	SFA	Statutory Funding Agreement
ELG	Egg Labelling Guide	TAC	Technical Advisory Committee
ELIP	Egg Labelling Integrity Panel	TWG	Technical Working Group
EMS	Environmental Management Systems	VET	Vocational Education Training
ENAG	Egg Nutrition Advisory Group	WSPA	World Society for the Protection of Animals
ENC	Egg Nutrition Council (previously ENAG)	YTD	Year To Date
FOB	Free On Board		
FPC	Full Page Colour		
FRP	Full Research Proposal		
FSANZ	Food Standards Australia New Zealand		
FSTF	Food Safety Task Force		
GP	General Practitioner		
GPCE	General Practitioner Conference & Exhibition		
HCP	HealthCare Professionals		
HWAG	Hen Welfare Advisory Group		
ICC	Industry Consultative Committee		
IEC	International Egg Commission		





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