

ANNUAL REPORT

2017/18



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CHAIR'S REPORT

It is with much pleasure that I present the Australian Eggs 2017–18 Annual Report.

The previous year was one where a number of issues were put behind us, and we started the year in a position to move forward with our ears pinned back. I am pleased to report that we have done just that and it has been a busy and productive year for Australian Eggs.

With a rapid shift in consumer sentiment, the industry has been challenged with on farm and supply issues and uncertainty regarding animal welfare regulatory processes.

While some of these issues are potentially divisive, the Australian Eggs board has been very much focussed on considering and developing strategy that will ensure the entire industry is well placed to take on these and future challenges.

The 4 year strategic plan which was developed in 2017, in consultation with the industry, remains relevant with four overarching themes:

- Increased Consumption
- Sustainable Production
- Effective Engagement, and
- Value for Money

We have a solid marketing programme in place, along with a research, development and extension programme that has taken into account the on farm needs of the industry.

Australian Eggs' vision for the egg industry as a sustainable, progressive and prosperous industry proactively addressing challenges and improving its future is reflected in the most significant strategic initiative deployed by the board through the year, the Industry Sustainability Framework. I was very pleased to be part of this important step and see it receive widespread support from Industry, as well as significant interest from the media.

The Board is also required to ensure compliance with our Statutory Funding Contract and we have met these important requirements.

Finally, I thank my fellow directors, and in particular our Managing Director, Rowan, and the small, but dedicated team at Australian Eggs for their commitment throughout the 2018 financial year. I would also like to thank egg farmers, industry participants and government stakeholders for their engagement and ongoing support.



Danny Jones
Chair

A sustainable, progressive and prosperous industry proactively addressing challenges and improving its future.



EGG INDUSTRY OVERVIEW

JUNE 2018

2

EGG PRODUCTION – AUSTRALIA

515.7m

DOZEN EGGS 2018 FY

(Source: Sensing Value)

FLOCK SIZE – AS AT JUNE 2018

27,941,900

PULLETS & LAYERS

21,790,580

LAYERS

(Source: Sensing Value)

GROSS VALUE OF EGG PRODUCTION (FARM GATE EQUIVALENT)

A\$819.6m

2017 FY

(Source: ABS, cat. no. 7503)

MAJOR SUPERMARKET GROCERY CHAINS EGG SALES VOLUME – 2018 FY

229.658m

MILLION DOZENS

(Source: AZTEC)

STATE FLOCK PERCENTAGES – AS AT JUNE 2018

31.57% NSW/ACT

10.60% WA

27.82% Queensland

7.26% SA/NT

22.41% Victoria

0.34% Tasmania

(Source: ABS, cat. no. 7121)

MAJOR SUPERMARKET GROCERY CHAINS EGG SALES VALUE

A\$940.582m

2018 FY

(Source: AZTEC)

EGG CONSUMPTION

244.83

EGGS PER CAPITA (MAT) – AS AT JUNE 2018

(Source: Sensing Value)

MAT = Moving Annual Total
FOB = Free On Board
m = million

FY = Fiscal Year (Jul to Jun)
CIF = Cost Insurance Freight
mt = metric tonne

A\$ = Australian dollars
g = grams
% = percent

MAJOR SUPERMARKET GROCERY CHAINS EGG SALES FARMING SYSTEM MARKET SHARE – 2018 FY
 (Source: AZTEC)

	VOLUME	VALUE
Cage eggs	43.99%	32.68%
Free Range eggs	45.38%	54.36%
Barn-Laid eggs	9.12%	9.45%
Specialty eggs	1.51%	3.33%

GROWTH BY SEGMENT IN DOZENS (000s) AND PERCENTAGE OVER FY 2018 (Source: AZTEC)

	000s	%
Cage eggs	101037.8	-6.90%
Free Range eggs	104210.7	13.80%
Barn-laid eggs	20944	3.70%
Specialty eggs	3465.8	15.20%

MAJOR SUPERMARKET GROCERY CHAINS EGG SALES BRANDING MARKET SHARE – 2018 FY
 (Source: AZTEC)

	VOLUME	VALUE
Private-label/generic labels	56%	49%
Proprietary labels	44%	51%

MAJOR SUPERMARKET GROCERY CHAINS EGG SALES PACK SIZE MARKET SHARE – 2018 FY
 (Source: AZTEC)

	VOLUME	VALUE
6 (half dozen) pack	4%	7%
10 pack	1%	2%
12 (dozen) pack	87%	83%
15 pack	1%	1%
18 pack	4%	5%
30 (tray) pack	2%	2%

MAJOR SUPERMARKET GROCERY CHAINS EGG PACK WEIGHT MARKET SHARE – 2018 FY
 (Source: AZTEC)

	VOLUME	VALUE
<= 350g	4.1%	6.85%
351g - 600g	20.3%	19.2%
601g - 700g	62.0%	57.5%
701g - 800g	6.0%	8.3%
>= 801g	7.6%	8.1%

EGG PRODUCT EXPORTS (FOB EQUIVALENT) – 2018 FY (Source: ABS)

	VOLUME	VALUE
Shell eggs	256mt	A\$0.782m
Egg pulp/liquid	324mt	A\$1.117m
Egg powder	28mt	A\$0.243m

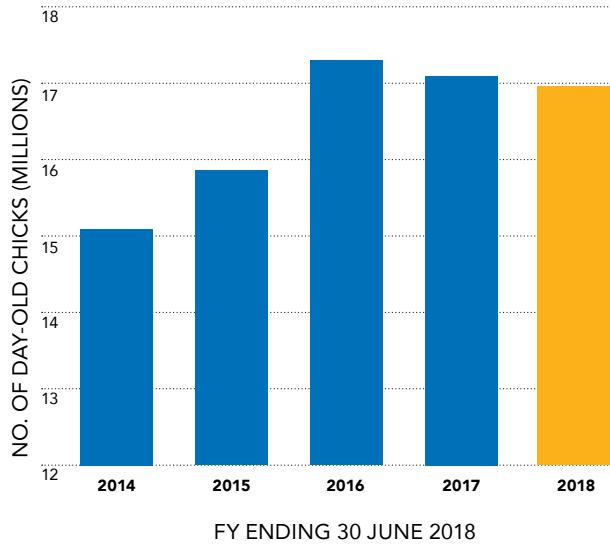
EXPORTS OF FRESH SHELL EGGS SHARE BY COUNTRY OF DESTINATION – 2018 FY
 (Source: ABS)

	VALUE (FOB)
Hong Kong (SAR of China)	\$934,184
Singapore	\$465,129
Sri Lanka	\$214,774
New Zealand	\$199,293
New Caledonia	\$112,613
Vanuatu	\$92,564
Korea, Republic of	\$78,090

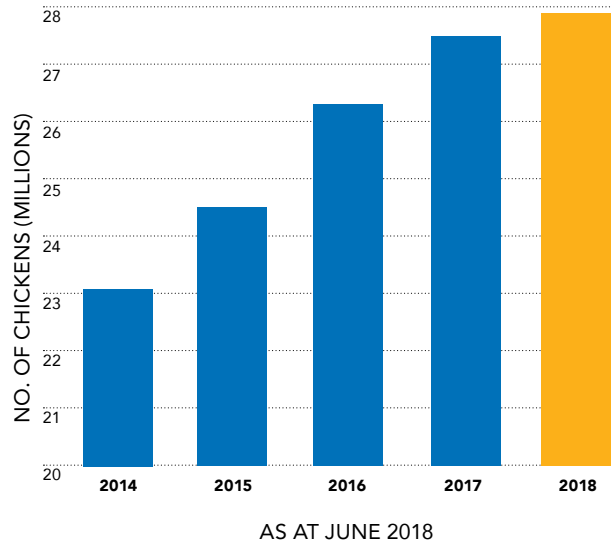
EGG PRODUCT IMPORTS (CIF EQUIVALENT) – 2018 FY (Source: ABS)

	VOLUME	VALUE
Eggs preserved/cooked	1454mt	A\$4.926m
Egg pulp/liquid	79mt	A\$0.079m
Egg powder	814mt	A\$6.040m

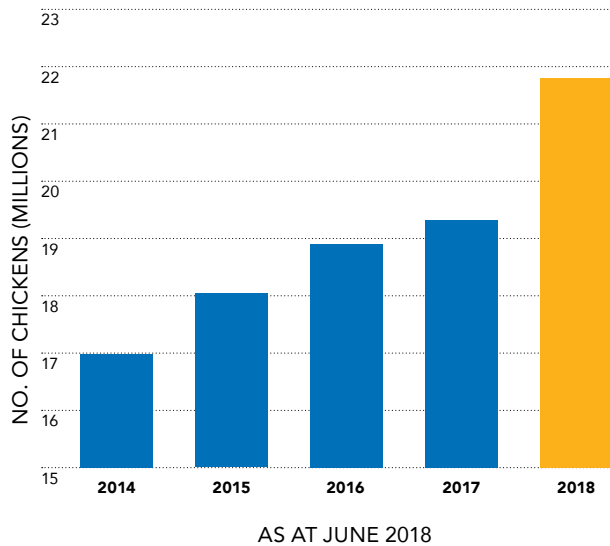
LAYING CHICKS HATCHED



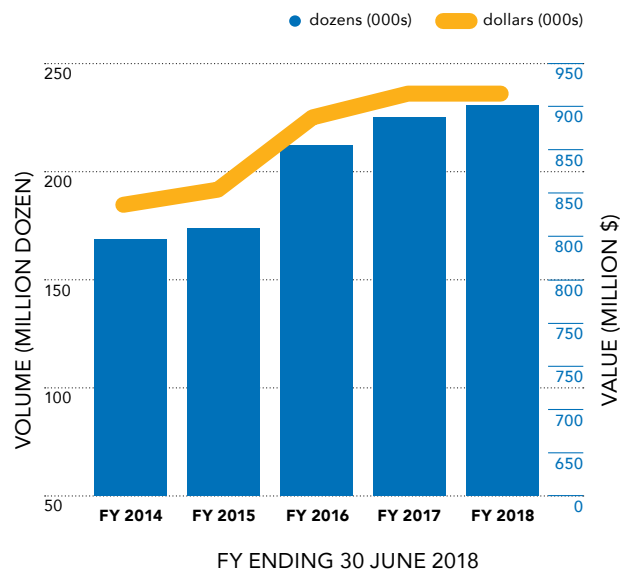
CHICKENS – PULLETS & LAYERS



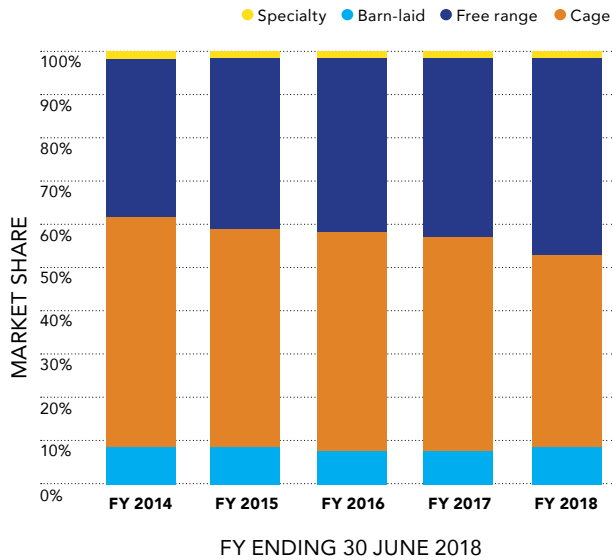
CHICKENS IN EGG PRODUCTION – LAYERS



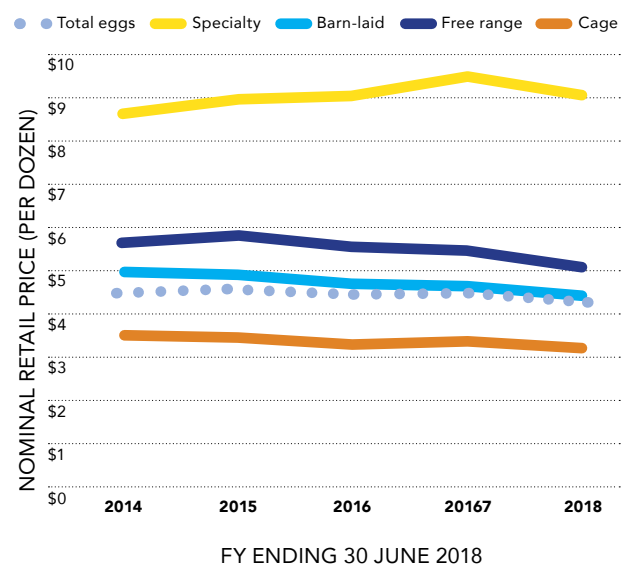
GROCERY SALE OF EGGS – VOLUME & VALUE



GROCERY VOLUME MARKET SHARE OF EGGS BY SEGMENT



NOMINAL RETAIL PRICE OF EGGS BY SEGMENT



VISION AND STRATEGY

VISION

Proactively support egg farmers to increase egg consumption and ensure industry sustainability

GOALS

INCREASED
CONSUMPTION

SUSTAINABLE
PRODUCTION

EFFECTIVE
ENGAGEMENT

VALUE FOR
MONEY



KEY FOCUS AREAS

MATCHING
MARKET
CYCLES

FLOCK
HEALTH/
BIOSECURITY

FARMER
CONSULTATION

STAKEHOLDER
FOCUS

NEXT
GENERATION

FOOD
SAFETY

PROACTIVE
EXTENSION

EFFICIENT,
WELL-RESOURCED
TEAM

NUTRITION

HEN
WELFARE

MARKET
DEVELOPMENT

CLEAR WORK
PROGRAM

EATING
EGGS

RESEARCH
COLLABORATIONS

IRB
CONSULTATION



BOARD OF DIRECTORS

8



Danny Jones

Chair

Elected Director

Danny has had over 25 years of egg industry experience having acted as Business Manager and then Managing Director of Pure Foods Eggs Pty Ltd, Tasmania's largest egg producer. His egg industry experience covers business administration, pullet rearing, layers, grading, packing, distribution, feed milling and quality assurance.

Danny has extensive board experience in both roles of Non-Executive Director and Managing Director. He holds an Advanced Diploma in Business, is a graduate of the Australian Institute of Company Directors and a Fellow of the Institute of Public Accountants.



Bede Burke

Elected Director

Bede has run a successful grain and livestock farming business, including laying hens and pullet rearing as well as ewes and breeding cattle, with his wife, Narelle, for over 35 years. The farm not only produces most of its own feed requirements with an on-farm feed mill but also has an extensive on-farm compost as part of the fertiliser program for grain production. In 2009, the farm was awarded the Brownhill Cup for Sustainable Farming.

Bede has always been involved in a number of industry and community projects. Currently he is Chair of the NSW National Party, Chair of Egg Farmers of Australia Limited, Chair of NSW Farmers Egg Committee and Chair of Dampier Rural Investments Limited.



Charmaine England

Marketing Specialist Director

Charmaine is a food marketing expert, having worked at leading food companies in Australia such as Unilever and The Daily Drinks Co, and was until recently the Chair of the Australian Fruit Juice Association. Charmaine has many years of marketing, board and senior management experience in consumer products in Asia, New Zealand, UK and Australia. She is a specialist in developing and delivering business turnaround.

Charmaine is currently an Executive General Manager at Pact Group Holdings Ltd, an ASX listed business that has been named one of Australia's most innovative companies by the Financial Review. Charmaine looks after a number of manufacturing facilities across NSW and Victoria, producing key household, personal care and nutraceutical products for a diverse range of customers such as Aldi, Woolworths and Swisse.





Frank Pace AM

Elected Director

Frank Pace is the founder 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).

In 2011, Frank was appointed a Member of the Order of Australia (AM) for of his contribution to the egg industry, both in Australia and internationally.



Catherine Cooper

Corporate Governance Specialist Director

Audit & Risk Committee Chair

Catherine has a background in commercial law and business and is an experienced non-executive director and chair. She has extensive experience at management and board level in diverse industries with expertise spanning agribusiness, animal health, biosecurity, food security, finance and audit, together with water, energy, waste management, health and education, research and development, with significant exposure to both domestic production and export markets.

Catherine is a pragmatic director with a strong focus on integrity, transparency and credibility.

Catherine's executive management experience includes Fosters Brewing Group, Elders Limited, Futuris Corporation, and positions as chair of SA Fisheries Council and SA Dairy Regulator. She is currently Commissioner at Australian Fisheries Management Authority, Director at Energy Consumer Australia and Director at Beston Global Food Company.

Catherine has twice been a finalist in the Telstra Business Women's Awards, and was awarded a position in the AICD ASX 200 Chairs mentoring Program 2015.



Rowan McMonnies

Managing Director

Rowan has a legal and compliance background and is an experienced executive director in the agriculture sector. As Managing Director of Australian Eggs, he has led the development of a new strategic direction by the Board and guided Australian Eggs management team through a comprehensive rejuvenation. Rowan has developed a strong understanding of the nature and structure of the agriculture sector as well as having developed relationships with a range of key stakeholders.

Rowan is a former commercial Partner at Baker & McKenzie with 20 years of experience practicing in commercial and regulatory law. Using this experience, he has guided corporates and government agencies through complex regulatory frameworks in a range of industries with a particular focus on the agriculture sector.

Rowan holds a Bachelor of Laws from the University of Technology, Sydney, a Masters of Commerce from the University of Sydney and is a graduate of the Australian Institute of Company Directors. Rowan commenced with Australian Eggs on 31 October 2016.

MANAGING DIRECTOR'S REPORT

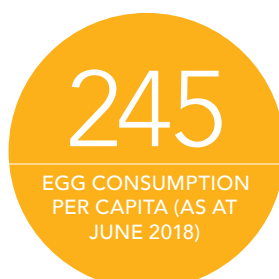
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The 2017-2018 financial year was challenging for the egg industry. The resolution of the free range standard across 2016 and 2017 combined with retailer commitments to phase out cage eggs in the medium term led to significant investment in free range and barn egg production in the lead-up to this financial year in circumstances where strong demand for cage eggs remained.

This resulted in strong supply across the year despite record marketing expenditure and activity by Australian Eggs, significantly impacting the profitability of egg farmers. More recently, drought conditions in the eastern states have exacerbated this dynamic with substantially higher feed and operating costs. While the direct impact of the drought could be expected to be short term, there is a risk of persistent drought conditions developing.

In addition, there has been ongoing conjecture regarding the Poultry Animal Welfare Standards & Guidelines regulatory process. Extended delays have prevented the resolution of the process and animal welfare groups sought to push the process away from the introduction of mandatory animal welfare standards towards a regulated ban of cage egg production. These campaigns included attacks on the egg industry as resistant to change despite evidence to the contrary.

While these dynamics have created real frustration for egg farmers and a level of anxiety about the future, many positives have also emerged during this period. In particular, the challenge of strong supply has been softened by strong demand with egg consumption increasing from 231 to almost 245 as at June 2018.



This substantial jump is no doubt influenced by availability but is also coupled with demand factors that are likely to be sustainable in the medium term. In particular, consumer trends towards natural whole foods and increasing cost of living pressures making affordable protein most attractive. These provide opportunities for further consumption increases in the future for the industry to work towards.

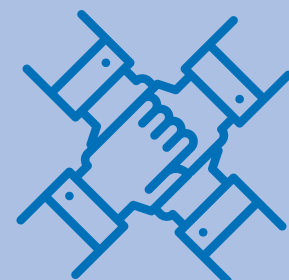
2017-2018 was also notable for the absence of major food safety, biosecurity and animal welfare incidents that could impact consumption. This reflected the work of the industry in ensuring consistent outcomes as well as the work of Australian Eggs in driving industry improvement.

AUSTRALIAN EGGS' PERFORMANCE

The year was a positive one for Australian Eggs. 2016-17 was a year of considerable internal focus and rejuvenation with the new Board overseeing the development of a new strategic plan, the rebranding process and some team changes. In contrast, 2017-18 was a year of relative stability in which the platform created was used to focus more on external activities to drive industry sustainability.

The Australian Eggs team worked collaboratively in 2017-18 and had the culture of a positive team driven by the opportunity to improve the egg industry. At all times Australian Eggs sought to be responsive to stakeholders, even where requests couldn't be accommodated, and ensure that to the greatest extent possible our activities were based on stakeholder input.

A positive team
driven by the
opportunity to
improve the egg
industry



2017-18 was also the first year in which Australian Eggs published an Evaluation Framework to provide a basis for the assessment of our activities and performance. The Evaluation Framework was a useful tool for driving more critical thinking in the development of the 2017-18 Annual Operating Plan as well as providing greater transparency for stakeholders seeking to understand our activities.

The Evaluation Framework Report was released in July 2018 along with a revised Evaluation Framework incorporated in the 2018-19 Annual Operating Plan. This process of ongoing reporting is a useful communication tool in demonstrating the work of Australian Eggs and should drive increased engagement as stakeholders assess our performance and focus areas over time.

The Evaluation Framework Report included details of Australian Eggs Key Performance Indicators which indicated that:

- consumption increased from 231 to 245 eggs per capita as at June 2018;
- the average benefit/cost assessment for R&D projects was a ratio of 3.58 which continues to be above the long term average;
- there were significant Effective Engagements with 61 opportunities for feedback created and over 25 workshops conducted across the country;
- the Value for Money ratio was approximately 12%, an 2% increase on 2016-17 which was impacted by premises fit out costs in the relocation of Australian Eggs offices.

There were also qualitative improvements in organisational performance with an observable increase in the quality of marketing and PR materials and a high level of stakeholder engagement in key strategic initiatives such as the Australian Egg Industry Sustainability Framework.

ruralR&D
CORPORATIONS

STAKEHOLDER ENGAGEMENT AND COLLABORATION

Australian Eggs worked closely with egg industry representative bodies (IRBs) across 2017-2018 to obtain feedback on the implementation of the Annual Operating Plan and the development of future projects. The main IRBs that Australian Eggs has close contact with are: Egg Farmers of Australia, Queensland United Egg Producers, Commercial Egg Producers of Western Australia, Commercial Egg Farmers of South Australia and Tasmania, New South Wales Farmers Egg Committee and Victorian Egg Farmers Egg Group.

Consultation with IRBs in 2017-2018 included:

- attending and presenting at IRB meetings to report on activities;
- IRB representative participation in Australian Eggs industry consultative committees;
- maintaining regular contact with IRB representatives on emerging industry issues;
- providing periodical and electronic newsletters, opportunities to attend forums and participate in workshops.

Australian Eggs continued to engage with broader stakeholders, beyond the egg industry, and looked for opportunities to work collaboratively with research organisations and other rural industries. This included working closely with the Council for Rural Research & Development Corporations to develop a project to jointly explore building trust in Australian Rural Industries.



MARKETING ACTIVITIES

Strong egg supply across the year was matched with the largest marketing program Australian Eggs has run to date. Stakeholder feedback regarding high inventory across the winter of 2017 was responded to with a substantive Spring advertising campaign on free-to-air television, subscription television and social media.

Based on further stakeholder feedback, the campaign was extended to late November and then extended again right up to Christmas, the first time that Australian Eggs has undertaken marketing in this period. This was coupled with an Autumn campaign that started early in February and tracked right through to May.

The Spring to Autumn campaigns utilised the tested and successful 'Unbeatable for Breakfast' messaging around the high level of protein in eggs. As this campaign had been used for four years, work was also conducted to prepare a new creative campaign to further drive consumption.

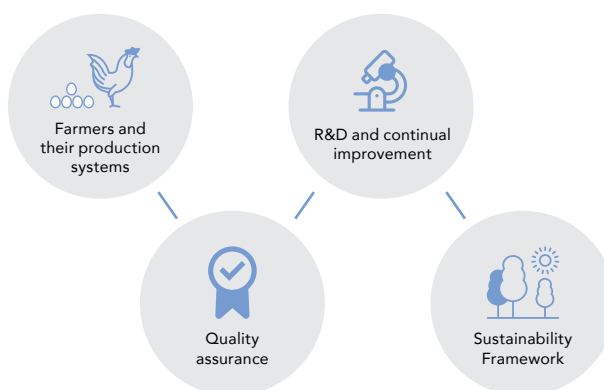
This process included consumer testing to identify market segments that could be productively targeted, the identification of themes most likely to promote consumption and a creative campaign tender process. The successful campaign, 'Get Cracking Australia', was developed into a final creative that was ready for use in Spring 2018. The objective of the campaign is to inspire Australians to use eggs in new ways and on new occasions and it is expected that this will strengthen Australian Eggs marketing activities for years to come.



STRATEGIC INITIATIVES

Australian Eggs increased its focus on the external operating environment of the egg industry in 2017-18 through three strategic initiatives: Egg Standards of Australia, the Australian egg industry Sustainability Framework and a revitalised animal welfare R&D program.

ESA was successfully implemented in January 2018 and there have been successful audits conducted throughout the year. It is the nature of quality assurance schemes that they are never perfect or complete but improved consultation processes have ensured that a commercially relevant standard could be achieved. In June 2018, a review process was commenced and Australian Eggs will continue this process of testing retailer requirements and the practicalities of egg farmer to make refinements to ESA over time.



The Sustainability Framework was released in April 2018 and has been well received by sector and the community. The objective of the Sustainability Framework is to deliver a productive process for community engagement through community surveys conducted independently by the CSIRO. The benefit of this process is not only finding out what the community thinks about the egg industry and why, but establishing transparent processes where the community can track progress as the industry responds to community expectations over time. This initial three year cycle of engagement will start the process of increasing community trust that the egg industry is acting responsibly.

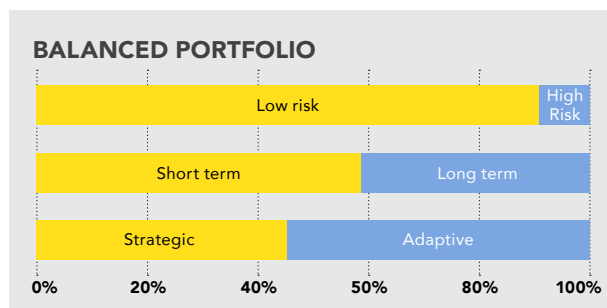
The Animal Welfare R&D program has been developed to try and drive a more productive debate on animal welfare issues and ensure that the egg industry can continue to lead on this important area. The program includes the identifying ethical issues arising from hen welfare science for the purpose of further research and new methods to assess the positive and negative affective states of hens using micro RNAs. These programs are directly relevant to the current animal welfare debate and will position the egg industry to better understand welfare issues.



R&D AND EXTENSION

Australian Eggs sought to undertake research projects in 2017-2018 that were responsive to egg farmers priorities. This included projects selected to drive industry sustainability by addressing food safety, and flock health/biosecurity challenges and improvements in animal welfare.

Australian Eggs research portfolio reflected a balance between strategic, adaptive, short and long term and low and high risk projects. The majority of the research program was focused on adaptive, lower risk and timely research outputs to maximise the average benefit cost assessment ratio. A selection of strategic, high risk and longer term projects were also undertaken to explore the potential for significant advancements in egg farming.



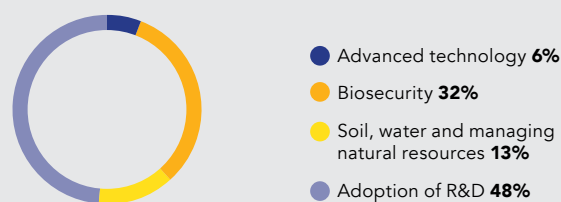
The Australian Eggs research program also reflected the Federal Government Science and Research Priorities and the Rural RD&E priorities. As the most directly relevant priorities, the majority of the research program reflected the adoption and biosecurity Rural RD&E priorities and the food and soil and water Science and Research priorities.

IP, COMMERCIALISATION, SUBSIDIARIES AND JOINT VENTURES

Australian Eggs has continued its focus on the development of industry applicable know-how which was protected through contractual arrangements with research partners.

Australian Eggs did not pursue commercialisation of intellectual property or trade mark protections in the 2017-18 year. No subsidiaries or joint ventures were formed.

AUSTRALIAN GOVERNMENT R&D PRIORITIES – AUSTRALIAN EGGS EXPENDITURE 2017/18



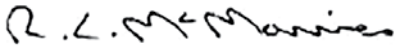
SCIENCE & RESEARCH PRIORITIES – AUSTRALIAN EGGS EXPENDITURE 2017/18



THE YEAR AHEAD

There remains a disconnect between the current challenging market conditions for egg farmers and the positive trajectory for the industry in meeting some longstanding challenges.

While industry issues are unlikely to be the highest priority for an egg business under pressure, Australian Eggs is committed to ensuring that a sustainable and growing egg industry provides a level of relief from market conditions and opportunities for the future. Australian Eggs strategies have set a course to deliver value to stakeholders and the team will remain energised by the opportunity to drive improvement in 2018-19.



Rowan McMonnies
Managing Director





EVALUATION FRAMEWORK REPORT OVERVIEW 2017–18

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IN THE YEAR 2017-2018 AUSTRALIAN EGGS INVESTED

\$4,251,022.31

IN MARKETING ACTIVITIES

\$1,811,418.96

IN RESEARCH AND DEVELOPMENT ACTIVITIES

\$2,102,776.76

IN ENGAGEMENT AND EXTENSION

\$1,275,065.49

IN VALUE FOR MONEY PROJECTS

47 EGG FARMER
ENGAGEMENT
OPPORTUNITIES

16

R&D STEERING
COMMITTEE
MEETINGS

10

MARKETING
AND R&D ICC
MEETINGS

92

PARTICIPANTS IN
AUSTRALIAN EGGS'
TRAINING COURSES

92.3%

OF TOTAL KNOWN NATIONAL COMMERCIAL
FLOCK IS ESA OR ECA APPROVED

OVER 2,500
STUDENTS
PARTICIPATED IN
THE AUSTRALIAN
EGGS "GET CRACKING,
GET COOKING"
ACTIVATION AT THE
ROYAL EASTER
SHOW

30% OF
CONSUMERS
RECALL KEY
CAMPAIGN
MESSAGES



IN THE YEAR 2017 TO 2018, AUSTRALIAN EGGS HAD 20 RD&E PROJECTS UNDERWAY



THE **MARKET CYCLES PROGRAM** AIMS TO MAXIMISE THE EFFECTIVENESS OF AUSTRALIAN EGGS MARKETING ACTIVITIES BY PROVIDING INFORMATION AND PROCESSES TO IMPROVE OUR RESPONSIVENESS TO MARKET DEVELOPMENTS. IT IS MEASURED BY THE **PERCENTAGE OF CONSUMER RECALL AND ATTITUDES FOR KEY NEXT GENERATION, NUTRITION AND EATING EGGS CAMPAIGN MESSAGES.**

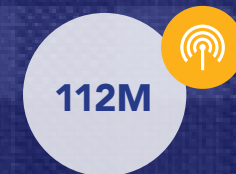


WORLD EGG DAY IMPACT

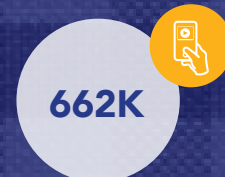
TOTAL ENGAGEMENTS



TOTAL REACH



TOTAL VIDEO VIEWS

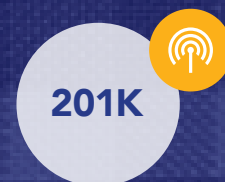


PR SENTIMENT

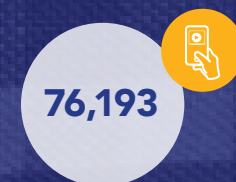


ROYAL EASTER SHOW IMPACT

TOTAL REACH



VIDEO VIEWS



ENGAGEMENTS



THE OBJECTIVE OF THE ALL ABOUT EGGS **SCHOOLS PROGRAM** IS TO ENGAGE AND EDUCATE SCHOOL CHILDREN ON THE BENEFITS OF EGGS AND BUILD AN AWARENESS OF EGG FARMING. IT IS MEASURED BY THE **NUMBER OF SCHOOL CLASSES PARTICIPATING IN THE AUSTRALIAN EGGS ALL ABOUT EGGS PROGRAM.**



RURAL RD&E PRIORITIES

18

RURAL R&D PRIORITY

RURAL RD&E FOCUS

Projects Investments

1. Advanced technology

2

\$125,360

To enhance innovation of products, processes and practices across the food and fibre supply chains through technologies such as robotics, digitisation, big data, genetics and precision agriculture.

2. Biosecurity

10

\$853,018

To improve understanding and evidence of pest and disease pathways to help direct biosecurity resources to their best uses, minimising biosecurity threats and improving market access for primary producers.

3. Soil, water & managing natural resources

4

\$158,204

To manage soil health, improve water use efficiency and certainty of supply, sustainably develop new production areas and improve resilience to climate events and impacts.

4. Adoption of R&D

15

\$1,929,019

Focusing on flexible delivery of extension services that meet primary producers' needs and recognising the growing role of private service delivery.



NATIONAL SCIENCE & RESEARCH PRIORITIES

PRIORITY

Projects

Investments

1. Food

28

\$2,987,397

Develop internationally competitive, sustainable, profitable, high intensity and high production capacity in new and existing food products and maintain Australian's reputation for clean, safe and quality controlled food production.

2. Soil and water

4

\$158,204

Focusing on Australia's critical soil and water assets, build capacity for improved accuracy and precision in predicting change to inform better decision making.



2016 PERFORMANCE REVIEW – UPDATE

20

Australian Eggs has finalised its implementation of the recommendations arising from the 2016 Performance Review undertaken by SED Advisory (**SED**).

In accordance with the recommendations of SED, Australian Eggs has:

Reviewed the Audit & Risk Committee Terms of Reference in line with recommended three lines-of-defence risk model;

Developed a clear position on the strategy of retained earnings and reinvestment strategy;

Incorporated strategic risk areas into regular Board reporting;

Strengthened the alignment of PDs to the AOP with the use of individual scorecards;

Focused some future communications to levy payers on education of the role of Australian Eggs to better manage expectations;

Implemented more effective KPI monitoring to measure effectiveness in addition to the traditional measures;

Continued to work on establishing a separate representative egg industry body (Egg Farmers of Australia) and reframed its media communication strategy;

Developed exception reporting and dashboard reporting for the Board;

Strengthened the nexus between risk and strategy at Board level by adopting more formal risk appetite statement and a priority assessment matrix that assesses risk in strategic decisions;

Formalised directors' succession plan for the impending retirement of long-term chair;

Investigated options to complement the ROI model of performance measurement with an R&D measure for justification of investment;

Continued with Independent Board assessment every three years and annual internal Board reviews using and agreed governance scorecard.

The following recommendations were not approved by the Australian Eggs Board on the basis that they were deemed unnecessary or inapplicable at this time:

Investigate implementation of compliance/risk management software to systemise processes and provide controlled audit trails and reporting;

Pursue development and innovation initiatives to support renewal of established senior management.

Implement more formal Board renewal processes with usual nominations committee guidelines; and



CORPORATE GOVERNANCE AND COMPLIANCE

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Australian Eggs is a not-for-profit public company limited by guarantee and 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.

Australian Eggs is committed to conducting its business in a way that is open and accountable to all stakeholders. Corporate governance describes the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled with corporations. It encompasses the mechanisms by which companies, and those in control, are held to account. Australian Eggs is committed to effective governance and ongoing improvements.

Australian Eggs 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 Australian Eggs Board is responsible for ensuring that the management of Australian Eggs is conducted in a manner that ensures the long term benefit of levy paying egg producers and more broadly, all stakeholders, consistent with the Australian Eggs Constitution (**the Constitution**), the Funding Contract with the Australian Government (**the Funding Contract**) and the *Egg Industry Service Provision Act 2002*.

The Australian Eggs Board Charter governs the Board. The Board strives to create member value by constructively engaging with management to ensure the appropriate development, execution and monitoring of Australian Eggs agreed strategies in line with the Australian Eggs industry-agreed Strategic Plan. The Board strives to ensure leadership and resources for the Company. It also ensures the performance of Australian Eggs is monitored and improved.

The Australian Eggs Board meets at least 8 times a year, 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. 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.

The Australian Eggs Board's functions include:

- Providing leadership and setting the strategic objectives of Australian Eggs;
- Approving operating budgets and major capital expenditure;
- Overseeing management's implementation of Australian Eggs' strategic objectives and its performance generally;
- Ensuring Australian Eggs acts legally and responsibly on all matters and that the highest ethical standards are maintained;
- Ensuring that Australian Eggs has in place an appropriate risk management framework and setting the risk appetite within which the Board expects management to operate;
- Ensuring Australian Eggs operates within the requirements of the Constitution, the *Corporations Act 2001*, the Funding Contract and the *Egg Industry Service Provision Act 2002*;
- Appointing or removing the Managing Director/Chief Executive Officer;
- Approving Australian Eggs' remuneration framework;
- Monitoring the effectiveness of Australian Eggs' governance practices; and
- Appointing the Chair and Deputy Chair.

PRINCIPLE 2

Structure the Board to add value

In accordance with the Constitution, the Australian Eggs Board comprises three Elected Directors and three Specialist Directors, one of whom is the Managing Director.

Specialist Directors are sought by a Nominations Committee and appointed by the Australian Eggs Board then 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 Funding Contract.

Directors collectively have skills and experience in the following areas and that at least one Director can demonstrate from his or her experience that he or she is highly skilled on legal, compliance and corporate governance:

- production and/or processing of the egg industry;
- product promotion, marketing and international market development and trade;
- business and financial management;
- R&D administration, technology transfer, commercialisation of R&D and innovation; and
- conservation and management of natural resources.

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 Chair, directors may obtain independent professional advice on matters arising in the course of their board duties. Such advice would be made available to all directors.

The Board undergoes a performance review using ACID governance analysis tool annually and undertakes external review every three years. The Board considers renewal and succession planning annually.

Australian Eggs is assisted in carrying out its responsibilities by the Australian Eggs Audit & Risk Committee. When a Board vacancy arises the Australian Eggs Board compels the Australian Eggs Nominations Committee will meet.

PRINCIPLE 3

Act ethically and responsibly

Australian Eggs wishes to conduct all its business ethically and responsibly. Equally important is the encouragement of ethical conduct by example from all involved in Australian Eggs. 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 Australian Eggs Board has put in place appropriate systems and controls to ensure that Australian Eggs acts within the law at all times, avoids conflict of interest and acts honestly and ethically in all business activities. Australian Eggs has developed key corporate controls, including risk management, fraud control and intellectual property management.

All Australian Eggs staff and directors are bound by the Australian Eggs Code of Conduct Policy, the Diversity and Harassment Policy and the Code of Ethics.

Acting ethically and responsibly goes beyond mere compliance with legal obligations. As a good corporate citizen, Australian Eggs strives to:

- Respect the human rights of employees;
- Create a safe non-discriminatory workplace; and
- Deal honestly and fairly with suppliers and stakeholders.



PRINCIPLE 4

Safeguard integrity in corporate reporting

The Audit & Risk Committee meets four times each year. It is governed by the Board Committee Charter. The Managing Director and Company Secretary attend all committee meetings at the invitation of the Committee. The Audit & Risk Committee is chaired by a Specialist Director. The Committee also meets privately with the external auditor without Australian Eggs 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 Audit & Risk Committee include:

Financial Statements – reviews Australian Eggs' financial statements, effectiveness and compliance with accounting policies and standards, adequacy of disclosures and reconciliation of all bank accounts.

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

Appointment of External Auditor – reviews the scope and adequacy 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 Australian Eggs' 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 Australian Eggs auditors.

Risk – See Principle #7

PRINCIPLE 5

Make timely and balanced disclosure

Australian Eggs 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*. Australian Eggs undertakes regular disclosure of current business matters to its stakeholders through its fortnightly newsletter, EggsPress, quarterly publication of Eggstra and its Annual Report. It also holds annual Australian Eggs industry forums rotating through all State jurisdictions.

Under the Funding Contract with the Australian Government, Australian Eggs is required to report to the Department of Agriculture and Water Resources. In addition, the Chair and Managing Director meet bi-annually with the Minister, or his nominated delegate, to report on Australian Eggs performance against the Funding Contract. Any significant matters are to be reported to the Department.



PRINCIPLE 6

Respect the rights of shareholders

Australian Eggs does not have shareholders, it has members as defined in Section 231 of the *Corporations Act 2001*.

A person is eligible to be a member of Australian Eggs 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.

Australian Eggs seeks stakeholder input to inform its strategic planning process and its corporate performance review.

The Board encourages full participation of members and other stakeholders at the AGM to ensure a high level of accountability and understanding of Australian Eggs 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

The Australian Eggs Audit & Risk Committee reviews all internal controls and policies, the practice of good governance, management procedures employed and the systems of risk management employed by the Company.

.....

Australian Eggs 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 of a framework to identify and manage risk via the 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), Workplace Health and Safety (WHS) and privacy.
-

PRINCIPLE 8

Remunerate fairly and responsibly

Australian Eggs 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 Australian Eggs Constitution at a maximum of \$150,000 per annum. Aggregate Board remuneration can only be increased with the consent of Australian Eggs members. Australian Eggs' 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 Australian Eggs director.

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 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.



BUSINESS PLANNING CALENDAR

	JAN 24	FEB 22	MAR 22	APR 18	MAY 24	JUN 21	JUL 26	AUG 23	SEP 27	OCT 18	NOV 13	DEC 20
2018 Australian Eggs Board Calendar												
Day	WED	THUR	THUR	WED	THURS	THUR	THUR	THUR	THUR	THUR	TUES	THUR
MEETING												
Only if required	✓		✓				✓		✓			
Audit & Risk Committee		✓		✓	✓			✓				
STRATEGY FORMATION												
Board strategic planning										✓		
Approve AOP						✓						
Approve budgets					✓							
MANAGEMENT PRESENTATIONS												
MD's report		✓		✓	✓	✓		✓		✓	✓	✓
Program Manager Presentation		✓		✓		✓		✓		✓		✓
MANAGING DIRECTOR												
Approve performance KPIs										✓		
Assess performance								✓				
Review succession planning										✓		
Approve total remuneration expense										✓		
CORPORATE GOVERNANCE												
Review board reporting requirements												✓
Review board performance, including board succession										✓		
Review terms of reference A&R Committee				✓								
Review Board Charter										✓		
Board performance review using AICD governance analysis tool annually, but undertaken externally every 3 years										✓		
AGM												
2018 AGM (14 November 2018, Perth)											✓	
Approval of AGM notice and documentation								✓				
MEMBERSHIP												
Approve Return Date and process for member renewals				✓								
Approve Membership Application forms				✓								

COLLABORATION

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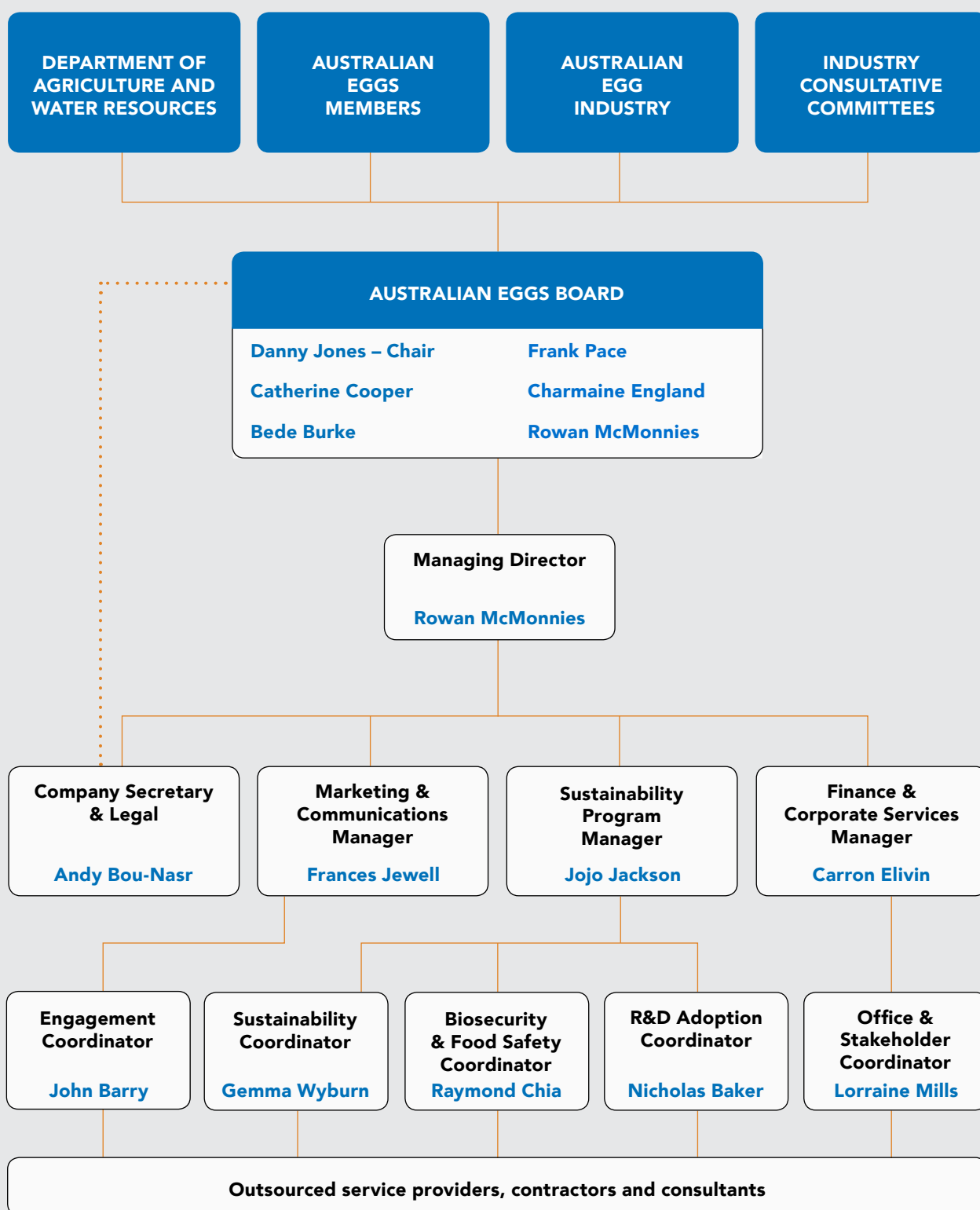
Australian Eggs has several projects that are undertaken in collaboration with industry, other research providers and other RDCs.

Collaboration is undertaken in order to fund research and development to address the Australian Government's Rural RD&E Priorities and to deliver research projects or promotions services in a more efficient and effective way.

Australian Eggs' contribution, as a percentage, is calculated by reference to cash contribution and does not include allocation of in-kind contributions. Collaborative projects for the 2017-18 year are table below:

PROJECT NAME	EXPENDITURE 2017/18	PARTNERS	AUSTRALIAN EGGS
Rapid whole genome sequencing and bio-informatic analysis of Pasturella Multicida	\$52,625	AgriFutures Australia	30%
Assessment of the efficacy of an autogenous vaccine in Spotty Liver Disease control	\$147,946	AgriFutures Australia	94%
A killed whole cell bacterin vaccine against Spotty Liver Disease	\$125,045	AgriFutures Australia	93%
Salmonella epidemiology and intervention strategies	\$101,670	NSW Food Authority	75%
Improving welfare in Aviaries	\$50,000	UNE	90%
National Animal Welfare RD&E Strategy	\$15,540	AgriFutures Australia, MLA, AWI, AMPC, APL, DA, Livecorp	20%
National Poultry RD&E Strategy	\$60,000	AgriFutures Australia, Poultry Hub Australia	50%
National Biosecurity RD&E Strategy	\$5,000	All livestock RDCs, Industry representative bodies and federal/state government departments	5%
Feed Grain Partnership	\$8,000	APL, MLA, GRDC, DA, AgriFutures Australia, Pork CRC, SFMCA	10%
Capacity Building in the Egg Industry – Horizon Scholarship	\$30,000	APL, CRDC, GRDC, AgriFutures Australia, HIAL, MLA, DAFF, Woolworths	15%
Poultry Hub Australia	\$150,000	AgriFutures Australia, and other chicken meat partners	30%

ORGANISATIONAL STRUCTURE



AUSTRALIAN EGGS' INDUSTRY CONSULTATIVE COMMITTEES AND EXPERT GROUPS AS AT 30 JUNE 2018

MEMBERSHIP

Consultative Committees:

Marketing

Julie Proctor	Sunny Queen
Grant Dearden	Pace Farm
Tim Russell-Jarvie	Pure Foods
George Holland	Holland Farms
Robert Pepper	Canobolas Eggs

Research, Development and Extension

Philip Szepe	Kinross Farms
Peter Bell	AAA Egg Farms
David May	DA Hall and Co
Rouge Isenmonger	Pace Farm
Juliet Roberts	University of New England
Susan Bibby	2Bridges Consulting

Sustainability Framework

Philip Szepe	Kinross Farm
John Dunn	Egg Farmers Australia
Kent Antonio	McLean Farms
Ian Wilson	Bodalla Holdings
Anne Andary	Days Eggs
Paul Pace	Pace Farm

Expert Groups:

ESA Technical Panel

Margaret Balfour	Integrity Compliance Solutions
Clare Winkel	Integrity Compliance Solutions
Raymond Chia	Australian Eggs
Ian Wilson	Bodalla Holdings
Robert Pirovic	Pirovic Family Farms
Daniel Canterella	McLean Farms
Bruce De Lacy	Farm Pride

Egg Nutrition Council

Sharon Natoli	Food & Nutrition Australia
Karam Kostner	University of Brisbane
Tania Markovic	Royal Prince Alfred Hospital, Sydney
Cameron Grant	University of Auckland

Egg Labelling Integrity Panel

Sharon Natoli	Food Nutrition Australia
John Furbank	Retail Compliance
Andros Chrysiliou	Chrysiliou IP
Geoffrey Annison	Australian Food & Grocery Council

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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DIRECTORS' REPORT

32

Your directors submit their report for the year ended 30 June 2018.

Directors

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

Frank Pace

Danny Jones

Catherine Cooper

Charmaine England

Bede Burke

Rowan McMonnies

Corporate Information

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

Australian Eggs Limited employed 10 employees at 30 June 2018 (2017:7).

Meetings of Directors

During the year to 30 June 2018 there were eight meetings of directors.

During the year to 30 June 2018 the Audit & Risk Committee met four times.

The number of meetings attended by each director was:

	Board Meetings		Audit & Risk Committee Meetings	
	2017–2018		2017–2018	
	Attended	Eligible	Attended	Eligible
Frank Pace	8	8	4	4
Danny Jones	8	8	4	4
Catherine Cooper	6	8	3	4
Rowan McMonnies	8	8	4	4
Charmaine England	7	8	4	4
Bede Burke	7	8	3	4

DIRECTORS' REPORT (CONTINUED)

Results and Performance Indicators

Principal Activities

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

The principal activities of Australian Eggs are in line with the objects of the Company as described in Section 2 of the Australian Eggs Constitution. The long term objective of Australian Eggs is to provide leadership in Industry Service Provision, including Promotion and R&D services that advance the interests of the Australian Egg Industry.

The objectives are carried out via shorter term programs and projects. Programs in marketing are across a range of media both to consumers, and to healthcare professionals. The principal measure of the success of promotion activities is increased egg consumptions. Other measures and performance indicators are found on the Australian Eggs website in the Annual Operating Plan and the Evaluation Framework.

Research and Development programs and projects are selected for their value of contribution towards the goal of sustainable production in Australian egg farms. Other measures and performance indicators are found on the Australian Eggs website in the Annual Operating Plan and the Evaluation Framework.

The Australian Eggs Limited deficit for the year ended 30 June 2018 was \$468,076 (2017: surplus \$1,411,261). All projects undertaken by Australian Eggs including their purpose, funding and measurement criteria are approved in the Australian Eggs Annual Operating Plan ('AOP') by the Australian Government Department of Agriculture and Water Resources.

Australian Eggs reports on the progress of all projects annually in the Evaluation Framework on the Australian Eggs website and in the Australian Eggs publication Eggstra Eggstra, in twice yearly meetings with the Department of Agriculture and quarterly in the Australian Eggs Annual Report.

Winding up

As per Rule 4 of the Australian Eggs Constitution, in the event of the company being wound up, each member is liable for Australian Eggs Limited debts and liabilities for an amount not exceeding \$1.

At 30 June 2018 Australian Eggs Limited had 78 members. Were Australian Eggs Limited to have been wound up on that date, members would be liable to contribute a total of \$78.

Directors' Qualifications

The Australian Eggs Constitution s13.1 states that Australian Eggs may have up to four elected directors and three specialist directors, one of whom will be the Managing Director. In accordance with s13.4(h) of the Australian Eggs Constitution, the Australian Eggs Board consists of three elected and three specialist directors who have demonstrated skills in egg production, the processing of egg products, product promotion and business and financial management, with at least one director highly skilled in corporate governance.

The Managing Director, Rowan McMonnies, holds a Bachelor of Laws degree, a Master of Commerce and is a graduate of the Australian Institute of Company Directors.

The Chair, Danny Jones, has over 25 years experience in the egg industry and holds an Advanced Diploma in Business. He is a graduate of the Australian Institute of Company Directors and a Fellow of the Institute of Public Accountants.

Frank Pace has many years of experience in the egg industry and is the former Chair of the International Egg Commission. Frank was appointed a Member of the Order of Australia ("AM") for his contribution to the egg industry, both in Australia and internationally.

Bede Burke has been a partner in a successful mixed farming, including egg, business for many years. He holds a Bachelor of Science degree and a Graduate Diploma of Business.

Catherine Cooper has a Bachelor of Laws degree and is a Fellow of the Australian Institute of Company Directors.

Charmaine England holds a Bachelor of Business degree, specialising in marketing. She is a graduate of the Australian Institute of Company Directors.

DIRECTORS' REPORT (CONTINUED)

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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 5.

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



Danny Jones
Chair

Dated 23 August 2018

Auditor's Independence Declaration



AUSTRALIAN EGGS LIMITED
ACN 12 859 585

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Australian Eggs Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit: and
- (b) Any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'D K Swindells', is written over a faint, light blue grid background.

Sydney, NSW
23 August 2018

D K Swindells
Director

HLB Mann Judd Assurance (NSW) Pty Ltd ABN 96 153 077 215
Level 19 207 Kent Street Sydney NSW 2000 Australia | Telephone +61 (0)2 9020 4000 | Fax +61 (0)2 9020 4190
Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au
Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd is a member of  International. A world-wide organisation of accounting firms and business advisers.

DIRECTORS' DECLARATION

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In the opinion of the directors:

- (a) the attached financial statements and notes thereto are in accordance with the Corporation Act 2001, including:
 - (i) comply with Australian Accounting Standards and the Corporations Regulations 2001;
 - (ii) give a true and fair view of Australian Eggs Limited's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that Australian Eggs Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to s295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Danny Jones
Chair

Dated 23 August 2018

Statement of Surplus or Deficit & Other Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue	2	11,208,655	10,561,580
Expenditure			
Value for Money	3a	(1,395,635)	(1,646,996)
Increased Consumption	3b	(5,268,979)	(3,306,501)
Sustainable Production	3c	(2,237,025)	(2,993,246)
Effective Engagement	3d	(2,675,954)	(1,114,054)
Levy Collection Costs	3e	(26,390)	(24,671)
Egg Farmers of Australia		(72,748)	(64,851)
Total Expenses		(11,676,731)	(9,150,319)
Surplus (Deficit) for the year		(468,076)	1,411,261
Other Comprehensive Income for the year, net of tax		-	-
Total Comprehensive Income (Deficit) for the year	9	(468,076)	1,411,261

The above Statement of Surplus or Deficit & Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

at 30 June 2018

	Notes	30 June 2018 \$	30 June 2017 \$
Current Assets			
Cash and Cash Equivalents	9	6,420,137	7,041,504
Trade and Other Receivables	4	1,445,957	1,159,805
Total Current Assets		7,866,094	8,201,309
Non-Current Assets			
Property, Plant and Equipment	5	364,140	83,958
Security Deposit	14	86,086	-
Total Non-Current Assets		450,226	83,958
Total Assets		8,316,320	8,285,267
Current Liabilities			
Trade and Other Payables	6	766,733	301,743
Employee Benefits	7	82,234	53,534
Total Current Liabilities		848,967	355,277
Non-Current Liabilities			
Employee Benefits	8	40,192	34,753
Total Non-Current Liabilities		40,192	34,753
Total Liabilities		889,159	390,030
Net Assets		7,427,161	7,895,237
Equity			
Retained Surplus		7,427,161	7,895,237
Total Equity		7,427,161	7,895,237

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

Statement of Changes in Equity

For the year ended 30 June 2018

	Notes	Retained surplus \$	Total Equity \$
Balance as at 1 July 2016		6,483,976	6,483,976
Total comprehensive income for the year		1,411,261	1,411,261
Balance as at 30 June 2017		7,895,237	7,895,237
Balance as at 1 July 2017		7,895,237	7,895,237
Total comprehensive income for the year	9	(468,076)	(468,076)
Balance as at 30 June 2018		7,427,161	7,427,161

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

Statement of Cash Flows

for the year ended 30 June 2018

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	Notes	2018 \$	2017 \$
Cash Flows from Operating Activities			
Receipts from funding and other sources (inclusive of GST)		10,785,121	10,894,445
Payments to suppliers and employees (inclusive of GST)		(11,157,915)	(10,868,576)
Interest received		121,984	128,466
Net Cash Flows from Operating Activities		(250,810)	154,335
Cash Flows from Investing Activities			
Advances to related parties		-	738
Purchase of property, plant and equipment		(370,557)	(19,307)
Net Cash Flows from Investing Activities		(370,557)	(18,569)
Net Increase in Cash and Cash Equivalents			
		(621,367)	135,766
Cash and Cash Equivalents at the beginning of the year		7,041,504	6,905,738
Cash and Cash Equivalents at The End of The Year	9	6,420,137	7,041,504

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

Notes to the Financial Statements

For the year ended 30 June 2018

1. Summary of Significant Accounting Policies

The Financial Report covers Australian Eggs Limited as an individual entity. The Financial Report is presented in Australian dollars, which is Australian Eggs Limited's functional and presentation currency.

Australian Eggs Limited is a not-for-profit 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 23 August 2018. 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, revised or amending Accounting Standards and Interpretations adopted

Australian Eggs Limited has adopted all of the new, revised or amended 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 Australian Eggs Limited 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 Australian Eggs Limited.

Accounting Standards Issued Not Yet Operational

Certain Accounting Standards have been published that are not mandatory for 30 June 2018 reporting periods, the directors expect that they will have no impact on the future financial reporting of Australian Eggs Limited, other than as set out below:

AASB16: Leases

Australian Accounting Standard AASB16: Leases will apply to Australian Eggs Limited for the first time for the year ending 30 June 2020. This Standard will change how Australian Eggs Limited accounts for its current operating leases, which relate primarily to its premises. All such leases (other than leases with lease terms for 1 year or less and leases of low value items, i.e. for around \$10,000 or less) will be brought onto the Statement of Financial Position by the recognition of a "Right-of-Use" asset, together with a liability for the present value of the lease payments for the life of the lease.

The future recognition of lease expenses will change, with more expenses recognised in the early periods of a lease, and less in the later periods, as there will be a change from the straight-line expense currently recognised to front-ended finance charges. There will also be a change in lease expense classification from recognising operating expenses to recognising financing costs and amortisation.

Australian Eggs Limited has not yet calculated the financial impact of these changes.

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 entities.

Historical cost convention

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

1a. 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.

Notes to the Financial Statements

For the year ended 30 June 2018 (continued)

1b. 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.

1c. 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.

1d. 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 estimated useful life.

Useful lives

Office Equipment	2 - 10 yrs
Leasehold Improvements	Term of Lease

1e. 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 Australian Eggs Limited.

1f. 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 as a liability and are expensed on a straight line basis.

Australian Eggs Limited entered into a new operating lease regarding its premises at Level 6, 132 Arthur Street, North Sydney NSW 2060, commencing 1 November 2017. Under the terms of the lease agreement, the entity was entitled to receive a fitout to the value of \$72,000 plus a rental rebate to the value of \$107,998. A lease incentive liability has been recognised to reflect both tranches of the lease incentive. Lease payments are allocated between the rental expense and the reduction of the lease liability over the lease term (5 years). This lease expires 31 October 2022. Rental payments will be expensed in the financial year in which they occur. Contingent rentals for the year ended 30 June 2018 are recognised as an expense in the financial year incurred.

1g. Provisions

Provisions are recognised when Australian Eggs Limited 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.

1h. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Australian Eggs Limited 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 half of the total expenditure on research and development or up to 0.5% of the industry's gross 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 and Water Resources collects statutory levies (Laying Chicken levies and Egg Promotion levies) on behalf of Australian Eggs limited. Revenue from levies is recognised as revenue upon accrual of the levy amounts.

Application of Funds

In accordance with the Statutory Funding Agreement between the Commonwealth of Australia and Australian Eggs Limited, Australian Eggs Limited 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.

Laying Chicken levies and Government matching payments may only be applied by Australian Eggs Limited 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.

Australian Eggs Limited must ensure there is a clear distinction between expenditure on research and development expenses and other expenses. This distinction is noted that via the annual operating plans approved by the Government and tracked via the accounting system.

Notes to the Financial Statements

For the year ended 30 June 2018 (continued)

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.

1i. Income Taxes

Australian Eggs Limited is exempt from company income taxation.

1j. 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 authorities, 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.

1k. 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 surplus or deficit on a net basis in their respective categories.

1l. Economic Dependency

Australian Eggs Limited is economically dependent on statutory levies received from the egg industry and Australian Government contributions.

1m. Critical Accounting Estimates and Judgements

In the application of Australian Eggs Limited'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. Revisions 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.

1n. 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.

1o. Winding up

As per Rule 4 of the Australian Eggs Constitution, in the event of the Australian Eggs Limited being wound up, each member is liable for Australian Eggs Limited debts and liabilities for an amount not exceeding \$1.

At 30 June 2018 Australian Eggs Limited had 78 members. Were Australian Eggs Limited to have been wound up on that date, members would be liable to contribute a total of \$78.

1p. Registered Office

The registered office of the Australian Eggs Limited is:
Suite 602
Level 6
132 Arthur Street
North Sydney, NSW 2060

Notes to the Financial Statements

For the year ended 30 June 2018 (continued)

2. Revenue

	Notes	2018 \$	2017 \$
Revenue from Operating Activities			
Egg Promotion Levies		5,576,574	5,262,959
Laying Chicken (R&D) Levies		2,487,826	2,489,884
Government Contributions		2,593,778	1,931,260
Other Revenue	2a	550,477	877,477
		11,208,655	10,561,580

2a. Other Revenue

Advertising		28,908	39,955
Associate Membership		72,210	70,954
Co-funder Contributions		50,000	280,818
Functions		10,078	31,829
Grant Income		7,200	19,890
Interest		154,781	150,713
Licences Fees		9,400	9,375
Reimbursed Expenses Income		61,801	157,220
Royalties		37,381	75,101
Training		5,420	3,540
Other		113,298	38,082
Total		550,477	877,477

3. Program Expenses by Operating Goal

3a. Value for Money

The Key Focus Areas within the Value for Money goal are:

Accounting and Administration	316,532	409,853
Legal fees related to ACCC matter	-	-
Premises	62,798	45,388
Board/AGM expenses	165,348	205,855
Employment expenses	850,957	985,900
Total	1,395,635	1,646,996

Notes to the Financial Statements

For the year ended 30 June 2018 (continued)

	Notes	2018 \$	2017 \$
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3b. Increased Consumption

The Key Focus Areas within the Increased Consumption goal are:

Matching market cycles

Next Generation

Nutrition

Eating Eggs

Projects / activities	5,097,483	3,106,965
Project travel	4,659	12,665
Program management costs	166,837	186,871
Total	5,268,979	3,306,501

3c. Sustainable Production

The Key Focus Areas within the Sustainable Production goal are:

Flock Health and Biosecurity

Food Safety

Hen Welfare

Research Collaboration

Projects / activities	1,676,818	2,303,251
Project travel	1,067	91,426
Program management costs	559,140	598,569
Total	2,237,025	2,993,246

3d. Effective Engagement

The Key Focus Areas within the Effective Engagement goal are:

Farmer Consultation

Proactive Extension

Market development

IRB Consultation

Projects / activities	2,164,956	858,962
Project travel	194,814	69,389
Program management costs	316,184	185,703
Total	2,675,954	1,114,054

Notes to the Financial Statements

For the year ended 30 June 2018 (continued)

	Notes	2018 \$	2017 \$
3e. Levy Collection Costs			
Levy Collection Cost - Egg Promotion Levy		15,800	16,447
Levy Collection Cost - Laying Chicken levy		10,590	8,224
Total		26,390	24,671

3f. Research & Development Expenditure

Aggregate research and development expenditure includes all project expenditure funded by the Laying Chicken Levy and Corporate overheads applicable to those projects.

Aggregate research and development expenditure	5,187,497	3,862,520
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3g. Net Surplus

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

Depreciation	59,514	8,914
Employee Costs	1,649,982	1,762,170
Lease Expenses	172,215	113,859

4. Trade and Other Receivables (Current)

Trade Receivables		1,234,444	873,849
Other Receivables		113,598	80,802
Lease Incentive receivable		91,798	12,708
Prepayments		6,117	122,166
Security Deposit	14	-	70,280
Total		1,445,957	1,159,805

Notes to the Financial Statements

For the year ended 30 June 2018 (continued)

	2018 \$	2017 \$
5. Property, Plant and Equipment		
Office Equipment		
At Cost	41,788	38,404
Accumulated Depreciation	(11,834)	(10,442)
	29,954	27,962
Leasehold Improvements		
At Cost	393,160	75,011
Accumulated Depreciation	(58,974)	(19,015)
	334,186	55,996
Total Property, Plant and Equipment		
At Cost	434,948	113,415
Accumulated Depreciation and Amortisation	(70,808)	(29,457)
Total Written Down Amount	364,140	83,958
Movements		
Office Equipment		
Carrying Amount at Beginning	27,962	11,869
Additions	7,351	19,306
Depreciation	(5,359)	(3,213)
	29,954	27,962
Leasehold Improvements		
Carrying Amount at Beginning	55,996	61,697
Additions	363,206	-
Disposals	(30,861)	-
Depreciation	(54,155)	(5,701)
	334,186	55,996

Notes to the Financial Statements

For the year ended 30 June 2018 (continued)

	2018 \$	2017 \$
6. Trade and Other Payables (Current)		
Trade Payables	590,528	271,271
Other Payables	23,207	22,581
Unearned income	-	1,225
Lease Incentive Liability	152,998	6,666
	766,733	301,743

7. Employee Benefits (Current)

Employee Benefits	82,234	53,534
	82,234	53,534

8. Employee Benefits (Non-Current)

Employee Benefits	40,192	34,753
	40,192	34,753

9. Cash flow Information

(a) Reconciliation of net cash flows from operations

Net Surplus/(Deficit)	(468,076)	1,411,261
<i>Non-cash Items</i>		
Depreciation of non-current assets	59,514	8,914
Loss on disposal of non-current assets	30,861	-
<i>Changes in Assets and Liabilities</i>		
(Increase)/decrease in trade and other receivables	(372,238)	4,371
Increase/(decrease) in trade and other payables	464,989	(1,211,702)
Increase/(decrease) in employee benefits	34,140	(58,509)
Net cash flow from operating activities	(250,810)	154,335

(b) Reconciliation of Cash

Cash balance comprises:

Cash on hand	250	250
Cash at bank	6,419,887	7,041,254
Closing Cash Balance	6,420,137	7,041,504

Notes to the Financial Statements

For the year ended 30 June 2018 (continued)

	2018 \$	2017 \$
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10. Expenditure Commitments

Lease expenditure commitments

Operating leases (non-cancellable)

Minimum lease payments

– not later than one year	138,518	56,668
– later than one year and not later than five years	344,468	-
Aggregate lease expenditure contracted for at balance date	482,986	56,668

12. Remuneration of Key Personnel

Income paid or payable, or otherwise made available to all directors and key management personnel of Australian Eggs Limited, directly or indirectly, from Australian Eggs Limited or any related party.

Remuneration - Short-term Benefits	497,498	791,082
Remuneration - Post-employment Benefits	75,873	81,304
	573,371	872,386

13. Remuneration of Auditors

Amounts received by HLB Mann Judd for:

– audit of the financial statements	16,000	16,000
	16,000	16,000

Notes to the Financial Statements

For the year ended 30 June 2018 (continued)

	2018 \$	2017 \$
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13. Related Party Disclosures

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

Frank Pace

Danny Jones

Catherine Cooper

Rowan McMonnies

Charmaine England

Bede Burke

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

Amounts loaned to Australian Egg Industry Association	-	-
	-	-

The Australian Egg Industry Association was voluntarily deregistered in June 2017.

14. Receivables – Security Deposit

Australian Eggs Limited is obliged to maintain a security deposit for the rental of the business premises at Mount Street, North Sydney.

	2018	2017
Current Asset		
Security Deposit	-	70,280
Non-current Asset		
Security Deposit	86,086	-
Total	86,086	70,280

Notes to the Financial Statements

For the year ended 30 June 2018 (continued)

	2018 \$	2017 \$
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15. Financial Risk Management Policies

Australian Eggs Limited's financial instruments comprise cash, cash equivalents, receivables and payables.

instruments are interest rate risk, liquidity risk and credit risk. Australian Eggs Limited does not hold financial instruments denominated in foreign currencies and does not use derivative instruments to manage risks associated with its financial instruments. Australian Eggs Limited is not exposed to fluctuations in foreign currency.

Australian Eggs Limited'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

Australian Eggs Limited is exposed to interest rate fluctuations on its cash at bank. Australian Eggs Limited actively monitors interest rates for cash at bank to maximise interest income.

Australian Eggs Limited maintains cash reserves to a level considered prudent to offset any fluctuations in interest rates received.

Sensitivity Analysis:

Australian Eggs Limited 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 from a change to these risks.

At 30 June 2018, the effect on interest received, with all other variables remaining constant would be as follows:

	Surplus \$	Equity \$
Year ended 30 June 2018		
– Increase in interest rate by 2%	3,096	3,096
– Decrease in interest rate by 2%	(\$3,096)	(\$3,096)
Year ended 30 June 2017		
– Increase in interest rate by 2%	3,024	3,024
– Decrease in interest rate by 2%	(3,024)	(3,024)

Notes to the Financial Statements

For the year ended 30 June 2018 (continued)

	2018 \$	2017 \$
15. Financial Risk Management Policies (continued)		

Liquidity risk

Australian Eggs Limited manages liquidity by monitoring forecast cash flows and ensuring that adequate liquid funds are maintained. Australian Eggs Limited does not hold overdraft facilities.

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

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

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

Less than 6 months	613,735	293,852
6 months to 1 year	-	-
1 year to 2 years	-	-
	<u>613,735</u>	<u>293,852</u>

Credit risk

Credit risk arises from exposures to customers as well as through deposits with financial institutions.

Australian Eggs Limited is exposed to two main sources of credit risk - amounts receivable in respect of levy funds collected and distributed to Australian Eggs Limited 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.

Australian Eggs Limited'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 2018	0-30 days	31-60 days	61+ days
Total Trade Receivables	1,234,444	1,209,731	9,333	15,380
	30 June 2017	0-30 days	31-60 days	61+ days
Total Trade Receivables	873,849	868,615	4,092	1,142

Price Risk

Australian Eggs Limited is not exposed to any material commodity price risk.

Net Fair Values

The net fair values of all financial instruments approximate their carrying amounts.



**AUSTRALIAN EGGS LIMITED
ACN 12 859 585**

INDEPENDENT AUDITOR'S REPORT

To the Members of Australian Eggs Limited:

Opinion

We have audited the financial report of Australian Eggs Limited ("the Company") which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company 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 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company on 23 August 2018 would be in the same terms if given to the directors as at the time of this auditor's report.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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.

Independent Auditor's Report

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AUSTRALIAN EGGS LIMITED
ACN 12 859 585

INDEPENDENT AUDITOR'S REPORT

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

HLB Mann Judd Assurance (NSW) Pty Ltd
Chartered Accountants

HLB Mann Judd Assurance (NSW) Pty Ltd ABN 96 153 077 215

Level 19 207 Kent Street Sydney NSW 2000 Australia | Telephone +61 (0)2 9020 4000 | Fax +61 (0)2 9020 4190

Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au

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HLB Mann Judd is a member of  International. A world-wide organisation of accounting firms and business advisers.



Australian Eggs Limited

Suite 602, Level 6
132 Arthur Street
North Sydney, NSW 2060

T 02 9409 6999 **F** 02 9954 3133

W australianeggs.org.au

