

Annual Report & Accounts

Year Ending 28th June 2003.

For

**The Western Australian Egg
Marketing Board**

Trading As



GOLDEN EGG FARMS®

Contents

	Page No.
Letter to the Minister	3
Statement of Compliance with Legislation	4
Results Summary 2002 – 2003	5
Chairman's Statement	6
Organisation Profile	8
Chief Executive's Report	10
Board Members & Executives	17
Organisation Structure	18
Estimates 2002 – 2003	19
Financial Accounts	21
Key Performance Indicators	40

29th October 2003.

The Hon. Kim Chance MLC
Minister for Agriculture, Fisheries & Forestry

In accordance with section 66 of the Financial Administration and Audit Act 1985, we hereby submit for your information and presentation to Parliament the Report of The Western Australian Egg Marketing Board for the year ending 28th June 2003.

The Report has been prepared in accordance with the provision of the Financial Administration and Audit Act 1985.

B. Stewart
Chairman

R. DaPrato
Board Member

Statement of Compliance with Legislation.

The administration of the Western Australian Egg Marketing Board is governed by, or required to comply with relevant Commonwealth and State legislation as outlined below.

Enabling Legislation

The Western Australian Egg Marketing Board was established under the Marketing of Eggs Act 1945 and administers the legislation relating to the production and sale of eggs. The Board trades under the registered business name "Golden Egg Farms" and is responsible to the Western Australian Parliament.

In the performance of its functions, the Board has exercised controls, which provide reasonable assurance that it has complied with the following relevant legislation:

- Financial Administration and Audit Act 1985, including Treasurer's Instructions.
- Equal Opportunity Act 1984.
- Government Employees Superannuation Act 1987.
- Occupational Health, Safety and Welfare Act 1984.
- Workers Compensation and Assistance Act 1981.
- Industrial Relations Act 1979.
- Public Sector Management Act 1994.

The following legislation also impacts on the Board's activities:

- Road Transport Act.
- Electoral Act 1907.
- Public and Bank Holidays Act 1972.
- Freedom of Information Act 1992.

At the date of signing we are not aware of any circumstances, which would render the particulars included misleading or inaccurate.

B. Stewart
Chairman

R. DaPrato
Board Member

29th October 2003.

Results Summary 2002 – 2003.

- Turnover down 4.6% on last year.
- Total dozenage Sales down 0.3% on last year.
- Export Pulp Sales down 5.7%.

	00/01	01/02	02/03
	\$'000	\$'000	\$'000
Sales Turnover	39,473	41,233	39,343
Total Payments to Producers	27,337	28,935	27,979
	Dozens 000's		
Total Industry Sales	21,239	22,124	22,034

Chairman's Statement

When considering the past year it is fair to say that this was a tough year for the Western Australian egg industry at all levels. A number of factors came together to challenge the Western Australian Producers and Golden Egg Farms. We started the year in a surplus, we had the impact of a drought, commissioned a new facility, and then we had a shortage and the impact of the SARS Virus. It is a tribute to the Western Australian industry that we were able to cope with this constantly changing environment and it is largely due to the strength of the Western Australian industry from previous planning and investments in past years that we were able to manage so many challenges in the one single year.

The year began with the further introduction of more generic lines by the two major supermarkets as they continued to fight for market share and these lower priced generics deeply penetrated the category, severely impacting on our branded products and consequently reducing returns to Golden Egg Farms and its producers. This not only happened in WA but nationally, and while returns were dropping, the effects of the drought on grain prices pushed up the cost of production. The producers' margin was eroded from both ends although there were pressures to increase prices the national surplus delayed any price movements. Even when they did eventuate, it was too late to avert a national shortage which came into full effect in the last quarter of the year.

The local market supply remained stable and we were able to divert production to capitalise on the Eastern State shortage, the benefits of which will be seen in the next financial year. During these very testing times on the domestic market, the outbreak of the SARS Virus impacted on our export market with a dramatic downturn in demand. Fortunately, there have been indications as the year ends, of a recovery in this market segment and Golden Egg Farms continues to be the major egg exporter in Australia.

While the market was challenging us on all fronts, the plans of the previous year to upgrade our processing plant came to fruition, with the building and commissioning of a new state of the art grading and storage facility. This was officially opened by the Minister for Agriculture, Forestry and Fisheries, Kim Chance in December 2002 and represents a significant investment in the future of the Western Australian industry. A project of this complexity is always very challenging to all involved, however I am pleased to say that the management of Golden Egg Farms has successfully bedded down the new facility and we are now beginning to experience the benefits of this technology by way of operational efficiencies.

At a national level, the new Australian Egg Corporation Limited (AECL) commenced operations during the year and will replace most of the functions carried out by the Australian Egg Industry Association (AEIA) as well as promoting and marketing eggs with the goal of increasing per capita consumption. The AECL is funded by all Australian producers by way of a levy on day-old chicken purchases and we are fortunate to have our CEO, Phil Steel, as one of the three AECL Directors.

The review into the operation of the WA Egg Marketing Board, including the review required by the National Competition Policy, has proceeded steadily throughout the year. A recent announcement by the WA Government made in the new financial year indicates that the industry is moving into a transition period towards deregulation in 2007, however, the details

are not finalised. Although Golden Egg Farms has always strongly supported the retention of the existing system, a number of factors have contributed to the requirement for change and I believe that this should be seen by the industry as an opportunity and not a threat. The Western Australian industry is in a strong position and it should use the time available in the transition period to provide a strong platform for the future to ensure the ongoing viability of the Western Australian egg industry. We also have a distinct advantage in that we have seen the mistakes of deregulation in other States and with this hindsight should be able to take the necessary steps to ensure we do not repeat them.

It is more important now than ever before that industry and Golden Egg Farms work closely together to ensure a viable future for the egg industry in Western Australia and this should be central to our efforts in the new financial year. With the support of the Minister and government, we will be able to ensure an orderly transition to a new environment where we will continue to effectively meet the needs of our producers, customers and consumers.

I take this opportunity to thank my fellow Board Members and the staff of Golden Egg Farms for all their efforts during a very challenging year and look forward to working with them as we move into yet another stage in the development of our industry.

Brent Stewart
Chairman

Organisation Profile

MISSION STATEMENT

To satisfy the needs of customers and consumers for high quality eggs and egg related products.

The organisation seeks to maximise returns to all stakeholders, through efficient and effective production, processing and marketing of eggs and related products to select local and export markets by pursuing a path of customer focussed, innovative product and market development, and in so doing Golden Egg Farms seeks to maintain a viable egg industry for the benefit of Western Australian consumers, retailers, suppliers, producers and staff.

The Western Australian Egg Marketing Board was formed under the authority of the Marketing of Eggs Act 1945, which has been amended from time to time to reflect changing needs. The legislation ensures the quality of eggs in the market place and also aims to provide stability in the industry and maximise marketing opportunities.

The objective of the Board trading as Golden Egg Farms is to be an efficient and effective, commercially driven enterprise, committed to the marketing of high quality eggs and egg products, on behalf of producers and consumers in the South West Land Division of Western Australia at a competitive price.

Golden Egg Farms is responsible for its own finances and receives no Government funding or guarantees. It is a body corporate with perpetual succession and submits annual report and audited accounts to the Parliament of Western Australia through the Minister for Primary Industry.

Function & Responsibilities

The Board of Golden Egg Farms:

- Administers the requirements of the legislation and undertakes the grading, packing, processing, sales and distribution of eggs and egg products from its Palmyra premises.
- Makes recommendations annually to the Minister concerning licensing arrangements, which ensures a year round supply of eggs.
- Ensures eggs and egg products are marketed in an efficient manner, including the direct sale of eggs to consumers by products.
- Ensures eggs and egg products comply with the prescribed standards of quality, hygiene and grade.
- Promotes the consumption of eggs by stressing their nutritional value, convenience and value for money.

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Bankers

Commonwealth Bank of Australia

Legal Advisors

Valenti Lawyers – West Perth
Clayton Utz – Perth
Wray & Associates – Perth

Internal Auditors

PKF Chartered Accountants
& Financial Advisers

External Auditors

Office of the Auditor General

Organisational Interaction

The Board interacts with the following organisations:

Agriculture Western Australia

In obtaining information about technical problems affecting the industry, and in relation to the State Poultry Industry Trust Fund.

Poultry Farmers' Association

In relation to matters concerning common interest to the industry. Management regularly attends branch meetings and host seminars at Golden Egg Farms. An annual meeting is also held with producers.

Poultry Industry Liaison Committee

In relation to all aspects of the egg and chicken meat industries. This Committee is convened by Agriculture Western Australia.

Australian Egg Industry Association (AEIA)

In the co-ordination of matters of interest to the national industry.

Egg Industry Research & Development Council (EIRDC)

In relation to research projects of benefit to the egg industry, and improving economic efficiency of production and marketing.

State Treasury

In relation to the Financial Administration and Audit Act.

Department of Consumer & Employment Protection

In relation to industrial relations matters.

Chief Executive's Report

Overview

This was a challenging year for both Golden Egg Farms and the producers of Western Australia and this is reflected in the financial results which records a loss for the organisation for the first time in recent history. This result was caused by a combination of factors and included; the very high national surplus at the beginning of the year; the impact of the SARS Virus on our export sales; and finally, the higher than expected penetration of generic products thus reducing returns. In addition to these direct impacts on Golden Egg Farms the producers faced the further impact of the drought, which affected the price of grain and thus the production cost of eggs. The final trading result was a loss of \$325,776 of which \$157,000 is the direct result of investment write-downs.

On the positive note the significant upgrading of the Palmyra plant went according to plan and a new state-of-the-art grading and storage facility was commissioned in December. This new equipment ensures that Golden Egg Farms remains at the cutting edge of technology in our business and will ultimately allow Golden Egg Farms to grade at the lowest possible cost yet maintain a high quality product for the consumer. At the year-end most of the ancillary equipment to the grading operation had been relocated to ensure a streamlined flow-through system is achieved. In the forth-coming year it will be our focus to fine-tune this system to achieve optimal efficiency.

Despite the above comments Golden Egg Farms did sell 19,092,352 dozen eggs during the year this was down slightly on last year by 0.3% but down on budget by 2.9%, it is likely that budget would have been achieved had the SARS Virus not had its impact. In March export sales were over 20% ahead of the previous year but ceased almost completely once the SARS Virus hit South East Asia.

A bonus for the year was the Eastern States shortage, which commenced in the last few weeks of the financial year whereby an extra 400,000 dozen WA produced eggs were sold into the Eastern States. It is likely that additional sales will be achieved in the new financial year due to the shortage continuing in the Eastern States. The shortage also had the result of moving up the price of eggs and egg products and consequently returns have improved at the year-end.

One of the main contributors to the low returns during the year was the impact of the generics, which were for caged eggs budgeted to increase by 12.0% but actually increased by 36.0%. The increased sales of the lower priced products thus averaged down the return of all dozens. Speciality eggs were also down due to the generics as the price differential between speciality and the cheapest generic eggs grew thus encouraging consumers to change buying preferences to the cheaper products. It is hoped that the introduction of generic speciality eggs in the latter part of the financial year will address this decline in the new year.

Net return to producers was 3.9% down on shell against last year. The decline in returns, which began in the second quarter of the financial was not fully reflected in the return to producers via the advance price as Golden Egg Farms attempted to stabilise the price to producers and consequently at mid-term Golden Egg Farms was in deficit. As predicted

prices did increase in the market as the impact of the drought on costs and the shortage began to impact on supply. These improved returns enabled Golden Egg Farms to recover most of the loss during the mid-term period with a near to break-even operating result occurring by the financial year end. Currently this improved position is continuing into the new financial year and is expected to continue at least in the short-term depending on outcomes of the annual supermarket tenders expected in the first quarter.

Novo Foods had a positive year and during the shortage when its major competitors were in short supply, Novo via its JVP partners, was able to ensure continuation of supply and in fact provide additional supply above its requirement. This has resulted in Novo being seen as a professional, well-run, reliable organisation by our major customers.

The Australian Egg Corporation Limited (AECL) was established in this financial year and commenced operations from February. At this early stage the new organisation is being set up but will eventually take over the role of the Australian Egg Industry Association (AEIA).

The Chairman of the Board, Brent Stewart celebrated his tenth year as a member of the WA Egg Marketing Board and Producer Elected Member, Peter Newing will soon be celebrating 25 years on the Board.

Sales & Marketing

The past year has been a difficult year for the Sales and Marketing team due to the influx of low cost eastern states eggs during the first 8 months of the year and the aggressive pricing of some local producers who have supplied direct to the market. Our Shell sales have been under a lot of pressure due to these factors. Our Processed product also came under increased pressure due to the challenges in the Export market due to the SARS virus and the down turn in International travel due to the war in Iraq.

DOMESTIC MARKET

Our major chain store customers, Coles, Woolworths and Foodland decided during the year to have a major push on their 'in house' brands which were retail priced significantly below our 'Good Egg' and 'Valley Brook' brands. Much to our consternation we endured the continued deletion of our 'Golden Egg' brand from Coles and Woolworths, which further reduced our presence on the supermarket shelf. We have however, retained the brand in Foodland independent stores as well as Action.

Woolworths, Coles and Foodland now have their Buyer and Promotional staff based on the Eastern Seaboard, and a level of management and control has moved to Novo who deal directly with Coles in Melbourne and Woolworths in Sydney. We deal directly with Foodland and Action in Melbourne, which improves our day-to-day communication of these two accounts.

Speciality eggs have not performed well due to three factors, the deletion of the 'Golden Eggs Free Range' brand in Coles and Woolworths, the introduction of 'Free Range' and 'Barn Laid' generic house brands and, the low priced generic caged eggs, which have cannibalised this speciality segment. These factors have reduced both volume and net return.

Due to reduced returns from the market place a decision was made to dramatically reduce the Advertising and Marketing spend to assist in the final bottom line result. The Marketing Budget was underspent by 65% to assist the final result of a difficult year.

During the past 12 months we have participated in a number of Food Exhibitions in Perth and overseas. These included the Dubai Trade Fair, Foodland Expo in Perth, School Canteen Association Trade Show and the Royal Agricultural Show.

FOOD SERVICE

This segment of our market is particularly vulnerable to cheap Eastern States imports when there is a National surplus, and we experienced some difficulty in competing at price points, which some distributors were demanding. Catering packs were down 5.47% for the year, which is a direct reflection of cheaper product being on offer.

The Hospitality industry generally has been on a down turn due to the Iraqi war and SARS virus and this has subsequently affected our sales into the Foodservice sector.

We did have some gains with Added Value products especially our Scrambled Egg mix, which was up on budget by 27% and Peeled Boiled eggs, which were up on budget by 2.8% and up on the previous year by 16%. We sold over 85 tons of Peeled Boiled egg for the 12 month period.

Whole egg was also down 13% on budget influenced by the collapse of the export market and down turn of the Hospitality industry.

INTERSTATE MARKET

Supply and demand on the National market continues to be a significant issue and during this year we experienced for the first eight months of the year a surplus of eggs with the result that cheap imports entered our market often at below the cost of production. It is estimated that this influx of eggs could have been in excess of 400,000 dozen which ultimately impacts on our own supply and demand as well as reducing returns due to the low price.

In the latter part of the year the Eastern States went into the most significant shortage of the last five years. This had a two-fold effect of reducing imports into the State and providing the opportunity for WA to sell eggs into the Eastern States' markets at viable returns. The Eastern States' sales for the year were 900,000 dozen up 39% on the previous year. It is expected that the Eastern States will remain in shortage for several months in the new financial period and this will be seen in next year's results.

EXPORTS

The Iraqi war and the SARS Virus played havoc with our export drive, sales were significantly up on last year and we were on target until the SARS Virus. The consequence was that at year end exports were down 22% against budget but only down 5% on the previous year. As the year ended we have seen positive signs that the market is returning and we expect a recovery in the new financial year of this market.

We attended a Trade Show in Dubai with a WA Government Trade mission led by Kim Chance MLA, Minister for Agriculture, Forestry and Fisheries, and have received some very strong enquiries to supply Frozen Whole Egg into the region. The contacts made during the trade mission are being pursued and as the area settles we will be in a position to increase sales. Singapore has been a good market for GEF, and Hong Kong has the potential to grow in strength.

The major food and hotel expo (HOFEX) that was to be held in Hong Kong was firstly postponed and then cancelled completely due to the SARS virus. In the new year we will attend further trade shows in our efforts to build our profile even higher on the International Market.

Operations

GRADING FLOOR

During November and December 2002 the new grading machine purchased from Diamond USA was installed and commissioned. Following a period of settling in the grader has begun to have a positive impact. Most noticeable has been a reduction in grading hours required, a significant improvement in the quality of packed eggs and a reduction in wastage. The grader has a fully automated quality assessment system installed, and is the largest and most sophisticated grader operating in Australia.

With the introduction of the new grader Golden Egg Farms is well placed for the future.

LIQUID EGG PLANT

The liquid egg plant has operated for a significant proportion of this year 6 days per week. This pattern was changing towards the year-end as eggs were diverted elsewhere. Production was up 12% on the previous year and there is now little room for increasing the production output significantly without additional capital input.

BOILED EGGS

Boiled egg demand has continued to rise. A boiled egg peeler was purchased and installed in the middle of the year. This has allowed us to reduce staff and increase throughput when required. The volume does not yet justify the expense of full automation.

DESPATCH

A new coolroom was completed in October with a capacity to hold 792 pallets in racking and a 30 square metre order pick area. A computer driven inventory management system was installed later in the year. The combination will allow Golden Egg Farms to better control stock with better temperature control, less reliance on manual stock rotation and real time access to stock numbers.

The contract with Linfox to distribute in the metro area has continued. The major chains have again stressed their interest in distributing from their own warehouses and Coles have run their Savings Brand direct to Clelands from its introduction this year.

INDUSTRIAL RELATIONS

A new EBA was negotiated with factory staff resulting in the streamlining of sick leave and other provisions. Due to the impending new Grading machine staff were keen to have a shorter agreement in case their conditions of work changed in the future, as such the agreement runs for 15 months instead of the usual 2 years.

New policies being introduced by the Government continue to have a significant effect on GEF, as we are not in receipt of central funding to offset improved conditions for staff.

No industrial action was taken during this year.

HUMAN RESOURCES

During this year streamlining of the workforce has continued with further administrative positions being abolished due to improved computer systems. Numbers of factory staff have declined with the introduction of the new Grading machine, Boiled Egg peeling machine and Cool-room.

The factory underwent a period of turmoil in the lead up to installing the new Grading machine due to staff uncertainty of possible changes to their roles in the factory. Any necessary reduction in staff in this area has been managed through natural attrition. Since installation of the Grading machine the workforce has settled remarkably well and this has been reflected by a significant improvement in injury rates in the second half of the year. The new Grading machine has dramatically reduced the need for staff to work overtime, weekends and public holidays.

Staff numbers at the end of June were 95 staff members with Full Time Equivalents (FTE's) of 77. This compares to the previous year of 96 staff with Full Time Equivalents (FTE's) of 86.

Staff communication has continued to be promoted with the regular publishing of the staff newsletter. Individual staff performance has been recognised through both the formal performance appraisal system and an individual reward system designed to acknowledge those staff whose performance is exceptional in some way.

During the year we have focused on our leave policy to ensure that staff with large accruals of annual or long service leave are clearing them as quickly as possible. We have also continued to focus on sick leave, particularly in the factory area, which has seen a gradual reduction in the levels of sick leave taken over the last 2 years.

There were no Breaches of Public Sector Standards in Human Resource Management reported. There were no investigations undertaken by the Office of the Public Sector Standards Commissioner and no compliance audit was undertaken by the OPSSC during this year.

STAFF TRAINING

The performance appraisal system, conducted on a yearly basis, identified a number of training needs for staff, which have been addressed during the year. Staff working in the factory continue to receive ongoing training and assessment to ensure they meet our required skill level and quality procedures.

OCCUPATIONAL HEALTH & SAFETY

Inductions are provided to all new employees to ensure they are aware of all GEF policies including Occupational Health & Safety. The Occupational Health & Safety Committee has met on a regular basis and safety audits continue to be conducted throughout the year.

Improved induction procedures for factory staff have been incorporated into our quality procedures this year.

The second half of the year saw a dramatic downturn in reported accidents/incidents, which is attributed mainly to the introduction of the new Grading machine.

A drug and alcohol policy was introduced earlier this year reinforcing that staff must not come to work under the influence of either drugs or alcohol or consume either whilst working.

Fire and emergency procedures were again re-distributed to all staff during this year.

Administration

INFORMATION TECHNOLOGY

The first half of the year saw the development of new operating systems for the installation of the new Diamond grading machine and storage facility. These software upgrades have improved efficiencies throughout the operation by streamlining the planning and recording of the storage and grading processes.

A review of the egg grading size was also undertaken and the recommendations implemented.

FLOCK MANAGEMENT

This has been a difficult year for flock management and sales forecasting. At the beginning of the year the high National flock created an oversupply. In addition, excellent performance by the WA flock, due mainly to low mortality, required us to reduce the WA flock. By February the National flock was entering an undersupply situation and our own flock continued to perform above expectation. Our forecasting at this time indicated the Eastern States would move into a severe shortage and we were able to manage high egg stocks and high output in order to be in a position to capitalise on the impending shortage. The shortage eventuated and at year end up to 10% of weekly production was being sold into the Eastern States.

In addition to reviews of flock levels, GEF has unfortunately been involved in protracted discussions with license holders who are operating outside the license conditions. This matter is unresolved at the year end and may lead to legal action.

REVIEW OF THE ACT

The ministerial five year review of the act, including the National Competition Policy (NCP) review has been on-going during the year. A final decision by the National Competition Council (NCC) and the WA Government has not been finalised however, the State Cabinet has indicated that the WA egg market will be deregulated by 2007.

SUNDRY MATTERS

Golden Egg Farms has participated in evaluating the option of acquiring the business of a major egg producer in the Eastern States. After the investigation Golden Egg Farms decided not to proceed.

Golden Egg Farms is a significant shareholder in the egg business of Farm Pride Foods Ltd and during the year attended the Annual General Meeting and an Extraordinary Meeting. The purpose of the Extraordinary Meeting was to vote on the proposal to sell the egg business portion of Farm Pride Foods. Golden Egg Farms voted against this proposal along with the majority of shareholders and the proposed sale was rejected.

The Department of Planning and Infrastructure's proposed alternative options for the Fremantle Eastern Bypass is likely to have a significant impact on the future on Golden Egg Farms as current drawings suggests the new roads will pass directly through our facilities.

Phil Steel
Chief Executive Officer

Board Members & Executives

Board Members

B.M. Stewart	Chairman
P.E. Newing	Producer Representative
R. DaPrato	Producer Representative
Z. Lendich	Consumer Representative
J. Olney	Consumer Representative

Board Members have been in office since the start of the financial year to the date of this report unless otherwise stated.

Board Membership

Three members are nominated by the Minister – the Chairman (who is required to have no financial interests in the industry) and two consumer representatives.

Two producers are elected by commercial producers.

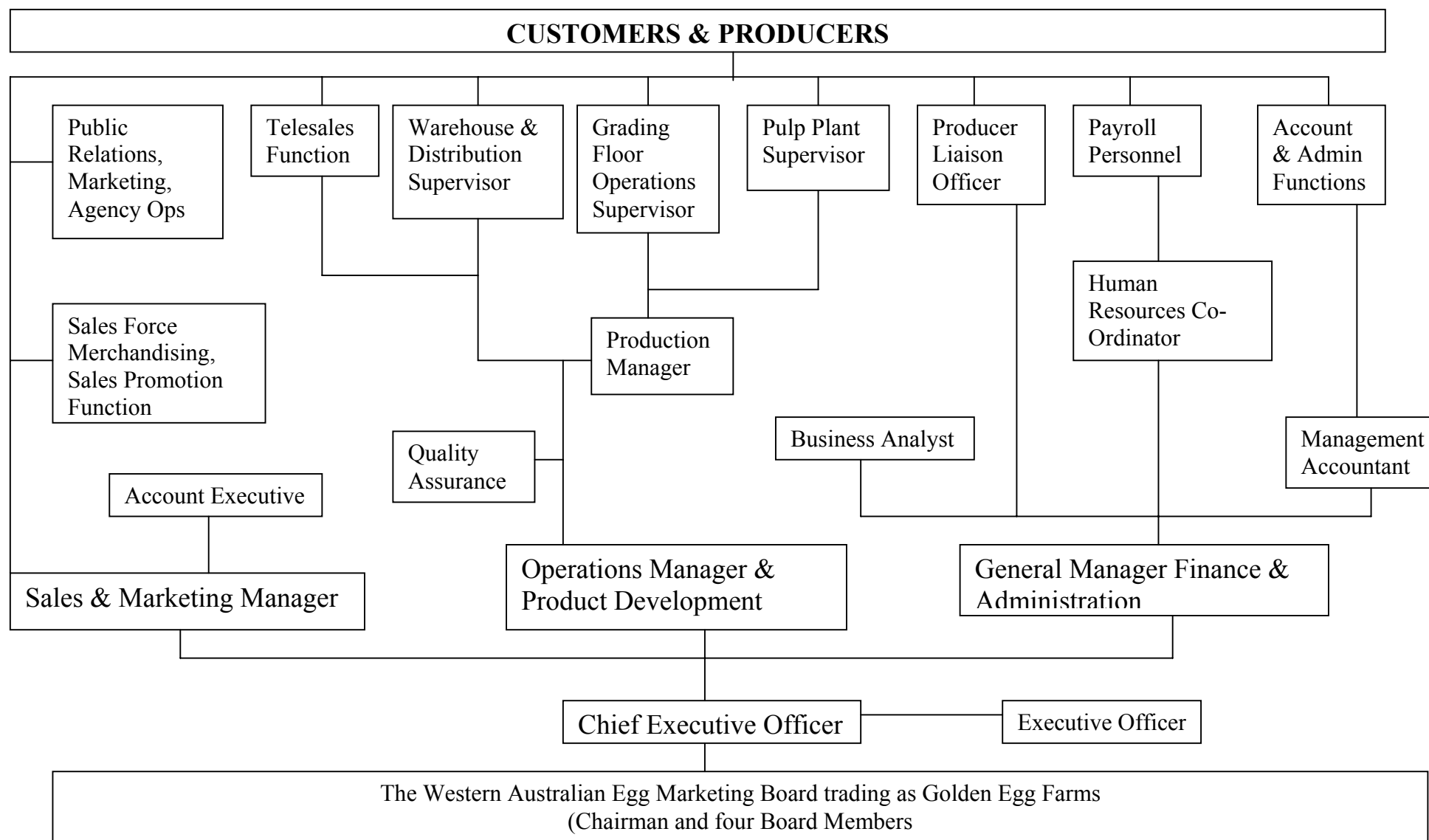
Members of the Board at June 28th 2003 are:

Name	First Appointed	Re-appointment	Expiry Date	Section of Act
B. Stewart	8 th June 1993	30 th Nov 2000	1 st Dec 2003	7(3)(b)
Z. Lendich	10 th July 1995	3 rd Feb 2002	3 rd Feb 2005	7(3)(b)
J. Olney	2 nd May 2002	3 rd Feb 2003	3 rd Feb 2006	7(3)(b)
P.E. Newing	20 th July 1978	3 rd Aug 2002	3 rd Aug 2005	7(3)(c)
R. DaPrato	3 rd Aug 2002		3 rd Aug 2004	7(3)(c)

Executive Members

P.E.C. Steel	Chief Executive Officer
H.T. Preston	General Manager, Finance & Administration
B. Egan	Operations Manager
S. Robertson	Sales & Marketing Manager

Organisational Structure



Estimated Statement of Financial Performance

For the 53 week year ended July 3rd 2004

2003/2004
\$000's

REVENUE

Trading Profit	6,994
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Sundry Income	82
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Interest Revenue	<u>27</u>
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Trading Operating Revenue	<u>7,103</u>
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EXPENDITURE

Sales & Distribution	3,323
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Administration	1,487
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Depreciation Charge	986
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Doubtful Debts Expense	26
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Employee Benefits	<u>266</u>
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	<u>6,088</u>
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Operating Profit	<u>1,015</u>
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Opening Balance Unappropriated Profits	1,573
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Transfer to Retention Reserve	450
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Distribution to Producers	<u>565</u>
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Closing Balance Unappropriated Profits	<u>1,573</u>
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Estimated Statement of Financial Position

As at July 3rd 2004

2003/2004
\$000's

Current Assets

Cash Assets	2,253
Receivables	3,572
Inventories	1,522
Investments	<u>11</u>
	<u>7,358</u>

Non-Current Assets

Land & Buildings	1,117
Plant, Equipment & Motor Vehicles	2,134
Investments	<u>843</u>
	<u>4,094</u>

TOTAL ASSETS

11,452

Less:

Current Liabilities

Deposits - Trolleys & Cases	121
Payables	3,051
Employee Entitlements	255
Distribution to Producers	<u>565</u>
	<u>3,992</u>

Non-Current Liabilities

Employee Entitlements	<u>273</u>
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TOTAL LIABILITIES

4,265

NET ASSETS

7,187

EQUITY

Unappropriated Profits	1,573
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Reserves

Retention Reserve B/F	5,164
Transfer from Operations	<u>450</u>

TOTAL EQUITY

7,187

Certification of Financial Statements

The accompanying financial statements of the Western Australian Egg Marketing Board have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the year ending 28th June 2003 and the financial position as at 28th June 2003.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.

B. Stewart
Chairman

R. DaPrato
Board Member

H.T. Preston
Principal Accounting Officer

29th October 2003.

The Western Australian Egg Marketing Board

Statement of Financial Performance

For the 52 week year ended 28th June 2003.

	Notes	2002/2003 \$	2001/2002 \$
REVENUE			
Revenue from Ordinary Activities			
<i>Revenue from Operating Activities</i>			
Trading Profits	13	5,091,026	5,561,130
Sundry Revenue	14	123,797	113,056
<i>Revenue from Non-operating Activities</i>			
Interest Revenue		17,317	70,661
Net Proceeds on disposal of Non-Current Assets	7	9,897	123,736
TOTAL REVENUE FROM ORDINARY ACTIVITIES		<u>5,242,037</u>	<u>5,868,583</u>
EXPENSES			
Expenses from Ordinary Activities			
Sales & Distribution		3,297,206	3,163,372
Administration		1,431,715	1,392,954
Depreciation		636,067	542,065
Investment Write Down	8	157,744	561,151
Other Expenses from Ordinary Activities	20	45,081	155,906
TOTAL EXPENSES FROM ORDINARY ACTIVITIES		<u>5,567,813</u>	<u>5,815,448</u>
NET (LOSS)/PROFIT		<u>(325,776)</u>	<u>53,135</u>

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

The Western Australian Egg Marketing Board

Statement of Financial Position

As at 28th June 2003.

	Notes	2002/2003 \$	2001/2002 \$
Current Assets			
Cash Assets	16(b)	463,997	684,400
Receivables	2	3,630,852	3,925,813
Inventories	4	2,249,855	1,815,202
Investments	8	-	1,222,926
Forward Exchange Contract Receivable	11	-	1,309,778
Other Assets	3	131,228	23,112
TOTAL CURRENT ASSETS		<u>6,475,932</u>	<u>8,981,231</u>
Non-Current Assets			
Land & Building	5	1,197,737	659,816
Plant, Equipment & Motor Vehicles	6	2,379,908	1,626,620
Investment	8	685,522	843,266
TOTAL NON-CURRENT ASSETS		<u>4,263,167</u>	<u>3,129,702</u>
TOTAL ASSETS		<u>10,739,099</u>	<u>12,110,933</u>
Current Liabilities			
Deposits – Trolleys & Cases		113,742	122,349
Payables	9	3,789,286	3,592,703
Provisions	10	483,151	436,783
Forward Exchange Contract Payable	11	-	1,310,553
TOTAL CURRENT LIABILITIES		<u>4,386,179</u>	<u>5,462,388</u>
Non-Current Liabilities			
Provisions	10	144,195	114,044
TOTAL NON-CURRENT LIABILITIES		<u>144,195</u>	<u>114,044</u>
TOTAL LIABILITIES		<u>4,530,374</u>	<u>5,576,432</u>
NET ASSETS		<u>6,208,725</u>	<u>6,534,501</u>
Equity			
Unappropriated Profits		1,572,676	1,572,676
Reserves			
Retention Reserves	12	4,636,049	4,961,825
TOTAL EQUITY		<u>6,208,725</u>	<u>6,534,501</u>

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

The Western Australian Egg Marketing Board Statement of Cashflows

For the 52 week year ended 28th June 2003.

	Notes	2002/2003 \$	2001/2002 \$
Cash flows from Operating Activities			
RECEIPTS			
Receipts from Customers		40,849,435	39,829,304
Interest Received		17,317	70,661
Other Receipts		115,450	113,056
GST receipts on Sales		98,817	129,707
GST receipts from the ATO		940,106	682,024
PAYMENTS			
Suppliers		(37,432,043)	(35,773,527)
Employee Costs		(3,015,150)	(3,276,865)
GST Payments on Purchases		(1,080,801)	(889,148)
Net Cash Provided by Operating Activities	16(a)	493,131	885,212
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(1,946,357)	(798,738)
Proceeds from sale of equipment		9,897	123,736
Net Cash Used in Investing Activities		(1,936,460)	(675,002)
Net (decrease)/increase in cash held		(1,443,329)	210,210
Cash Assets at beginning of financial year		1,907,326	1,697,116
Cash Assets at end of financial year	16(b)	463,997	1,907,326

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

Notes to and Forming Part of the Financial Statements

For the 52 week year ended 28th June 2003.

1. Significant Accounting Policies

The following accounting policies have been adopted in the preparation of the financial statements. Unless otherwise stated these policies are consistent with those adopted in previous years.

(a) General Statement

- (i) The financial statements constitute a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Statements of Accounting Concepts, and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group (UIG) Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector, together with the need for greater disclosure, and also to satisfy accountability requirements.

If any such modification has a material or significant financial effect upon the reported results, details of that modification, and where practical the resulting financial effect, is disclosed in individual notes to these financial statements.

- (ii) The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for certain assets and liabilities which, as noted, are measured at fair value.

(b) Employee Benefits

- (i) Leave benefits are calculated at remuneration rates expected to be paid when the liabilities are settled. A liability for long service leave is recognised after an employee has completed two years of service. The Board considers that the liability measured using the short hand method gives a result not materially different from the liability measured using the present value of expected future payments.

This method of measurement of the liability is consistent with the requirements of Accounting Standard AASB 1028 "Employee Benefits".

- (ii) Staff may contribute to the Gold State Superannuation Scheme; a defined benefit and lump sum scheme now closed to new members. All staff who do not contribute to this scheme become non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These schemes are administered by the Government Employees Superannuation Board (GESB).

The liabilities for superannuation charges under the Gold State Superannuation Scheme and West State Superannuation Scheme are extinguished by payment of employer contributions to the GESB.

The note disclosure required by paragraph 6.10 of AASB 1028 (being employer's share of the difference between employees' accrued superannuation benefits and the attributed net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the State in its whole of government reporting. The GESB's records are not structured to provide the information for the Authority. Accordingly, deriving the information for the Authority is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

(c) **Depreciation (and Amortisation) of Non-Current Assets**

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner, which reflects the consumption of their service potential. Depreciation is provided for on the straight-line basis, using rates, which are reviewed annually. Useful lives for each class of depreciable asset are;

Buildings	30 to 40 years	Office & IT Equipment	3 to 5 years
Plant & Equipment	7 to 15 years	Motor Vehicles	5 years

Recoverable Amount of Non-Current Assets: The recoverable amount of an asset is the net amount expected to be recovered through the cash flows arising from its continued use and subsequent disposal. The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present value.

(d) **Investments**

Investments are brought to account at the lower of cost and recoverable amount.

(e) **Inventories**

Stocks and other materials are valued at the lower of cost and net realisable value. Cost includes both direct and indirect costs, allocated on a First In First Out basis, and in accordance with Australian Accounting Standard AAS 2 "Inventories".

(f) **Foreign Currency Translation and Hedges**

Transactions denominated in a foreign currency are translated at the rates in existence at the dates of the transactions. Foreign currency receivables and payables at reporting date are translated at exchange rates current at reporting date. Exchange gains and losses are brought to account in determining the result for the year.

Forward foreign exchange contracts are entered into as hedges to avoid or minimise possible adverse financial effects of movements in exchange rates. Exchange gains and losses are brought to account in determining the operating result for the year.

(g) **Revenue Recognition**

Revenue from the sale of goods and disposal of other assets and the rendering of services is recognised when the agency has passed control of the goods or other assets or delivery of the service to the customer.

(h) **Receivables, Payables**

Receivables are recognised at the amounts receivable and are generally due for settlement no more than 30 days from the date of recognition.

Payables including accruals not yet billed are recognised when the Board becomes obliged to make future payments as a result of a purchase of assets or services. Payables are generally settled within 30 days.

(i) **Comparative information**

Certain comparative information has been reclassified to be consistent with the 2002/2003 presentation.

(j) **Segment Reporting**

AASB 1005 requires disclosure of certain information regarding the different business & geographical segments of an entity's operations. The agency operates predominantly within one geographical segment, namely Australia, and one business segment, namely egg products, therefore separate segment information is not required by virtue of AASB 1005.

(k) **Leases**

The authority has entered into operating lease arrangements where the lessor effectively retains all of the risks and benefits of ownership of the items held under operating leases. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

(l) **Acquisition of Assets**

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(m) **Cash**

For the purpose of the Statement of Cash Flows, cash includes cash assets and restricted cash assets net of outstanding bank overdrafts. These include short-term deposits that are readily convertible to cash on hand and are subject to insignificant risk of changes in value.

Note 2 - Receivables

	2002/2003	2001/2002
Current	\$	\$
Trade Debtors	3,121,300	3,604,525
Less: Provision for Doubtful Debts	(110,406)	(101,502)
	<u>3,010,894</u>	<u>3,503,023</u>
Sundry Debtors	453,005	299,715
GST Debtor	166,953	123,075
	<u>3,630,852</u>	<u>3,925,813</u>

Provision for doubtful debts are revised and identified each year and bad debts are written off when necessary.

Credit Risk Exposure

- (i) The Board does not have any significant exposure to any individual customer or counterparty.
- (ii) The Board considers the carrying amounts of receivables approximate their net fair values.

Note 3 - Other Assets

	2002/2003	2001/2002
Current	\$	\$
Prepayments	130,892	21,562
Accrued Income	336	1,550
	<u>131,228</u>	<u>23,112</u>

Note 4 - Inventories

	2002/2003	2001/2002
Current	\$	\$
Raw Materials at cost	764,163	852,999
Finished Product at cost	1,485,692	962,203
	<u>2,249,855</u>	<u>1,815,202</u>

Note 5 - Land & Buildings

	2002/2003	2001/2002
	\$	\$
Land at cost at beginning of the year	109,710	109,710
Buildings at cost	2,151,571	2,151,571
	<u>2,261,281</u>	<u>2,261,281</u>
Additions	672,487	-
	<u>2,933,768</u>	<u>2,261,281</u>
Disposals	(35,602)	-
	<u>2,898,166</u>	<u>2,261,281</u>
Accumulated depreciation provision at beginning of the year	1,601,465	1,508,392
Disposals	(25,203)	-
	<u>1,576,262</u>	<u>1,508,392</u>
Depreciation expense for the year	124,167	93,073
Accumulated depreciation provision at end of year	<u>1,700,429</u>	<u>1,601,465</u>
Net carrying value	<u>1,197,737</u>	<u>659,816</u>

The valuation of land and buildings reported above is different from the valuations in the Government Property Register (GPR). A summary of the valuation is as follows:

	GPR - 2003	GPR - 2002
	\$	\$
Land	2,180,000	2,205,000
Improvements	1,820,000	1,865,000

- (i) WAEMB asset values are based on historical cost convention whereas the GPR values are based on the Valuer General's assessment of current market values.
- (ii) GPR values are based on kerbside valuations by the Valuer General in July 2000, which have been indexed.

Note 6 - Plant, Equipment & Motor Vehicles

	2002/2003	2001/2002
	\$	\$
Plant & Equipment at cost at the beginning of the year	6,048,660	5,391,097
Additions	1,273,870	724,144
	7,322,530	6,115,241
Disposals	(520,874)	(66,581)
	6,801,656	6,048,660
Accumulation depreciation provision at beginning of year	4,553,915	4,239,433
Depreciation expense for the year	490,144	381,063
	5,044,059	4,620,496
Disposals	(512,192)	(66,581)
Accumulated depreciation provision at end of year	4,531,867	4,553,915
Net carrying value - Plant & Equipment	2,269,789	1,494,745
Motor vehicles at cost at beginning of year	394,839	532,631
Additions	-	74,594
	394,839	607,225
Disposals	(7,990)	(212,386)
	386,849	394,839
Accumulated depreciation provision at beginning of year	262,964	307,515
Depreciation expense for the year	21,756	67,929
	284,720	375,444
Disposals	(7,990)	(112,480)
Accumulated depreciation provision at end of year	276,730	262,964
Net carrying value - Motor Vehicles	110,119	131,875
Total Net Carrying Value	2,379,908	1,626,620

Note 7 - Profit on Sale of Non-Current Assets

	2002/2003	2001/2002
	\$	\$
Plant & Equipment Written Down Value	5,786	-
Gross Proceeds	9,897	4,391
Net Profit on Sale of Assets	<u>4,111</u>	<u>4,391</u>
Motor Vehicle Written Down Value	-	99,906
Gross Proceeds	-	119,345
Profit on Sale of Assets	<u>-</u>	<u>19,439</u>
Net Profit on Sale of Assets	<u>4,111</u>	<u>23,830</u>

Note 8 - Investments

Current	2002/2003	2001/2002
	\$	\$
Commercial Bank Bills	-	1,222,926
	<u>-</u>	<u>1,222,926</u>
Non-Current	2002/2003	2001/2002
	\$	\$
(i) Farm Pride Foods-1,756,721 ordinary shares at cost	1,404,377	1,404,377
Provision for write down	(718,895)	(561,151)
	<u>685,482</u>	<u>843,226</u>
(ii) Investment in Associated Company	40	40
	<u>685,522</u>	<u>843,266</u>

- (1) The investment in 1,756,721 ordinary shares as noted above represents a 10.42% investment in Farm Pride Foods Limited ("FPF").

The Board members of Golden Egg Farms, in accord with AASB 1010 Recoverable Amount of Non-Current Assets, have considered the previous fair value of this investment is overstated. Therefore they have made a determination to further reduce the carrying value based on the market value for a parcel of this size. The ASX traded value at the Year End was 32c (2002-43¢) per share.

The directors consider the investment to be a long term investment in the egg industry and have no plans to sell the shares in the near future. If a sale was contemplated, the directors consider that the market value would represent the current Australian Stock Exchange traded value of a FPF share plus a premium for the size holding.

- (2) In accordance with AAS 1016, the investment in associated company represents the Board's share of Novo Foods Ltd's net assets at Year End, which are subject to audit and the determination of any income tax liability. Further disclosures required are:
- Novo Foods Ltd's principal activity is the marketing of egg and egg products.
 - Ownership interest, equity interest and voting power is 40%.
 - Novo Foods reporting date is 30th June.
 - Novo Foods Ltd commenced operations in 1999/2000. It has no reserves or retained profits from prior years.

Note 9 - Payables

	2002/2003 \$	2001/2002 \$
Current		
Trade Payables	2,811,724	2,414,078
Customer claims & rebate accrual	475,335	729,953
Wages Payable	154,985	181,379
Group Tax accrual	101,033	50,632
Workers Compensation Insurance accrual	95,990	29,990
Other accruals	150,219	186,671
	<u>3,789,286</u>	<u>3,592,703</u>

The Board considers the carrying amounts of payables approximate their net fair values. Payments to producers are transacted in the fourth week following receipt of eggs.

Note 10 - Provisions

	2002/2003 \$	2001/2002 \$
Current		
Annual Leave	305,528	283,738
Long Service Leave	177,623	153,045
	<u>483,151</u>	<u>436,783</u>
Non-Current		
Long Service Leave	<u>144,195</u>	<u>114,044</u>

Note 11 - Forward Exchange Contracts

The Board has sales denominated in Singapore dollars. In order to protect against exchange rate movements, the Board has entered into forward exchange contracts to sell Singapore Dollars. As these contracts do not relate to particular shipments these contracts are classified as a general hedge. At balance date no such contracts were outstanding.

The Board has made a purchase denominated in US dollars. In order to protect against exchange rate movements, the Board entered into forward exchange contracts to buy US dollars. As these contracts related to particular progress payments they were classified as a specific hedge. The contracts had been closed out at balance date.

At balance date, the details of outstanding contracts are:

Sell Singapore Dollars	Buy Australian Dollars		Average Exchange Rate	
	2002/2003	2001/2002	2002/2003	2001/2002
Maturity 0-3 months	-	\$155,724	-	1.0087
Buy US Dollars	Sell Australian Dollars		Average Exchange Rate	
	2002/2003	2001/2002	2002/2003	2001/2002
Maturity 0-3 months	-	\$572,981	-	0.5385
Maturity 3-6 months	-	\$581,073	-	0.5310

Note 12 - Retention Reserve

This amount represents up to 1% of Gross Income, retained in accordance with Section 32(4) of the Marketing of Eggs Act 1945-1977.

	2002/2003	2001/2002
	\$	\$
Opening Balance	4,961,825	4,908,690
Transfer to Reserve – operating (loss)/profit for the year	(325,776)	53,135
Closing Balance	<u>4,636,049</u>	<u>4,961,825</u>

Note 13 - Trading Profit

	2002/2003	2001/2002
	\$	\$
Sales	39,343,876	41,233,197
Cost of Goods Sold		
Opening Balance	1,815,202	996,426
Purchases	<u>34,687,503</u>	<u>36,490,843</u>
	36,502,705	37,487,269
Closing Inventory	<u>2,249,855</u>	<u>1,815,202</u>
Cost of Goods Sold	<u>34,252,850</u>	<u>35,672,067</u>
Trading Profit	<u>5,091,026</u>	<u>5,561,130</u>

Note 14 - Sundry Revenue

	2002/2003	2001/2002
	\$	\$
Penalties	36,072	36,430
Rent	41,522	36,916
Other	<u>46,203</u>	<u>39,710</u>
	<u>123,797</u>	<u>113,056</u>

Note 15 - Commitments for Expenditure

Capital expenditure commitments, being contracted expenditure additional to the amounts reported in the financial statements, are payable as follows:

	2002/2003	2001/2002
	\$ 000's	\$ 000's
Within one year	-	1,846

Note 16 - Notes to Statement of Cash Flows

	2002/2003 \$	2001/2002 \$
a) Reconciliation of profit from ordinary activities to net cashflow		
Operating Profit	(325,776)	53,135
Non-cash items:		
Depreciation	636,067	542,065
Increase in Doubtful Debts Provision	8,904	55,904
Net (Gain) on Sales of Non-Current Assets	(4,111)	(23,830)
Written Down Value of Assets Scrapped	13,295	-
Investment Write Down	157,744	561,151
Changes in Assets		
(Increase)/Decrease in Receivables	286,057	(450,035)
(Increase)/Decrease in Foreign Exchange Contract Receivable	1,309,778	(1,210,313)
(Increase)/Decrease in Loan Receivable	-	27,184
(Increase)/Decrease in Other Assets	(108,116)	1,672
(Increase)/Decrease in Inventories	(434,653)	(5,764)
Changes in Liabilities:		
Increase/(Decrease) in Payables	196,583	142,401
(Increase)/Decrease in Foreign Exchange Contract Payable	(1,310,553)	1,211,045
Increase/(Decrease) in Employee Entitlements	76,519	7,662
Increase/(Decrease) in Trolleys & Cases Deposits	(8,607)	(27,065)
Net Cash provided by Operating Activities	<u>493,131</u>	<u>885,212</u>

- (b) Reconciliation of Cash
 "Cash" includes cash on hand and in banks at the end of the financial year, as shown in the Statement of Cash Flows and is reconciled to related items in the Statement of Financial Position as follows:

	2002/2003 \$	2001/2002 \$
Cash on hand and in Banks	463,997	684,400
Commercial Bank Bills	-	1,222,926
	<u>463,997</u>	<u>1,907,326</u>

Note 17 - Additional Financial Instruments Disclosure

(i) Interest rate risk exposure

The Board's exposure to interest rate risk, repricing maturities and the effective interest rates on financial instruments are:

	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Interest Rate Maturities			Non Interest Bearing	Total
28 th June 2003	%	%	1 year or less	1 to 5 years	Over 5 years	\$	\$
Assets							
Cash	4.25	463,997					463,997
Receivables	-					3,630,852	3,630,852
		463,997				3,630,852	4,094,849
Liabilities							
Payables	-					3,789,286	3,789,286
Deposits	-					113,742	113,742
						3,903,028	3,903,028
Net Financial Assets/(Liabilities)		463,997				(272,176)	191,481

	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Interest Rate Maturities			Non Interest Bearing	Total
29 th June 2002	%	%	1 year or less	1 to 5 years	Over 5 years	\$	\$
Total Financial Assets		684,400	1,222,926			5,235,591	7,142,917
Total Financial Liabilities						5,025,605	5,025,605
Net Financial Assets		684,400	1,222,926			209,986	2,117,312

(ii) Credit Risk Exposure

All financial assets are unsecured other than Accounts Receivable, which are generally subject to Directors Guarantees. The carrying amounts represent the Board's maximum exposure to credit risk in relation to those assets.

(iii) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

Note 18 - Remuneration of Members of the Accountable Authority and Senior Officers

Remuneration of Members of the Accountable Authority

The Members of The Western Australian Egg Marketing Board were:

B. Stewart
J. Olney
Z. Lendich
P. Newing
R. DaPrato

	2002/2003	2001/2002
	\$ 000's	\$ 000's
Total fees, salaries, superannuation, and other benefits received or due and receivable for the financial year by members of the Accountable Authority.	84	104

The number of members of the Accountable Authority whose total remuneration falls within the following bands:

	No.	No.
\$ 0,000 - \$10,000	2	1
\$10,000 - \$20,000	-	3
\$20,000 - \$30,000	2	1
\$30,000 - \$40,000	1	1

Remuneration of Senior Officers

	\$ 000's	\$ 000's
Total fees, salaries, superannuation, and other benefits received or due and receivable for the financial year by Senior Officers, other than senior officers reported as members of the Accountable Authority.	452	405

The number of Senior Officers whose total remuneration falls within the following bands:

	No.	No.
\$ 80,001 - \$90,000	2	2
\$ 90,001 - \$100,000	1	-
\$ 100,001 - \$110,000	-	1
\$ 130,001 - \$140,000	-	1
\$ 180,001 - \$190,000	1	-

Note 19 - Activity/Output Schedule

The Western Australian Egg Marketing Board has not provided a breakdown between outputs as the Board operates within one geographical and product segment.

Note 20 - Other Expenses from Ordinary Activities

	2002/2003	2001/2002
	\$	\$
Doubtful Debts Expense	26,000	56,000
Net Loss-scrapping of Non-Current Assets	13,295	-
Written down value of Non-Current Assets Sold	5,786	99,906
	<u>45,081</u>	<u>155,906</u>

Note 21 - Remuneration of Auditor

Total fees paid, due or payable to the Auditor General for the financial year:

	2002/2003	2001/2002
	\$	\$
Auditing accounts, financial statements, and performance indicators	<u>29,000</u>	<u>26,500</u>

Note 22 - Supplementary Financial Information

Write-Offs

	2002/2003	2001/2002
	\$	\$
Trade debtors written off as bad debts under the authority of the Accountable Officer	<u>17,095</u>	<u>-</u>

Explanatory Notes

Comparison of Actual Results with those of the Preceding Year

Details and reasons for significant variations between actual income and expenditure and the corresponding item of the preceding year are detailed below. Significant variations are considered to be the greater of 5% or \$15,000.

TRADING PROFIT (decrease of \$470,104 {8.5%})

Trading profit decreased due to decreased Sales Revenue, mainly due to increased discounting. This was partly offset by lower Cost of Goods Sold as a result of lower cost of eggs received.

SUNDRY REVENUE (increase of \$10,741 {9.5%})

Sundry revenue increased due to increased rental income and the introduction of a producer license fee. This was partly offset by reduced EGAS claims (export guarantee).

INTEREST REVENUE (decrease of \$53,344 {75.5%})

Interest revenue decreased due to lower cash and investment holdings during the year.

SALES & DISTRIBUTION (increase of \$133,801 {4.2%})

Sales & Distribution increases are primarily due to increased pulp storage rent and local & E. States' freight costs. This was partly offset by reduced advertising and marketing costs.

ADMINISTRATION (increase of \$38,761 {2.8%})

Expenses increased due to higher legal, worker's compensation, interest, and bank charges. This was largely offset by lower A.E.I.A. subscriptions, wage & salary, and computer support & development expenses.

DEPRECIATION (increase of \$94,035 {17.3%})

Expense increased due to the higher value of the new grading machine and finished goods storage facilities installed mid-way through the year, compared with the old facilities.

DOUBTFUL DEBTS EXPENSE (decrease of \$30,000 {53.6%})

Doubtful debt expense decreased as it was determined that the Doubtful Debts Provision was otherwise sufficient.

Comparison between 2003 Actual & 2003 Estimate

Details and reasons for significant variations between estimates and actual results are detailed below. Significant variations are considered to be the greater of 5% or \$15,000.

TRADING PROFIT (decrease of \$1,265,000 {19.9%})

Trading profit reduction was mainly due to lower shell & pulp revenue, as a result of lower net sales prices. The lower volume sold did not result in proportionately lower Cost of Goods Sold due to the higher raw materials, labour and maintenance costs.

SUNDRY REVENUE (decrease of \$16,000 {11.4%})

Sundry revenue was lower, mainly due to reduced penalty income, and EGAS (export guarantee) claims. This was partly offset by the introduction of a producer license fee.

SALES & DISTRIBUTION (decrease of \$113,000 {3.3%})

Expenditure was lower than budgeted mainly due to lower advertising and associated expenses. This was partly offset by new route trade business costs, pulp storage expenses, and Eastern States freight.

ADMINISTRATION (decrease of \$116,000 {7.5%})

Expenditure was lower due to below budgeted A.E.I.A. fees, consulting fees, and IT development and support. This was partly offset by higher legal and interest expenses.

DEPRECIATION CHARGE (decrease of \$274,000 {30.1%})

Depreciation was lower, mainly due to a change in the rate used to depreciate the new grading machine.



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

THE WESTERN AUSTRALIAN EGG MARKETING BOARD PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 28, 2003

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of The Western Australian Egg Marketing Board are relevant and appropriate to help users assess the Board's performance and fairly represent the indicated performance for the year ended June 28, 2003.

Scope

The Board's Role

The Board is responsible for developing and maintaining proper records and systems for preparing performance indicators.

The performance indicators consist of key indicators of effectiveness and efficiency.

Summary of my Role

As required by the Financial Administration and Audit Act 1985, I have independently audited the performance indicators to express an opinion on them. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the performance indicators is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the performance indicators.

D D R PEARSON
AUDITOR GENERAL
November 6, 2003

Certification of Performance Indicators

The Western Australian Egg Marketing Board hereby certifies that these performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Board's performance, and fairly represent the performance of the Board for the financial year ending 28th June 2003.

B. Stewart
Chairman

R. DaPrato
Board Member

H.T. Preston
Principal Accounting Officer

29th October 2003.

Key Performance Indicators

The Western Australian Egg Marketing Board trading as Golden Egg Farms (GEF) has the following outcome.

- To ensure the efficient marketing and distribution, on a continuing year round basis, of high quality eggs and egg products at a competitive price whilst providing economies of scale and stability in the industry and a competitive return to producers.

Key Performance Indicators have been selected to measure GEF's effectiveness and efficiency in fulfilling the requirements of its outcome and the Marketing of Eggs Act.

Key Performance Indicators have been presented in an indexed format and comparative figures for prior years have been adjusted accordingly. The base year is shown in each table and has been set at 100.00.

1. Effectiveness Indicators

1.1 Net Return to Producers/Wholesale Price

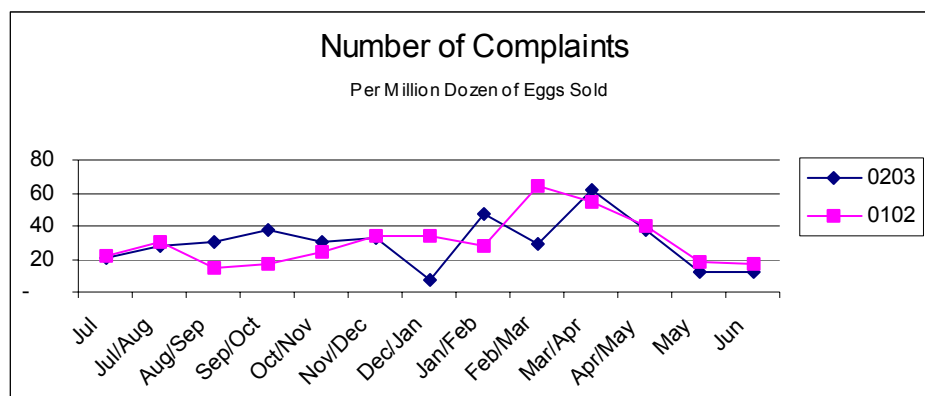
	98/99	99/00	00/01	01/02	02/03
Net Return	94.12	92.52	92.27	94.90	91.05
Price	95.70	98.49	99.44	103.62	98.29
Net Return to Price Ratio	98.35	93.94	92.79	91.58	92.63

Note: This ratio quantifies the movement in the relative return to producers on the selling price as compared to the base year of 96/97. The net return to producers on the wholesale price has risen 1.0% on the index due to decreases in the producer payments being less than the reductions in the sell price. This indicates we have maintained producer payments through the year albeit at lower levels but above the level of reduction in net sale prices.

1.2 Number of Customer Complaints (per million dozen of eggs sold)

Golden Egg Farms has experienced similar but improved trends in levels of complaints per million dozen of eggs sold.

In 1995 GEF became the first egg organisation to be accredited to the ISO 9002 status, an important part of this system is the recording of complaints and appropriate actions to rectify the problem. The complaints record has become an important monitoring KPI. The outcome is direct on improving on the previous year and maintaining a factor of less than 50 in the winter (Apr – Sept) and 80 in the summer (Oct – Mar). In the current year this was successful in 12 of the 13 periods.



1.3 GEF Egg Consumption per Head of Population - WA

Year	Indexed % Consumption per head of population
1997/1998	94.73
1998/1999	91.63
1999/2000	89.56
2000/2001	89.95
2001/2002	90.17
2002/2003	87.99

Note: Consumption of Golden Egg Farm eggs has decreased per head of population in the current year. The first half of the year was subject to national oversupply in the ES, which resulted in cut price delivery into the WA market. We believe the maintenance of improving per capita consumption was achieved. However the GEF share of the market has been eroded by 3 to 5%

The above figures relate to production in the South-West Land Division divided by the total population of Western Australia.

2. Efficiency Indicators

2.1 Total Operating Cost Index

Year	Cost	% Inc/(Dec)	CPI	% Increase CPI
1997/1998	94.0	(6.0)	118.00	(0.25)
1998/1999	102.6	9.1	120.10	1.80
1999/2000	109.0	6.2	122.90	2.30
2000/2001	112.0	2.7	129.60	5.45
2001/2002	113.2	1.1	133.10	2.70
2002/2003	117.0	3.3	137.40	3.23

Note: The percentage decrease or increase in operating costs per equivalent dozen sold compared with the percentage decrease or increase in CPI measures the real movement in cost experience on the base year of 1996/1997. This indicator reflects marginal increase in overheads primarily depreciation from new technology investment and packaging whereas the CPI has risen at a marginally lower rate and reflects a small increase in operating real costs.