

Annual Report & Accounts

Year Ended 3rd July 2004

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 2003 - 2004	5
Chairman's Statement	6
Organisation Profile	8
Chief Executive's Report	10
Board Members & Executives	15
Organisation Structure	16
Estimates 2003 - 2004	17
Financial Accounts	20
Key Performance Indicators	39

31st August 2004.

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 3rd July 2004.

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



B. Stewart
Chairman



P. Newing
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.

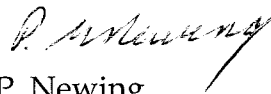
The following legislation also impacts on the Board's activities:

- 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



P. Newing
Board Member

31st August 2004.

Results Summary 2003 – 2004.

- Return per dozen up 11.1% on last year.
- Significant turnaround in profitability.
- Local Liquid Egg volume up 14% on last year.
- Speciality Eggs volume up 13% on last year.
- Total sales volume down 1.8% on last year.

	01/02	02/03	03/04
	\$'000	\$'000	\$'000
Sales Turnover	41,233	39,343	39,669
Total Payments to Producers	28,935	27,979	26,967
		Dozens 000's	
Total GEF Sales	19,146	19,092	18,740

NB: 2003/04 was a 53 week year. To enable comparison with previous years 2003/04 data has been set to a pro-rata of 52 weeks.

Chairman's Statement

Two significant factors influenced Golden Egg Farms and the Western Australian Egg industry this year. The first was a major turn-around in the profitability of the business and secondly, the announcement of deregulation of the WA Egg Industry.

As reported, the previous year was a tough time for the egg industry nationally, with the drought increasing input costs, the trading environment being difficult due to unreliable supply and the SARS outbreak impacting on export. This difficult trading time resulted in a shortage in supply at the year-end and we inherited this situation as we moved into the new financial year.

The shortage saw pricing increase towards the end of the previous year and while it dropped back during the current financial year, it did not go as low as had previously been the case resulting in better returns for our product and thus better returns for our producers. At the same time, the high feed costs caused by the previous year's drought came back into line, resulting in lower input costs and further increased profitability for the producers.

At an operational level, costs were contained and benefits from the new grading equipment and coolroom further added to the efficiency of Golden Egg Farms. The final outcome from these positive results was a profit for the organisation of \$1,891,703. Profits have been passed back to the industry throughout the year in the form of interim distributions with a final distribution due in October.

The continuing association with Novo Foods Ltd has seen an increase in synergy between the member organisations, which is of benefit to WA egg producers, especially as three major egg marketers now dominate the industry nationally. This association was further strengthened with Farm Pride Foods Ltd joining this marketing group in October.

While the operational and trading functions of Golden Egg Farms have been proceeding according to plan, the main focus of the Board this year has been the deregulation process. Following the announcement by the Minister in the early part of the year of the Government's intention to deregulate the WA Egg Industry, the Minister formed the Transitional Advisory Committee (TAC) to advise him on the deregulation process. Considerable resources have been afforded to this committee with the WA Egg Marketing Board being represented by our Board member, Zelko Lendich and our CEO, Phil Steel. This committee has worked very hard to ensure a smooth and fair transition to the deregulated environment and I would like to formally acknowledge the contributions made by Zelko and Phil to the TAC deliberations. During this time, there has been consistent consultation with the industry to gain their input at all stages of the process. The final stage of this process is that legislation has been passed through Parliament to amend the Marketing of Eggs Act 1945, with the result that the industry will be deregulated by December 2005.

With the passage of legislation through Parliament, the Minister has appointed an interim Board for the new organisation who will work to take over the functions of the commercial activities of Golden Egg Farms once the assets of the WA Egg Marketing Board are transferred to them. The next year will be a busy time in converting to the new organisation, which should occur this financial year.

With the support of the industry, the Board and Management has been able to shape GEF over the past ten years into a strong commercial enterprise with a modern grading facility, a high quality product, a national customer base and a strong financial base. We are proud of the progress that the organisation has made during this period and as we pass the baton to the incoming Board of the new company, we are confident that the foundations are solid for the further development of a strong WA commercial egg organisation.

I take this opportunity to acknowledge the efforts of my fellow Board Members and the staff of Golden Egg Farms for their input during this year and look forward to working with them as we move into the final chapter of the WA Egg Marketing Board and the first chapter of a new and exciting producer owned commercial organisation. For my own part, I have enjoyed being a part of GEF over the past ten years of my involvement on the Board and my thanks go to the Minister, the industry and all at GEF for their support over the years. After this time, I am pleased to be able to witness the successful transition of GEF to the new structure and offer my very best wishes to the new Board and producer shareholders of the new company.

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 much-improved year in comparison to last year and this is clearly reflected in the huge turnaround in profitability of the organisation. This result was caused by a number of factors including the national shortage, which reduced cheap eggs entering the market as well as increasing pricing in the supermarket chains. The SARS virus scares reduced returning exports to normal levels and operationally, costs were contained. The result was a profit of \$1,891,703.

This result was achieved despite a drop in total volume of 1.8% over the previous year (*please note all figures in this report used for comparison purposes are based on a pro-rata of 52 weeks as this was a 53 week year*). This was mainly attributed to the opportunistic sales to the Eastern States due to their shortage in the final weeks of the previous financial year. Export sales increased by 2.7% over the previous year mainly as a result of the SARS virus problem being removed. Thus, the additional profit came from improved pricing and reduced costs resulting in an increase net return per dozen of 11.1% compared to last year.

The increased market share gained by the generic sales in the previous year, and responsible for the consequential drop in returns, slowed during this year with total branded caged egg sales being 51% of the total down only 2.1% from the previous year. It appears that generic sales may well be reaching a plateau.

The mix of eggs did however change with speciality eggs jumping up 13% for the year and this is expected to grow in the future, with branded gaining 8% market share over the generics in these categories.

Novo Foods continued to gain in the Australia market, even more so after the addition of Farm Pride Foods to the Joint Venture in November 2003. The market is now clearly dominated by three major egg-marketing organisations of which Novo Foods is one.

The Australian Egg Corporation (AECL) just formed in the previous year and funded by all Australian producers through a levy on day old chicks began operations. This organisation has been set up to promote egg consumption as well as operate the research and development functions of the national egg industry. During the year they completed a major consumer research project and as a result developed and launched a pilot advertising campaign in Victoria. An updated version of the campaign will run in the new financial year in all other states.

Sales & Marketing

DOMESTIC MARKET

It has been a positive year with regard to returns with both shell and liquid egg increasing in price over the previous year. In addition, local liquid egg increased by 14% in volume, however shell egg volume dropped by 3.6%. This drop in volume is as a result of increased competition by a combination of interstate eggs and direct sales by producers. This decrease

in volume has been the main concern for the sales department and reflects the area where most resources have been placed and are placed at the present time. The West Egg delivery service is part of the strategy to bring back this volume. Of significant note this year was the awarding of a national tender for a vegetarian egg variant to a single national supplier based in the Eastern States. Eggs are thus regularly entering the WA market from the Eastern States and this is the first time that this has occurred. The industry has raised its concerns with the WA public over the quality of these eggs and particularly the long shelf life placed on these eggs in order for them to reach the stores from the Eastern States.

The Action supermarket group moved their head office functions to Melbourne and now our three major customers are all Eastern States based, for this reason alone it is important that we are part of the Novo alliance and are therefore represented in the national market.

Although advertising activity was at a reduced level pending the outcome of the national AECL marketing campaign we did take part in the Royal Show, Body Building Championships, and cooking demonstrations.

FOOD SERVICE

The foodservice market remained relatively stable with one notable exception, that of a major customer, Mills & Wares, winning national distribution of their products through the supermarket chains, resulting in an increase liquid egg utilisation.

INTERSTATE MARKET

The major Eastern States shortage inherited from the previous year lasted for two months into the new financial year at which time the market came into balance. Predicting the supply of the national market at the present time is difficult with major swings over short periods of time and it is hoped that a new AECL initiative to provide industry better statistical information will improve forecasting. We supplied almost a quarter of a million dozen shell eggs to the Eastern States, mostly at the beginning of the financial year.

EXPORTS

Export sales increased by 2.8% over the previous year and included 30,000 dozen shell eggs into the Singapore market. We have spent two years pursuing qualifications to supply shell eggs into the Singapore market. We have the only three farms accredited to supply to Singapore. This achievement was with the help of the Singaporean Agricultural Department who wanted an alternative supplier to Malaysia in case the Avian Influenza spread from other parts of Asia.

Operations

GRADING FLOOR

The last year has seen a period of consolidation on the grading floor. The speed of the new grader as well as a reduction in egg intake has reduced working hours. A lot of effort has gone into improving the machine efficiency and reducing the labour input in ancillary areas by introducing more automation. The reduced working hours, increased automation and improved quality has also made the operation more manageable.

LIQUID EGG PLANT

Demand for fresh products has continued to grow as local manufacturers expand their operations, particularly in bakery. Demand for other products has been steady except for yolk, which is in short supply across the country. Tighter quality standards from suppliers are likely to mean higher standards being set for raw materials.

BOILED EGGS

A variety of products are now manufactured in this operation. There is steady demand for by-products of the boiled egg operation. Products such as sliced, seconds and egg Mayonnaise are produced. The boiled egg area is continuing to operate five days per week.

DESPATCH

Having made a quantum leap in control last year when the new computerised stock management system was introduced a significant amount of training was required to fully establish the benefits. The new area is impressive and has made managing the expansion of product lines easier.

The contract with Linfox to distribute in the metro area has continued and as reported last year the major chains have continued to express their interest in distributing from their own warehouses.

INDUSTRIAL RELATIONS

This year a new EBA was negotiated with the Food Preserver's Union resulting in a three-year agreement with factory staff. The agreement provided for three salary increases during the life of the agreement together with flexibilities for both parties.

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 staff in the factory have also declined slightly as processes are improved and automated. Recruitment of staff this year has been particularly challenging, especially for factory staff, due mainly to the low unemployment levels at the moment.

There were at the end of June 87 staff members with a Full Time Equivalents (FTE's) of 71. This compares to the previous year of 95 staff with Full Time Equivalents (FTE's) of 77.

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 also continued to focus on our leave policy to ensure that staff with large accruals of annual or long service leave are clearing them as quickly as possible.

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. Internal computer training programmes were conducted for all administrative staff during this 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. A second OH&S Representative was appointed to the factory area this year increasing our OH&S Representatives to 4.

Accidents/incidents reported this year have declined further from last year and are almost half of 4 years ago. Of particular note is that whilst a large number of incidents are being reported, fewer are requiring medical treatment.

Administration

INFORMATION TECHNOLOGY

The computerisation of the main coolroom at the end of last year has greatly improved the efficiency of the despatch function and has given us better stock control, and improved freshness and quality for the customers. A review of our own future information technology requirements was undertaken but was placed on hold pending a similar review by Novo Foods. The Novo Foods outcome is now known and a recommendation will be put to the Board early in the next financial year to upgrade to the latest software version EB2.

FLOCK MANAGEMENT

As mentioned previously, predictions of national stock have become more difficult with unusual major swings and this impacts our own predictions here in WA. In addition, some local producers have sold direct to the market thus further confusing the prediction model.

As we move forward into the deregulated market it will be important for us to be able to predict the market to gain maximum efficiency from output and this would be a significant challenge in the future.

REVIEW OF THE ACT

The review resulted in a recommendation to deregulate the egg market in WA and the Minister made this announcement in the early part of the year. The Minister subsequently formed the Transitional Advisory Committee (TAC) consisting of representatives from industry, the WA Egg Marketing Board, and chaired by the Department of Agriculture WA. This committee reviewed mechanisms for the process of deregulation and after many consultations directly with industry made recommendations to the Minister. A final report by this committee was forwarded to the Minister in June 2004.

Parliament passed legislation on August 19th 2004 stating that deregulation would be finalized by December 2005.

SUNDRY MATTERS

Golden Egg Farms remains a significant shareholder in the egg business of Farm Pride Foods Ltd. There has been a significant change in the Board structure of this organization, which includes our Independent Board Member, Mr Zelko Lendich becoming Chairman of Farm Pride Foods.

This business has returned a loss over recent years however fortunes in this organization appear to have changed this year due to a restructuring of the organization, with interim results indicating a return to profitability for the organization.

An election, due to the effluxion of time, of a Producer Board Member was conducted with the current encumberant, Mr Robert DaPrato being re-elected.

Avian Influenza (AI) broke out in Vietnam beginning of last year and subsequently outbreaks throughout the Asia region including; Japan, Vietnam, Thailand, Indonesia and more recently Malaysia has caused devastation to the egg and meat industry. Although this has given us some opportunistic sales the main concern is for the spread of this virus into Australia. Biosecurity awareness has been raised at all levels of industry including holders of under 50's license. The main concern with this strain of AI is its ability to cause illness and sometimes fatalities in humans.

The industry has undergone training for the National Quality Assurance Program (NEQAP) and many farmers are awaiting audits for accreditation to this new National QA standard. It is expected that the majority of the flock will be accredited to this new system during the current year and WA will be the leading state in adoption of this new standard.

As we enter the new financial year it will be a period of great change as we migrate from a Statutory Authority to the new commercial entity. This will be an exciting challenge for all of the industry and the staff of Golden Egg Farms. It will be a period in which teamwork will play a great role in keeping the foundations of the business strong. We look forward to the challenge of the next year.

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.

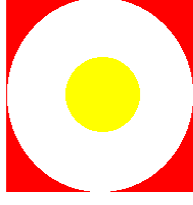
Members of the Board at July 3rd 2004 are:

Name	First Appointed	Re-appointment	Expiry Date	Section of Act
B. Stewart	8 th June 1993	1 st Dec 2003	1 st Dec 2006	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)

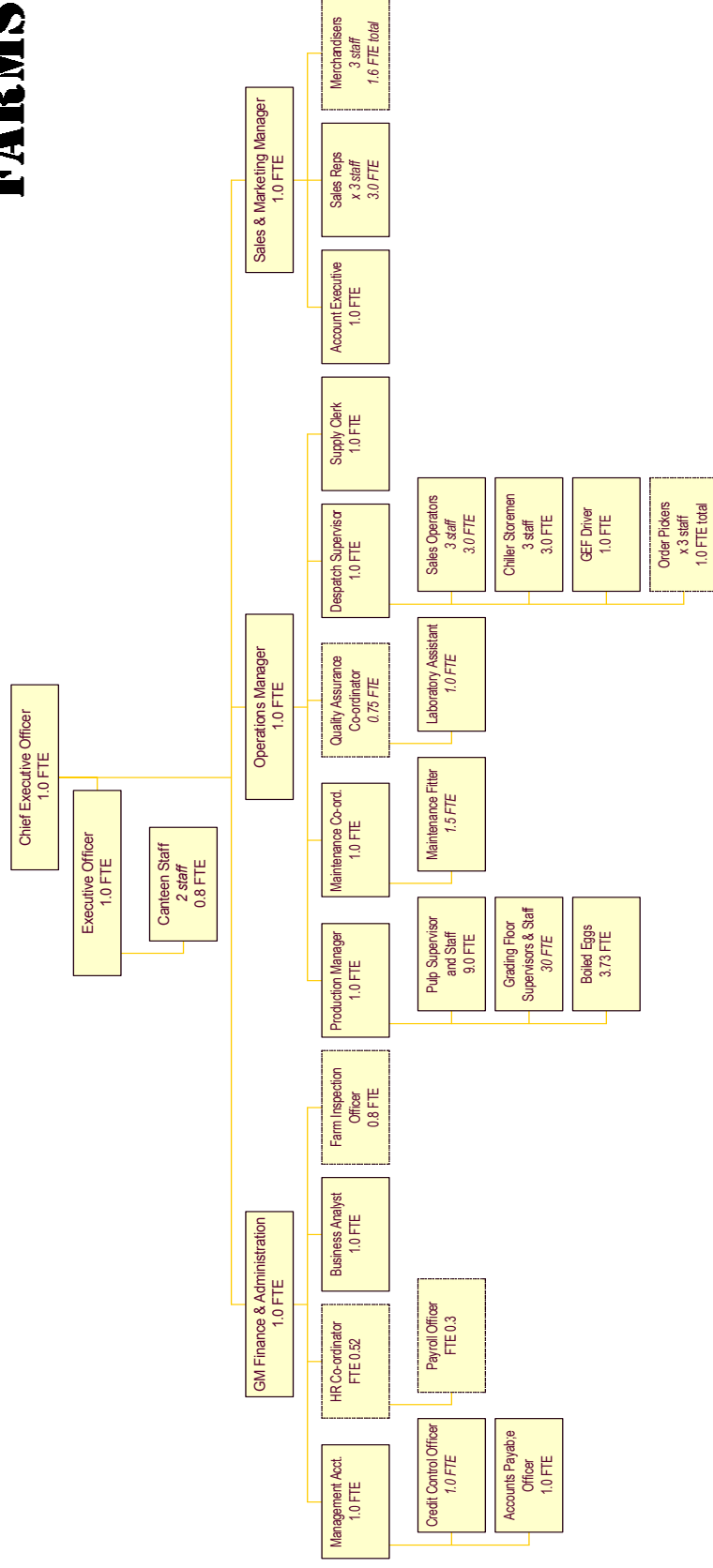
Executive Members

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

Golden Egg Farms - Organisational Structure as at 30th June, 2004



GOLDEN EGG FARMS



Estimated Statement of Financial Performance

For the 52 week year ended July 2nd 2005

2004/2005
\$000's

REVENUE

Trading Profit	5,606
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Sundry Income	115
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Interest Revenue	90
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Trading Operating Revenue	<u>5,811</u>
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EXPENDITURE

Sales & Distribution	3,010
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Administration	1,128
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Depreciation Charge	749
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Doubtful Debts Expense	48
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Employee Benefits	257
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Deregulation Expenses	50
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	<u>5,242</u>
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Operating Profit	569
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Opening Balance Unappropriated Profits	1,573
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Transfer to Retention Reserve	569
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Distribution to Producers	-
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Closing Balance Unappropriated Profits	<u>1,573</u>
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Estimated Statement of Financial Position

As at July 2nd 2005

2004/2005
\$000's

Current Assets

Cash Assets	200
Receivables	3,309
Inventories	1,500
Investments	2,000
	<hr/>
	7,009

Non-Current Assets

Land & Buildings	1,020
Plant, Equipment & Motor Vehicles	2,420
Investments	738
	<hr/>
	4,178

TOTAL ASSETS

11,187

Less:

Current Liabilities

Deposits – Trolleys & Cases	111
Payables	3,725
Employee Entitlements	290
Distribution to Producers	-
Other Provisions	162
	<hr/>
	4,288

Non-Current Liabilities

Employee Entitlements	291
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TOTAL LIABILITIES

4,579

NET ASSETS

6,608

EQUITY

Unappropriated Profits	1,573
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Reserves

Retention Reserve B/F	5,164
Transfer from Operations	

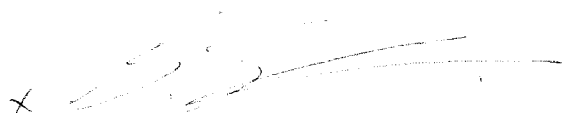
TOTAL EQUITY

6,608

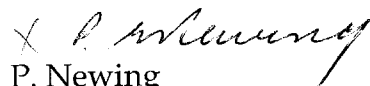
Certification of Financial Statements

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 3rd July 2004 and the financial position as at 3rd July 2004.

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



P. Newing
Board Member



H.T. Preston
Principal Accounting Officer

31st August 2004.

The Western Australian Egg Marketing Board

Statement of Financial Performance

For the 53 week year ended 3rd July 2004

	Notes	2003/2004 \$	2002/2003 \$
REVENUE			
Revenue from Ordinary Activities			
<i>Revenue from Operating Activities</i>			
Trading Profits	13	6,257,930	5,091,026
License Fees		333,359	12,527
Sundry Revenue	14	144,818	111,270
<i>Revenue from Non-operating Activities</i>			
Interest Revenue		122,791	17,317
Proceeds on disposal of Non-Current Assets	7	72,953	9,897
TOTAL REVENUE FROM ORDINARY ACTIVITIES		<u>6,931,851</u>	<u>5,242,037</u>
EXPENSES			
Expenses from Ordinary Activities			
Sales & Distribution		2,814,350	3,297,206
Administration		1,329,750	1,431,715
Depreciation		767,036	636,067
Investment Write Down	8	19,448	157,744
Costs of Disposal of Non-Current Assets	7	49,204	19,081
Other Expenses from Ordinary Activities	20	60,360	26,000
TOTAL EXPENSES FROM ORDINARY ACTIVITIES		<u>5,040,148</u>	<u>5,567,813</u>
NET PROFIT/(LOSS)		<u>1,891,703</u>	<u>(325,776)</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 3rd July 2004

	Notes	2003/2004 \$	2002/2003 \$
Current Assets			
Cash Assets	16(b)	435,639	463,997
Receivables	2	3,106,707	3,630,852
Inventories	4	1,642,968	2,249,855
Investments	8	2,774,572	-
Forward Exchange Contract Receivable	11	84,395	-
Other Assets	3	15,471	131,228
TOTAL CURRENT ASSETS		8,059,752	6,475,932
Non-Current Assets			
Land & Buildings	5	1,059,030	1,197,737
Plant, Equipment & Motor Vehicles	6	2,125,590	2,379,908
Investment	8	666,074	685,522
TOTAL NON-CURRENT ASSETS		3,850,694	4,263,167
TOTAL ASSETS		11,910,446	10,739,099
Current Liabilities			
Deposits – Trolleys & Cases		104,908	113,742
Payables	9	3,737,647	3,789,286
Provisions	10	374,303	483,151
Forward Exchange Contract Payable	11	84,488	-
TOTAL CURRENT LIABILITIES		4,301,346	4,386,179
Non-Current Liabilities			
Provisions	10	231,263	144,195
TOTAL NON-CURRENT LIABILITIES		231,263	144,195
TOTAL LIABILITIES		4,532,609	4,530,374
NET ASSETS		7,377,837	6,208,725
Equity			
Unappropriated Profits		1,572,676	1,572,676
Reserves			
Retention Reserves	12	5,805,161	4,636,049
TOTAL EQUITY		7,377,837	6,208,725

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 53 week year ended 3rd July 2004

	Notes	2003/2004 \$	2002/2003 \$
Cash flows from Operating Activities			
RECEIPTS			
Receipts from Customers		40,911,494	40,849,435
Interest Received		122,791	17,317
Other Receipts		120,458	115,450
GST receipts on Sales		159,905	98,817
GST receipts from the ATO		669,275	940,106
PAYMENTS			
Suppliers		(34,363,341)	(37,432,043)
Employee Costs		(3,020,519)	(3,015,150)
GST Payments on Purchases		(780,991)	(1,080,801)
Net Cash Provided by Operating Activities	16(a)	3,819,072	493,131
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(423,226)	(1,946,357)
Proceeds from sale of equipment & motor vehicles		72,953	9,897
Net Cash Used in Investing Activities		(350,273)	(1,936,460)
Cash Flows from Financing Activities			
Payment of distribution to producers		(722,585)	-
Net Cash Used in Financing Activities		(722,585)	-
 Net increase/(decrease) in cash held		 2,746,214	 (1,443,329)
Cash Assets at beginning of financial year		463,997	1,907,326
 Cash Assets at end of financial year	 16(b)	 3,210,211	 463,997

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

Notes to and Forming Part of the Financial Statements

For the 53 week year ended 3rd July 2004

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 2003/2004 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

	2003/2004	2002/2003
Current	\$	\$
Trade Debtors	2,954,404	3,121,300
Less: Provision for Doubtful Debts	(146,406)	(110,406)
	<hr/> 2,807,998	<hr/> 3,010,894
Sundry Debtors	164,541	453,005
GST Debtor	134,168	166,953
	<hr/> 3,106,707	<hr/> 3,630,852

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

	2003/2004	2002/2003
Current	\$	\$
Prepayments	15,164	130,892
Accrued Income	307	336
	<hr/> 15,471	<hr/> 131,228

Note 4 - Inventories

	2003/2004	2002/2003
Current	\$	\$
Raw Materials at cost	830,514	764,163
Finished Product at cost	812,454	1,485,692
	<hr/> 1,642,968	<hr/> 2,249,855

Note 5 - Land & Buildings

	2003/2004	2002/2003
	\$	\$
Land at cost at beginning of the year	109,710	109,710
Buildings at cost	2,788,456	2,151,571
	<hr/> 2,898,166	<hr/> 2,261,281
Additions	10,309	672,487
	<hr/> 2,908,475	<hr/> 2,933,768
Disposals	(10,482)	(35,602)
	<hr/> 2,897,993	<hr/> 2,898,166
Change in category	54,494	-
	<hr/> 2,952,487	<hr/> 2,898,166
Accumulated depreciation provision at beginning of the year	1,700,429	1,601,465
Disposals	(4,410)	(25,203)
	<hr/> 1,696,019	<hr/> 1,576,262
Depreciation expense for the year	148,268	124,167
	<hr/> 1,844,287	<hr/> 1,700,429
Change in category	49,170	-
	<hr/> 1,893,457	<hr/> 1,700,429
Net carrying value	<hr/> 1,059,030	<hr/> 1,197,737

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 - 2004	GPR - 2003
	\$	\$
Land	2,150,000	2,180,000
Improvements	2,930,000	1,820,000

- (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 market valuations by the Valuer General in July 2004.

The Commonwealth Bank holds a first mortgage over 43 McGregor Road, Palmyra, being part of the above premises in respect of an undrawn Bank Guarantee facility.

Note 6 - Plant, Equipment & Motor Vehicles

	2003/2004	2002/2003
	\$	\$
Plant & Equipment at cost at the beginning of the year	6,801,656	6,048,660
Additions	244,183	1,273,870
	7,045,839	7,322,530
Disposals	(372,312)	(520,874)
	6,673,527	6,801,656
Change in category	(54,494)	-
	6,619,033	6,801,656
Accumulation depreciation provision at beginning of the year	4,531,867	4,553,915
Depreciation expense for the year	568,402	490,144
	5,100,269	5,044,059
Disposals	(358,357)	(512,192)
	4,741,912	4,531,867
Change in category	(49,170)	-
Accumulated depreciation provision at end of the year	4,692,742	4,531,867
Net carrying value - Plant & Equipment	1,926,291	2,269,789
Motor vehicles at cost at beginning of the year	386,849	394,839
Additions	168,734	-
	555,583	394,839
Disposals	(165,730)	(7,990)
	389,853	386,849
Accumulated depreciation provision at beginning of the year	276,730	262,964
Depreciation expense for the year	50,366	21,756
	327,096	284,720
Disposals	(136,542)	(7,990)
Accumulated depreciation provision at end of the year	190,554	276,730
Net carrying value - Motor Vehicles	199,299	110,119
Total Net Carrying Value	2,125,590	2,379,908

Note 7 - Profit on Disposal of Non-Current Assets

	2003/2004	2002/2003
	\$	\$
Plant & Equipment Written Down Value	13,806	5,786
Gross Proceeds	15,680	9,897
Profit on Sale of Assets	1,874	4,111
Motor Vehicle Written Down Value	29,188	-
Gross Proceeds	57,273	-
Profit on Sale of Assets	28,085	-
Net Profit on Sale of Assets	29,959	4,111
Written Down Value of Assets Scrapped	6,210	13,295
Profit/(Loss) on Disposal of Assets	23,749	(9,184)

Note 8 - Investments

Current	2003/2004	2002/2003
	\$	\$
Term Deposits	1,432,265	-
Commercial Bank Bills	1,342,307	-
	2,774,572	-
Non-Current	2003/2004	2002/2003
	\$	\$
(i) Farm Pride Foods-1,756,721 ordinary shares at cost	1,404,377	1,404,377
Provision for write down	(738,343)	(718,895)
	666,034	685,482
(ii) Investment in Associated Company	40	40
	666,074	685,522

- (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 31c (2003-32c) 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 3rd July.
 - Novo Foods Ltd commenced operations in 1999/2000. It has no reserves or retained profits from prior years.

Note 9 - Payables

	2003/2004	2002/2003
	\$	\$
Current		
Trade Payables	2,840,155	2,811,724
Customer claims & rebate accrual	411,574	475,335
Wages Payable	99,949	154,985
Group Tax accrual	117,730	101,033
Insurance accrual	102,593	95,990
Other accruals	165,646	150,219
	<u>3,737,647</u>	<u>3,789,286</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

	2003/2004	2002/2003
	\$	\$
Current		
Annual Leave	284,749	305,528
Long Service Leave	89,554	177,623
	<u>374,303</u>	<u>483,151</u>
Non-Current		
Long Service Leave	<u>231,263</u>	<u>144,195</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 one such contract was outstanding as detailed below.

At balance date, the details of outstanding contracts are:

Sell Singapore Dollars	Buy Australian Dollars		Average Exchange Rate	
	2003/2004	2002/2003	2003/2004	2002/2003
	\$	\$		
Maturity 0-3 months	84,395	-	1.1849	-

Note 12 - Retention Reserve

This amount, after the distribution declared on 19 August 2004, represents up to 1% of Gross Income, retained in accordance with Section 32(4) of the Marketing of Eggs Act 1945-1977.

	2003/2004	2002/2003
	\$	\$
Opening Balance	4,636,049	4,961,825
Transfer to Reserve – Net Profit/ (Loss) for the year	1,891,703	(325,776)
Distributions (note 23)	(722,274)	-
Closing Balance	5,805,478	4,636,049

On 19 August 2004 the Board declared a further distribution of \$684,033.

Note 13 - Trading Profit

	2003/2004	2002/2003
	\$	\$
Sales	40,431,817	39,343,876
Cost of Goods Sold		
Opening Balance	2,249,855	1,815,202
Purchases	33,500,078	34,684,571
Obsolete Inventory Written Off	66,922	2,932
	35,816,855	36,502,705
Closing Inventory	1,642,968	2,249,855
	34,173,887	34,252,850
Trading Profit	6,257,930	5,091,026

Note 14 - Sundry Revenue

	2003/2004	2002/2003
	\$	\$
Penalties	66,741	36,072
Rent	42,257	41,522
Other	35,820	33,676
	144,818	111,270

Note 15 - Commitments for Expenditure

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

	2003/2004	2002/2003
	\$ 000's	\$ 000's
Within one year	-	-

Note 16 - Notes to Statement of Cash Flows

	2003/2004 \$	2002/2003 \$
a) Reconciliation of profit/(loss) from ordinary activities to net cashflow		
Operating Profit/(Loss)	1,891,703	(325,776)
Non-cash items:		
Depreciation	767,036	636,067
Increase in Doubtful Debts Provision	36,000	8,904
Net Profit on Sales of Non-Current Assets	(29,959)	(4,111)
Written Down Value of Assets Scrapped	6,210	13,295
Investment Write Down	19,448	157,744
Changes in Assets		
(Increase)/Decrease in Receivables	488,150	286,057
(Increase)/Decrease in Foreign Exchange Contract Receivable	(84,395)	1,309,778
(Increase)/Decrease in Other Assets	115,757	(108,116)
(Increase)/Decrease in Inventories	606,887	(434,653)
Changes in Liabilities:		
Increase/(Decrease) in Payables	(51,639)	196,583
Increase/(Decrease) in Foreign Exchange Contract Payable	84,488	(1,310,553)
Increase/(Decrease) in Employee Entitlements	(21,780)	76,519
Increase/(Decrease) in Trolleys & Cases Deposits	(8,834)	(8,607)
Net Cash provided by Operating Activities	3,819,072	493,131
(b) Reconciliation of Cash		
"Cash" includes cash on hand and in banks, and cash equivalents 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:		
	2003/2004 \$	2002/2003 \$
Cash on hand and in Banks	435,639	463,997
Term Deposits	1,432,265	-
Commercial Bank Bills	1,342,307	-
	3,210,211	463,997

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
3rd July 2004	%	%	1 year or less	1 to 5 years	Over 5 years	\$	\$
Assets							
Cash	4.75	435,639					435,639
Receivables						3,106,707	3,106,707
Forward Exchange Contract Receivable						84,395	84,395
Term Deposits	5.40			1,432,265			1,432,265
Commercial Bank Bills	5.30			1,342,307			1,342,307
		435,639	2,774,572			3,191,102	6,401,313
Liabilities							
Payables						3,737,647	3,737,647
Deposits						104,908	104,908
Forward Exchange Contract Payable						84,488	84,488
						3,927,043	3,927,043
Net Financial Assets/(Liabilities)		435,639	2,774,572			(735,941)	2,474,270

	Variable Interest Rate	Fixed Interest Rate Maturities			Non Interest Bearing	Total
29th June 2003	%	1 year or less	1 to 5 years	Over 5 years	\$	\$
Total Financial Assets	463,997				3,630,852	4,094,849
Total Financial Liabilities					3,903,028	3,903,028
Net Financial Assets/(Liabilities)	463,997				(272,176)	191,821

(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

	2003/2004 \$ 000's	2002/2003 \$ 000's
Total fees, salaries, superannuation, and other benefits received or due and receivable for the financial year by members of the Accountable Authority.	93	84

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

	No.	No.
\$ 0,000 - \$10,000	1	2
\$10,000 - \$20,000	2	-
\$20,000 - \$30,000	1	2
\$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.	444	491

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	-	-
\$ 110,001 - \$120,000	1	-
\$ 150,001 - \$160,000	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

	2003/2004 \$	2002/2003 \$
Doubtful Debts Expense	36,000	26,000
Written down value of spare parts sold	24,360	-
	<u>60,360</u>	<u>26,000</u>

Note 21 - Remuneration of Auditor

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

	2003/2004	2002/2003
	\$	\$
Auditing accounts, financial statements, and performance indicators	32,000	29,000

Note 22 - Supplementary Financial Information

Write-Offs

	2003/2004	2002/2003
	\$	\$
Trade debtors written off as bad debts under the authority of the Accountable Officer	-	17,095

Note 23 - Distribution to Producers

	2003/2004	2002/2003
	\$	\$
Total distributions in respect of the year	1,406,307	-
Distributions declared and paid	722,274	-
Distributions declared but not paid	684,033	-

Distributions amounting to \$722,274 were declared and paid to producers before 3 July 2004 based upon the proportion of commercial eggs consigned to the Board. The balance of \$684,033 was only declared as a distribution by the Board on 19 August 2004 and has therefore not been shown as a liability at 3 July 2004.

Note 24 - The Impact of Adopting International Accounting Standards

The Australian Accounting Standards Board is adopting the Standards of the International Accounting Standards Board for application to reporting periods beginning on or after 1 January 2005. Pending Accounting Standard AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" prescribes transitional provisions for first-time adopters.

AASB 1047 "Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards" requires financial reports to disclose information about the impacts of any changes in accounting policies in the transition period leading up to the adoption date and will apply for June 2004 reporting.

The Board are continuing to assess the significance of these changes and prepare for their implementation. This process involves evaluating the key differences in accounting policies and their financial impact.

The only key difference in accounting policies which is expected to arise from the adoption of International Financial Reporting Standards is:

Property, Plant & Equipment (PPP)

Gains or losses on disposal of PPP are currently accounted for on a gross basis, that is proceeds and written down values are classified as revenue and expenses respectively. AASB 116 will require that gains or losses be recognised on a net basis. AASB 116 may also require additional narrative disclosure with regard to methods and assumptions applied in estimating fair values.

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 (increase of \$1,166,904 {22.9 %})

Trading profit increased due to increased Sales Revenue, mainly due to higher prices obtained. This was partly offset by slightly lower volumes and higher Cost of Goods Sold as a result of higher cost of eggs received.

LICENSE FEES (increase of \$320,832 {2,561.1%})

Income from license fees increased due to them being operative for a full year instead of 4 weeks in the preceding year.

SUNDRY REVENUE (increase of \$33,548 {30.2 %})

Sundry revenue increased due to increased egg penalties.

INTEREST REVENUE (increase of \$105,474 {609.1 %})

Interest revenue increased due to higher cash and investment holdings during the year.

SALES & DISTRIBUTION (decrease of \$482,856 {14.6%})

Sales & Distribution expenses decreased primarily due to reduced advertising and marketing costs, pulp storage rent, and export & Eastern States' freight.

ADMINISTRATION (decrease of \$ 101,965 {7.1 %})

Expenses decreased due to lower travel, computer support, A.E.I.A. subscriptions, and interest expense.

DEPRECIATION (increase of \$130,969 {20.6 %})

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

DOUBTFUL DEBTS EXPENSE (increase of \$10,000 {38.5 %})

Doubtful debt expense increased to ensure that the Doubtful Debts Provision was sufficient.

Comparison between 2004 Actual & 2004 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 \$736,000 {10.5 %})

Trading profit reduction was mainly due to lower shell & pulp revenue, as a result of lower sales volume, partly offset by higher net prices achieved. The lower volume sold resulted in proportionately lower Cost of Goods Sold.

SUNDRY REVENUE (increase of \$63,000 {76.8 %})

Sundry revenue was higher, mainly due to increased penalty income.

INTEREST REVENUE (increase of \$96,000 {355.6%})

Interest revenue was higher due to higher than anticipated investment funds available.

SALES & DISTRIBUTION (decrease of \$509,000 {15.3%})

Expenditure was lower than budgeted mainly due to lower advertising and marketing expenses, export & Eastern States' freight, and pulp storage charges.

ADMINISTRATION (decrease of \$ 157,000 {10.6%})

Expenditure was lower due to below budgeted consulting fees, IT development and support, legal and travel expenses.

DEPRECIATION CHARGE (decrease of \$219,000 {22.2%})

Depreciation was lower, due to a deferment and/or cancellation of significant capital expenditure.



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

THE WESTERN AUSTRALIAN EGG MARKETING BOARD PERFORMANCE INDICATORS FOR THE YEAR ENDED JULY 3, 2004

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 July 3, 2004.

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.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON
AUDITOR GENERAL
October 7, 2004

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 3rd July 2004.



B. Stewart
Chairman



P. Newing
Board Member



H.T. Preston
Principal Accounting Officer

31st August 2004.

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

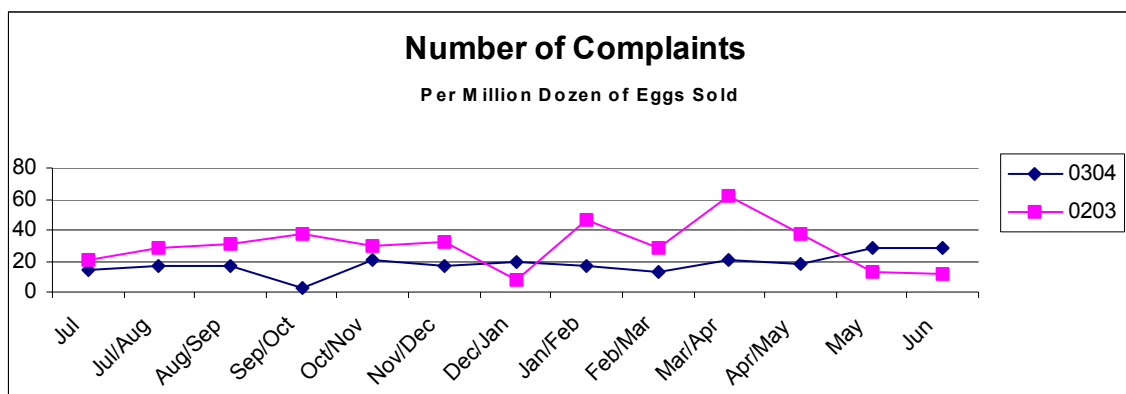
	99/00	00/01	01/02	02/03	03/04
Net Return	92.52	92.27	94.90	91.05	101.17
Price	98.49	99.44	103.62	98.29	104.53
Net Return to Price Ratio	93.94	92.79	91.58	92.63	96.79

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 4.5% on the index due to increases in the producer payments being greater than the increases in the sell price. This indicates we have significantly improved producer payments through the year at levels greater than increases received for shell and processed products in the market.

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 all of the 13 periods. We believe this is due to the successful implementation of the new grading equipment in January 2002.



1.3 GEF Egg Consumption per Head of Population – WA

Year	Indexed % Consumption per head of population
1998/1999	91.63
1999/2000	89.56
2000/2001	89.95
2001/2002	90.17
2002/2003	87.99
2003/2004	87.85

Note: Consumption of Golden Egg Farm eggs has decreased marginally per head of population in the current year. Egg supply from GEF licensed producers has plateaued this year ensuring GEF's market share whilst competition from Eastern State supplies and local non licensed producers has been active.

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
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
2003/2004	107.8	(7.9)	141.00	2.62

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 significant decrease in overheads, primarily in administration labour and travel and marketing advertising and production freezer costs whereas the CPI has risen at acceptable economic levels with a consequent real saving in costs for Golden Egg Farms.