



POTATO MARKETING CORPORATION  
OF WESTERN AUSTRALIA

# Annual Report 2005

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### POTATO MARKETING CORPORATION OF WESTERN AUSTRALIA

#### STREET ADDRESS

Cockburn Road  
Hamilton Hill  
Western Australia 6163

#### TELEPHONE

(61 8) 9335 8999

#### EMAIL

[admin@potato.wa.gov.au](mailto:admin@potato.wa.gov.au)

#### FACSIMILE

(61 8) 9335 9945

#### WEBSITE

[www.pmc.wa.gov.au](http://www.pmc.wa.gov.au)

#### POSTAL ADDRESS

PO Box 62  
South Fremantle  
Western Australia 6162

## STATEMENT OF COMPLIANCE

Hon. Kim Chance, MLC  
Minister for Agriculture, Forestry, the Midwest and Wheatbelt

Dear Minister

In accordance with Section 66 of the *Financial Administration and Audit Act 1985*, we hereby submit for your information and presentation to Parliament the Annual Report of the Potato Marketing Corporation of Western Australia for the year ended 30 June 2005.

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

Yours sincerely



D Pitter  
Chairperson



H Russell  
Board Member

## CHAIRPERSON'S REPORT

**T**his year has been a year of significant change with the transition period commencing on 1 July 2004. As a consequence the Potato Marketing Corporation of Western Australia has refocused its attention on regulation and management of supply and pricing together with the establishment of Western Potatoes Limited to conduct marketing, export and other commercial activities.

These changes will allow the Western Australian potato industry to retain its enviable position with regulated supply and prices. Enforceable regulation and the ability to manage supply will continue to be the foundation of a stable and viable potato industry in this state.

Working relationships have been established with new industry stakeholders including Western Potatoes Limited. This relationship and the emerging roles and responsibilities of each entity will continue to develop and unfold.

The workload associated with the transition period and the resulting deviation from existing industry structure has placed incredible demands on the Board of the Corporation and its management and staff. I would like to personally acknowledge the outstanding contribution made by Mr John Gallagher and his team and each of the board members of the Potato Marketing Corporation in what has been an all-consuming role for us all.

The past few years have seen the ongoing review of the industry and the commencement of significant structural change. I am pleased to say that the staff at the Potato Marketing Corporation has emerged as a cohesive and skilled team. The Board is confident that the potato industry in this state is in capable hands.

I wish you well for the forthcoming season.



Deborah Pitter

Chairperson

## A/CHIEF EXECUTIVE OFFICER'S REPORT

**F**ollowing two reviews the Potato Marketing Corporation's operations have changed significantly. The two reviews were the National Competition Policy and the Section 44 review of the *Marketing of Potatoes Act 1946*. For the past 15 years the Corporation's role included supporting the industry to develop export opportunities. As a result of the reviews the Corporation has refocused all its efforts on the domestic ware market.

In mid September 2004 the Hon. Kim Chance, Minister for Agriculture, Forestry, the Midwest and Wheatbelt appointed a Board to manage the introduction of the changes resulting from the reviews.

A summary of the implementation of the changes during the past nine months is detailed in the section 'A Year in Review'. Despite the reorganisation, the returns to growers during the year were average and consumers enjoyed retail prices which were below the national average.

The smooth implementation of the changes has been accomplished by the support of staff. Despite great uncertainty over the past year staff quickly adapted to the new environment and their dedication to providing a professional service has been uncompromising. It would not have been possible to introduce the changes but for the great effort of staff.

I extend my thanks to Board members who have fully supported management's efforts during some difficult times. The guidance of Board members during this period is very much appreciated.

I would also like to recognise growers and merchants for their patience, understanding and assistance during the transition period.

Although many of the required changes have now been implemented there is still much work to be done to settle in the full array of changes and to ensure that the community as a whole continues to benefit from the regulated system.



John Gallagher

Acting Chief Executive Officer

## OVERVIEW OF THE POTATO INDUSTRY IN WESTERN AUSTRALIA

**P**otatoes are grown in Western Australia for two main markets:

- export and processing; and
- domestic.

### Export and Processing Markets

The export and processing markets are deregulated. Growers are free to grow for these markets; however, they require a licence from the Potato Marketing Corporation to do so. The licence allows for production monitoring and prevents potatoes grown for these markets from entering into the domestic market.

### Domestic Market

The production of potatoes for the domestic market is managed to align supply within 5% of the anticipated demand. This minimises the waste of resources that would otherwise result if overproduction occurred.

All potato production for the domestic market is regulated through a licensing system. The system is aimed at providing consumers with fresh potatoes all year round.

### Pools

Most potatoes produced for the Western Australian domestic market are grown in the south-western corner of the state. The major production districts are Manjimup, Pemberton, Busselton, Myalup, Gingin, Donnybrook and the Metropolitan region. The Albany district is the major seed production area. Each growing season is divided into Pools, shown below.

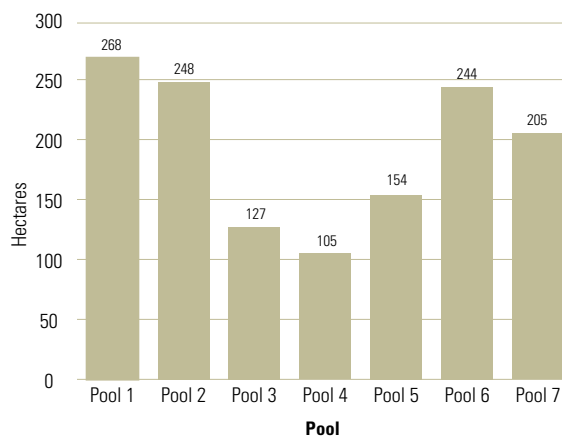
Pool	Season 2004–2005	Districts
1	01 July–28 August	Busselton, Myalup, Metro, Gingin
2	29 August–09 October	Busselton, Myalup, Metro, Gingin, Manjimup, Esperance
3	10 October–13 November	Metro, Myalup, Busselton, Gingin
4	14 November–25 December	Busselton, Myalup, Donnybrook, Metro
5	26 December–12 March	Manjimup, Pemberton, Rosa Brook
6	13 March–07 May	Manjimup, Pemberton, Albany, Busselton, Donnybrook
7	08 May–30 June	Busselton, Myalup, Donnybrook, Manjimup, Pemberton

## STATISTICAL OVERVIEW (POOL RESULTS) 2004–2005

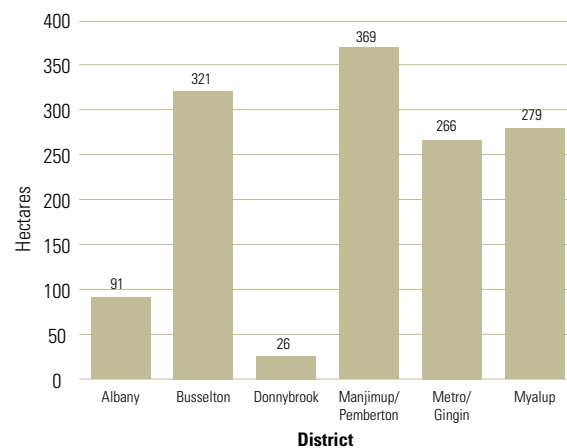
### Statistical Overview (Pool Results) 2004–2005

	Total Gross Tonnes Delivered	Class 1	Class 2	Paid Grading Summary			
				Smalls	Drybrush	Waste/Soil	Export Seed
Pool 1	10,151	46%	19%	19%	2%	14%	0%
Pool 2	7,806	44%	21%	16%	1%	18%	0%
Pool 3	5,554	49%	20%	18%	1%	12%	0%
Pool 4	5,408	43%	21%	15%	6%	15%	0%
Pool 5	10,537	44%	20%	15%	6%	14%	1%
Pool 6	10,663	37%	20%	13%	9%	16%	5%
Pool 7	7,955	46%	20%	18%	0%	16%	0%

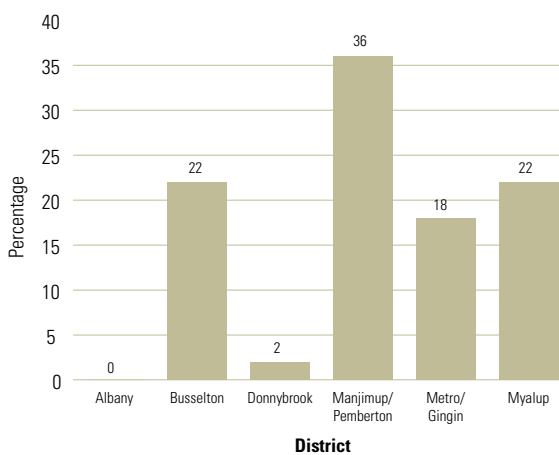
Total Hectares Planted by Pool



Total Hectares Planted by District



Total Deliveries by District



## A YEAR IN REVIEW

**T**he past year has been challenging and one of significant change. Following the review of the *Marketing of Potatoes Act 1946*, in July 2004 the Minister for Agriculture, Forestry, the Midwest and Wheatbelt pronounced that changes were required to the operation of the Potato Marketing Corporation. These changes would ensure compliance with the Trade Practices Act and the competitive neutrality principle.

An industry Implementation Advisory Group (IAG) was formed to make recommendations to the Minister of Agriculture on changes to the *Marketing of Potatoes Act 1946* and the future role of the Corporation. The group was chaired by the Department of Agriculture and consisted of representatives from the Potato Marketing Corporation, Potato Growers Association, Potato Merchants Association and the retail sector.

The most significant of the recommendations tabled by the IAG was that all commercial functions undertaken by the Potato Marketing Corporation be transferred to a grower-owned entity enabling the Corporation to continue to serve the principal purposes of regulating domestic supply and the growers' price to ensure stability of supply to consumers and returns to growers.

A transition period to implement the proposed changes commenced on 1 July 2004 with the aim to have the majority of the IAG recommendations fulfilled by late 2005.

As one of the initial steps in removing all commercial activities from the Corporation, the trading name 'Western Potatoes' and its associated trademarked logo were relinquished to enable the grower owned entity to incorporate as Western Potatoes Limited. The grower-owned entity was established to provide growers with the opportunity for greater involvement in the marketing, promotion and exporting activities of the industry.

***Recommendation:** A new Board with a revised balance of skills and competencies to be appointed by 1 July 2004, in order to manage the substantially altered operations of the Corporation.*

In recognition of the IAG recommendation, the existing Board members offered their resignation. A new Board was appointed in October 2004 consisting of six members, including representation from merchants and growers. The new Board is charged with the responsibility of implementing the IAG recommendations.

Due to the anticipated change and reduced functions of the Corporation, the Chief Executive Officer was offered redundancy. A transitional manager with extensive industry experience was employed to assist in the Board in implementing the recommendations during the transition period.

***Recommendation:** The Corporation's activities in relation to marketing, advertising, promotion, research and development be undertaken by the Agricultural Produce Commission – Potato Producers' Committee (APC–PPC) established under the Agricultural Produce Commission Act 1988.*

The IAG concluded that the separation of the regulatory functions from the commercial and marketing functions would reduce supply chain costs, avoid competitive neutrality issues and reduce the scope for legal action under the Trade Practices Act.

The Agricultural Produce Commission's fee for service was considered a suitable mechanism to raise



## A YEAR IN REVIEW (CONT.)

funds to finance promotional activities. Early in 2005 the Corporation provided \$300,000 to the APC-PPC to enable that organisation to gain experience in managing promotional activities before taking over full responsibility in June 2005. The funds were provided under a contract whereby the APC-PPC agreed to achieve specific milestones. The APC-PPC subcontracted the newly formed grower owned entity, Western Potatoes Limited, to manage the implementation of the contract.

The removal of marketing activities from the Corporation required the exclusion of the regulatory/industry specific information on the existing website ([www.westernpotatoes.com.au](http://www.westernpotatoes.com.au)). A new website ([www.pmc.wa.gov.au](http://www.pmc.wa.gov.au)) was developed by the Corporation to provide information to growers and other industry stakeholders to assist them in managing their businesses. The new site is password protected to enable growers to access production area maps, licensing forms and sales related information. Additional functionality is anticipated for the website over the next twelve months.

All merchandise, point of sale material and intellectual property associated with marketing activities such as logos, trademarks and patents were offered to the APC-PPC.

All business development work ceased including the production of the mash potato product. The subsidiary company, Fresh Western, set up in 2000 under section 19 of the *Marketing of Potatoes Act 1946* to allow the Potato Marketing Corporation to become involved in commercial activities, was wound up.

***Recommendation:** The existing individual grower payment for grades to be extended by the Corporation by a payment grid to allow price difference for varieties to encourage the production of new varieties. The Corporation should notify price variations from the pricing grid to merchants so that they are able to respond to changes with export, processing or domestic retail distribution offers on a competitive basis.*

Improving price signals provides additional incentives to growers to grow better quality potatoes, a range of varieties and appropriate levels of supply.

The Corporation meets monthly with merchants to discuss market conditions. These meetings allow for a more flexible price-setting mechanism which responds faster to changes in the market place while maintaining a reasonable return to growers. Having a merchant representative on the Board has greatly assisted in establishing this system.

During the next 12 months the Board is to introduce a system where grower returns reflect market conditions. This level of transparency will overcome the problems identified by the Centre for International Economics in the national horticulture industry. Nationally, market systems in horticulture are not clearly reflected in returns received by growers. This leads to incorrect management decisions being made by growers.

***Recommendation:** The Corporation should continue to pool returns received from merchants within the expanded grid price categories and deduct pooled costs over each Pool period.*

The Corporation's Finance and Audit Subcommittee resolved to charge all specific Pool costs against the associated Pool. All general administration costs are charged against all Pools.

## A YEAR IN REVIEW (CONT.)

*Recommendation: The new grading system should be implemented by the Corporation from 1 July 2004 and is expected to result in higher standards of ware potatoes for the domestic market.*

The new grading system for the domestic ware market was introduced from 1 July 2004 to ensure delivery of a high quality product that satisfies consumer requirements. The standard was developed in four stages over a period of 12 months with representative participation from all sectors of the supply chain.

Four new grades were introduced as part of the new grading standard (Smalls, Class 1, Class 2 and Drybrush) and developed taking into consideration size and quality parameters.

*Recommendation: The Corporation should revise the terms and conditions applying to all merchants currently operating as Agents of the Corporation, with the intention of providing greater transparency through the distribution system.*

The IAG considered a licensing approach may be more appropriate to the future regulatory role of the Corporation. A subcommittee of the Board has commenced the review of the trading terms of merchants. The Minister announced that the current number of merchants will not increase with the exception of the new grower-owned entity.

*Recommendation: The Corporation should refrain from exporting potatoes prior to the passage of amendments to remove its capacity to compete in the export market. The future Corporation will be regulatory only and will not conduct any business in its own right.*

The IAG report recommended that during the transition period any potatoes surplus to domestic market requirements should be marketed by the Corporation through private entities. In line with this recommendation the Corporation signed two contracts with Western Potatoes Limited. Under one contract Western Potatoes Limited provided management expertise and supervised the export of ware potatoes. The other contract covered export seed potatoes whereby the Corporation sold the produce to Western Potatoes Limited which exported in its own right.

It is expected the introduction of the domestic market entitlement (DME) will reduce the surplus of ware potatoes in the future and therefore the need to export. Potatoes surplus to the total domestic demand that need to be exported will be tendered to ensure growers achieve the highest return from the Corporation.

All variety development work ceased and the Corporation has also terminated all contracts with companies to collect plant breeder's right royalties on their behalf for specific potato varieties sold within Western Australia.

*Recommendation: Growers' production entitlement will be progressively changed from a licensed area basis to one of quantity alone. Regulation of ware potato supplies in tonnage using the domestic market entitlement provisions in section 28 of the Marketing of Potatoes Act 1946 will be used by the Corporation in place of delivery intent conditions of area licenses.*

## A YEAR IN REVIEW (CONT.)

Growers' production entitlement will be based on production and given an area licence. A discussion paper was developed and growers were consulted on the method used to introduce DME. In May 2005 the Corporation submitted to the Minister for his approval recommendations on the method to be used to allocate DME to growers. The Corporation anticipates that DME will be allocated to all growers by March 2006.

The Corporation's operational database (Prospud) has been amended to correctly record the change.

Supply control of ware potatoes reduces domestic surpluses that have been diverted to export markets and removes inappropriate incentives for growers to oversupply the domestic ware requirements.

*Recommendation: The existing area licence provisions in section 22 of the Act, which require all potatoes to be grown on licensed areas, will remain in place to support the monitoring and compliance role of the regulator.*

Compliance continues to remain an important function of the Corporation's regulatory role. However, management recognises that existing area licence provisions in section 22 of the *Marketing of Potatoes Act 1946* is not a supply controlling mechanism for ware or other potatoes (seed, processing or export).

*Recommendation: The assets of the Corporation should be divided between the Regulator and the grower-owned entity to facilitate the operation of the grower-owned entity and provide growers with the opportunity to have a direct involvement in the commercial development of their industry.*

Advice from the State Solicitors Office indicated that under the current legislation, the Corporation does not have the ability to transfer assets to the grower-owned entity.

*Recommendation: The current requirement for ministerial approval to be removed for routine decisions, such as approval of the minimum price to be paid to growers and the determination of quantities to be supplied to the domestic market for each Pool period.*

An industry legislation review committee has been established to undertake this exercise including representatives from the Department of Agriculture, the Potato Marketing Corporation and industry. The Corporation has also set up an internal legislative review committee to assist this group.

The committee has almost completed the initial stage of reviewing the forms required under the legislation.

Considerable progress has been made over the past 12 months. However, a number of changes to the *Marketing of Potatoes Act 1946* are required by amendment in order to completely fulfill the IAG recommendations. It is expected proposed reforms to the Act will further improve the efficiency and effectiveness of the Corporation in its regulatory role.

## REPORT ON OPERATIONS

**T**he Potato Marketing Corporation of Western Australia was established under the *Marketing of Potatoes Act 1946* for the purpose of managing the production and supply of potatoes and promoting their use so as to satisfy market needs.

### Enabling Legislation

The Potato Marketing Corporation of Western Australia is established under the *Marketing of Potatoes Act 1946* and its Amendments and is responsible to the Minister for Agriculture, Forestry, the Midwest and Wheatbelt. The Act and its Regulations set out the functions of the Corporation and the framework within which it is to operate.

### Legislation Administered by the Corporation

*Marketing of Potatoes Act 1946* and its Amendments

### Legislation Impacting on the Corporation's Activities

*A New Tax System (GST) Act 1999*

*Debts Tax Act 1990*

*Disability Services Act 1993*

*Equal Opportunity Act 1984*

*Financial Administration and Audit Act 1985*

*Financial Institutions Duty Act 1993*

*Freedom of Information Act 1992*

*Fringe Benefits Assessment Act 1986*

*Government Employees Superannuation Act 1987*

*Industrial Relations Act 1979*

*Industrial Relations Reform Act 1993*

*Library Board of Western Australia Act 1951*

*Minimum Conditions of Employment Act 1993*

*Occupational Health and Safety Welfare Act 1984*

*Public Sector Management Act 1994*

*Sales Tax Assessment Act 1992*

*Statutory Corporations (Liability of Directors) Act 1996*

*State Records Act 2000*

*Trade Practices Act 1974*

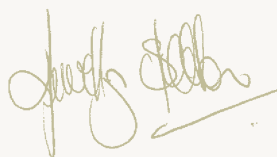
*Workers' Compensation and Assistance Act 1981*

In the financial administration of the Potato Marketing Corporation of Western Australia, we have complied with the requirements of the *Financial Administration and Audit Act 1985* and every other written law, and exercised controls which provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of public property and incurring of liabilities have been in accordance with legislative provisions.

At the date of signing we were not aware of any circumstances that would render the particulars in this statement misleading or inaccurate.



D Pitter  
Chairperson



L Skelton  
Principal Accounting Officer

## REPORT ON OPERATIONS (CONT.)

### Responsible Minister

The Corporation reports to the Hon. Kim Chance MLC, Minister for Agriculture, Forestry, the Midwest and Wheatbelt.

The Minister draws his powers from Section 20A of the *Marketing of Potatoes Act 1946* which gives power to direct the Corporation in writing concerning the performance of its functions, either generally or with respect to a particular matter.

### Mission

The mission of the Potato Marketing Corporation of Western Australia is to provide leadership to all stakeholders in the supply chain in order to build and maintain an efficient, profitable and sustainable industry that is responsive to market needs.

### Functions of the Corporation

The functions of the Corporation are extensive in accordance with Section 17A of the *Marketing of Potatoes Act 1946*.

- Regulate the production of ware potatoes so as to ensure the supply of quantities, kinds and qualities preferred by consumers in the state
- Take delivery of, and otherwise deal with, potatoes in accordance with this Act and market potatoes in the state and elsewhere
- Register persons who are to be authorised to carry on business as a commercial producer of potatoes, and licence the areas of land to be used in any such business
- Encourage and promote the use of potatoes and provide for the monitoring and, if thought fit, regulation of the production of potatoes for propagation or for any other prescribed kind of use
- Foster methods of production and adopt methods of marketing that will enable potatoes grown in the state to compete in price and quality against potatoes from alternative sources of supply
- Promote, encourage, fund and arrange for the conduct of research into matters relating to the production and marketing of potatoes, and undertake market development
- Seek and apply knowledge of new and improved techniques and materials that will assist it to perform its functions.

### Board of the Potato Marketing Corporation of WA

Due to the legislative review recommendations, a new Board with a revised balance of skills and competencies commenced in September 2004. The Board consists of an independent Chairperson and five members who have relevant expertise in the areas of law and commercial potato production.

The Board is responsible to the Minister for Agriculture, Forestry, the Midwest and Wheatbelt, who appoints the Chairperson and three of the members to the Board. The remaining two members are commercial potato producers who are elected by the growers under the *Electoral Act 1907*.

## REPORT ON OPERATIONS (CONT.)

Board Members may hold office for up to three years, and are eligible to be re-appointed. Upon commencement of their term, Board members are given an induction manual that outlines the role and responsibilities of the Board. When appointed to the Board, members undertake a solemn obligation to carry out their duties in a fair, open, honest and accountable way to the benefit of the Corporation and the community they serve.

In addition to implementing the recommendations of the Implementation Advisory Group, the primary role of the Board is to:

- set performance goals;
- ensure corporate compliance and management accountability;
- endorse strategic plans;
- approve operating budgets; and
- ensure that the Corporation has the resources necessary to achieve goals, monitor progress and report on outcomes.

In carrying out its role, the Board is subject to the provisions of the *Statutory Corporations (Liability of Directors) Act 1996* and as such is careful to act honestly, exercise reasonable care and diligence and not make improper use of information or its position.

The Board has established a number of subcommittees to assist in the execution of its duties and facilitate good communication between the Board and management. A representative of each subcommittee provides a monthly summary at each Board meeting.

## REPORT ON OPERATIONS (CONT.)

### Board Profiles

#### Ms Deborah Pitter (Chairperson)

Ms Pitter has been a member of the Board since February 2004 and was appointed to the role of Chairperson in September 2004. Ms Pitter holds a Bachelor of Applied Science – Consumer Science and a Master in Agribusiness and brings experience in the development and implementation of marketing strategy for primary producers to her position as Chairperson. Ms Pitter has a broad understanding of the issues affecting the horticultural industry on a state and national level.

Ms Pitter's present term expires in February 2007.

#### Mr Eddie Atchison

Mr Atchison was appointed to the Board in September 2004. He holds a Bachelor of Arts (Economics and Social Studies) from the Queen's University Belfast. Mr Atchison brings over twenty years of local industry experience as a Potato Merchant and vegetable grower/wholesaler to his position as Merchant Representative.

Mr Atchison's present term expires in September 2007.

#### Mr David Sash

Mr Sash was appointed to the Board in January 2003. Mr Sash holds a Bachelor of Arts and a Bachelor of Law degree and is a partner with legal firm Jackson McDonald. He has extensive experience in commercial and industrial litigation and has provided advice in all aspects of employment and industrial law including preparation of contracts of employment, termination of employment and implementation of strategic advice to mergers, acquisitions and privatisation.

Mr Sash's present term expires in January 2006.

#### Mr Andrew Temptra

Mr Temptra was elected to the Board in September 2004. Mr Temptra holds a Diploma in Frontline Management and is a Director of Temptra Bros Pty Ltd who have grown potatoes for the domestic market for over 50 years. Mr Temptra has also worked in the timber industry and in irrigation management.

Mr Temptra's present term expires in September 2007.

#### Mr Salvatore (Sam) Calameri

Mr Calameri is a commercial producer of potatoes and was elected to the Board September in 2003 for a term of three years. Mr Calameri holds a Diploma in Horticulture and is Managing Director of Baldvis Market Gardens Pty Ltd. He is also the Chairman of the APC Potato Producers Committee, a Director of Standard Crate Exchange and member of the Carrot Association Research and Development Committee.

Mr Calameri's present term expires in September 2006.

## REPORT ON OPERATIONS (CONT.)

### Mr Herbert (Bert) Russell

Mr Russell is a commercial producer of potatoes and was re-appointed to the Board in September 2004. He is Chairman of the Potato Growers Association, a Seed Grower member of the State Seed Advisory Committee and State member of the Potato Producers Committee.

Mr Russell's present term expires in September 2007.

### Meeting Attendance and Fees

Fees for Board members are determined by the Department of Premier and Cabinet and paid monthly. Board members are reimbursed if travel, accommodation and motor vehicle expenses are incurred while on official business.

A total of twelve meetings were held during the past year. Board member attendance to these meetings was as follows:

Name	Meetings attended	Fee (\$)
Mr Jim Murphy (resigned)	3	4,213
Mr Geoffrey Hick (resigned)	3	2,106
Ms Deborah Pitter	12	16,772
Mr Sam Calameri	12	10,772
Mr Bert Russell	12	10,772
Mr David Sash	10	10,772
Mr Eddie Atchison	9	8,666
Mr Andrew Tempa	9	8,666

### Acting Chief Executive Officer

The Acting Chief Executive Officer of the Corporation is Mr John Gallagher. Mr Gallagher's appointment was approved by the Minister in November 2004. His role is to provide strategic leadership in the achievement of the requirements of the Implementation Advisory Group and to manage the day-to-day operations of the Corporation.

### Principal Accounting Officer

The Corporation's Principal Accounting Officer is Mr Llewellyn Skelton as prescribed in section 52 of the *Financial Administration and Audit Act 1985*.



## REPORT ON OPERATIONS (CONT.)

### Staff Profile

The focus of employee relations for the last year has been the restructure of the Corporation in order to adopt the changes created by the legislative review. Positions were made redundant during the year, reducing the number of staff employed by the Corporation. Due to restructuring, two staff members were paid voluntary severance, four staff members offered their resignation and three staff members were placed on redeployment.

All staff members have undergone changes to their job responsibilities with several employees accepting new positions under the new corporate structure. The Corporation remains committed to ensure that the talents and resources of employees are utilised to the full and that all employees receive fair and equitable treatment.

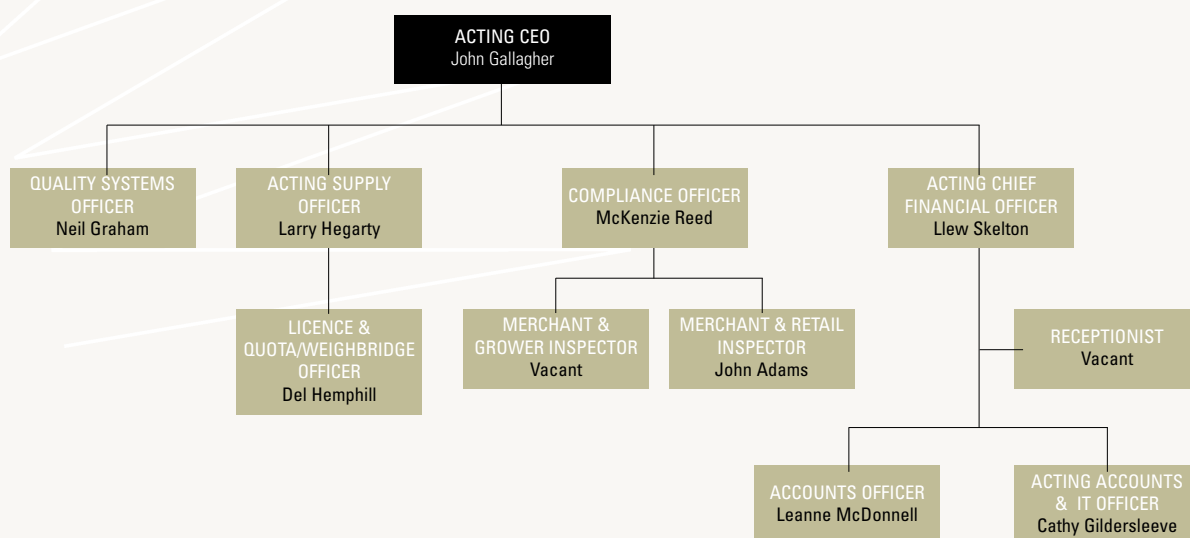
As at 30 June 2005, the Potato Marketing Corporation of WA had 11 fulltime equivalent staff.

### Publications

During the year the Potato Marketing Corporation of Western Australia produced the following publications. Copies can be obtained by contacting the Corporation on (08) 9335 8999. The publications are also available in a printable format on the Corporation's website at [www.pmc.wa.gov.au](http://www.pmc.wa.gov.au)

- Annual Report
- 'Our Growing Business' Newsletter

### Organisational Structure



## REPORT ON OPERATIONS (CONT.)

### Declarations of Interest

The Corporation requires all Board members and senior officers to declare any interests in existing or proposed contracts between the Corporation and members or senior officers, firms of which members or senior officers are members, or entities in which members or senior officers have substantial interests.

At the date of reporting, three Board members have expressed an interest in contracts other than normal contracts of employment of service with the Potato Marketing Corporation of Western Australia.

### Changes in Written Law

There were no changes in any written law that affected the Potato Marketing Corporation of Western Australia during the financial year.

### Ministerial Directives

In accordance with the *Marketing of Potatoes Act 1946*, the Corporation receives direction from the Minister regarding the quantity of potatoes the Corporation is required to accept prior to the commencement of each Pool.

### Staff Development

The Corporation has a commitment to the development of its employees. Our strategies are to build a highly skilled, professional and fair workplace with the ability to adapt to changing business technology and the environment.

Training requirements are identified through an employee professional development plan that is based on the outcomes of staff performance evaluation.

During the year the Potato Marketing Corporation of Western Australia spent \$4,012 on training, with courses being undertaken in the areas of computer development and investigative procedures.

The Staff Induction Manual was updated during the year to ensure new employees are adequately trained and skilled to perform their jobs upon commencement with the Corporation.

### Workers Compensation

Two compensation claims were recorded during the financial year.

### Equal Employment Opportunity Outcomes

The Corporation is committed to equality of employment and considers it the right of every employee to work in an environment that maximises and promotes job satisfaction. It is our policy and intent to comply with all applicable state and federal laws prohibiting employment discrimination.

## REPORT ON OPERATIONS (CONT.)

Policy and practices are based on the premise that a person's value is determined by character, loyalty, education, experience and performance. All qualified persons are given equal employment consideration and those already employed continue to be assured of opportunities for advancement according to their abilities.

Opportunity policies were monitored during the year and no instances of harassment or improper treatment were detected.

### Grievance Procedure

The Potato Marketing Corporation of Western Australia is committed to the attainment of a working environment that provides job satisfaction and the opportunity for employees to perform at the competency levels expected in their job.

All grievances involving unfair and inequitable treatment in the workplace are resolved in a fair, equitable and prompt manner. The Corporation's grievance resolution procedure is made available to all employees.

### Provision of a Safe and Healthy Work Environment

The health and safety of all employees and visitors is the responsibility of the management team. In fulfilling this responsibility, management has a duty to provide and maintain, where practical, a working environment that is safe and without risks to health.

Work continued on upgrading the site and buildings to provide a safe and pleasant work environment for employees and visitors alike.

### Record-keeping Plan

The Corporation maintains a structured records system for the management of all hard copy and electronic records as required under section 19 of the *State Records Act 2000*. The manner of control is described in the Corporation's Record-keeping Plan and adherence to the process is the responsibility of all personnel. The Plan is monitored on a yearly basis to ensure it accurately reflects the Corporation's records system.

A training program has been developed to ensure all employees have an adequate understanding of the system and an appropriate outline which addresses employees' roles and responsibilities in regard to their compliance with the Record-keeping Plan is incorporated in the Staff Induction Manual.

### Waste Paper Recycling

The Corporation is committed to the recycling of waste paper. Recycling stations are positioned at each employee's work station and the collected paper is forwarded to an approved recycler. In addition, all paper records destroyed during the year are pulped and recycled.

## REPORT ON OPERATIONS (CONT.)

### Commitment to Customer Service

The Potato Marketing Corporation of Western Australia is committed to providing reliable, efficient and effective service to all of its customers and stakeholders. Customers are treated professionally, courteously and with appropriate sensitivity. All enquires and complaints are responded to in a timely manner.

### Code of Ethics

The Potato Marketing Corporation of Western Australia complies with the Western Australian Public Sector Code of Ethics. Details of the code are made available to all employees of the Corporation.

### Public Interest Disclosures

The Potato Marketing Corporation of Western Australia is committed to the aims and objectives of the *Public Interest Disclosure Act 2003*. It recognises the value and importance of contributions of staff to enhance administrative and management practices and strongly supports disclosures being made by staff as to corrupt or other improper conduct.

The Potato Marketing Corporation of Western Australia does not tolerate any of its officers, employees or contractors engaging in acts of victimisation or reprisal against those who make public interest disclosures (PID) and has taken reasonable steps to provide protection to staff who make such disclosures from any detrimental action in reprisal for the making of a public interest disclosure.

A PID Officer has been appointed and is responsible for receiving disclosures of public interest information. The Corporation has published internal procedures relating to the Corporation's obligations under the *Public Interest Disclosure Act 2003* consistent with the guidelines provided by the Office of the Public Sector Standards Commissioner. The procedures provide for the manner in which disclosures of public interest information shall be made to the Corporation's Public Interest Disclosure Officer (PID Officer) and how the PID Officer shall investigate the information disclosed. Additional information on this topic is also included in the Staff Induction Manual.

There were no incidents requiring disclosure reports under this legislation during the year.

### Freedom of Information Act 1992

The Corporation maintains a Freedom of Information Statement detailing procedures, contacts and access arrangements. The Statement was revised during the year and can be obtained by contacting the Freedom of Information Coordinator who is appointed to handle all Freedom of Information (FOI) applications. If assistance is required in completing a request, the Coordinator can be contacted on:

Telephone: (08) 9335 8999

Fax: (08) 9335 9945

Email: [admin@potato.wa.gov.au](mailto:admin@potato.wa.gov.au)

The Corporation did not receive any FOI requests during the year.

## REPORT ON OPERATIONS (CONT.)

### Electoral Act 1907 section 175ZE

In compliance with section 175ZE of the *Electoral Act 1907*, the Corporation is required to report on expenditure incurred during the financial year ended 30 June 2005 in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations. The expenditure totalled \$468,242 and comprises the following:

(a) <i>Advertising Agency</i>	
Bowtell, Clarke & Yole	\$150,943
(b) <i>Market Research Organisation</i>	
Market Equity	\$32,758
(c) <i>Media Advertising Organisation</i>	
Media Decisions	\$284,541
(d) <i>Polling Organisation</i>	nil
(e) <i>Direct Mail Organisation</i>	nil
<b>Total</b>	<b>\$468,242</b>

### Compliance with Public Sector Management Act Section 31(1)

1. In the administration of the Corporation, I have complied with the Public Sector Standards in Human Resource Management, the Western Australian Public Sector Code of Ethics and our Code of Conduct.
2. I have put in place procedures designed to ensure such compliance and conducted appropriate internal assessments to satisfy myself that the statement made in item 1 above is correct.
3. The applications made for breach of standards review and the corresponding outcomes for the reporting period are:

Number lodged:	nil
Number of breaches found, including details of multiple breaches per application:	nil
Number still under review:	nil



J Gallagher

Acting Chief Executive Officer

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005



## AUDITOR GENERAL

### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

### POTATO MARKETING CORPORATION OF WESTERN AUSTRALIA FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

#### Audit Opinion

In my opinion,

- (i) the controls exercised by the Potato Marketing Corporation of Western Australia provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Corporation and the consolidated entity at 30 June 2005 and their financial performance and cash flows for the year ended on that date.

#### Scope

##### *The Board's Role*

The Board is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows of the Corporation and the consolidated entity and the Notes to the Financial Statements.

##### *Summary of my Role*

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial statements is error free. The term "reasonable assurance" recognises that an audit does not 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 financial statements.

D D R PEARSON  
AUDITOR GENERAL  
21 October 2005

4th Floor Dumas House 2 Havelock Street West Perth 6005 Western Australia Tel: 08 9222 7500 Fax: 08 9322 5664

## CERTIFICATION OF FINANCIAL STATEMENTS

**T**he accompanying financial statements of the Potato Marketing Corporation of Western Australia and the accompanying consolidated financial statements 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 financial year ending 30 June 2005 and the financial position as at 30 June 2005.

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



L Skelton  
Principal Accounting Officer

07 October 2005



D Pitter  
Chairperson



H Russell  
Board Member

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated		Parent	
		2005	2004	2005	2004
<b>REVENUE</b>					
<b>Revenues from ordinary activities</b>					
<i>Revenue from operating activities</i>					
Trading Profit	2	3,011,440	3,533,429	3,006,280	3,504,283
<i>Revenue from non-operating activities</i>					
Interest revenue		109,802	56,052	109,650	54,913
Other revenue from ordinary activities	3	147,425	170,920	147,425	170,920
Proceeds from disposal of non-current assets	10 (b)	1,650	0	1,650	0
Total revenues from ordinary activities		3,270,317	3,760,401	3,265,005	3,730,116
<b>EXPENSE</b>					
<b>Expenses from ordinary activities</b>					
Employee expenses	4	1,304,312	1,396,496	1,304,312	1,396,496
Supplies and services	5	1,504,671	1,441,342	1,503,959	1,443,872
Depreciation and amortisation expense	6	43,287	41,326	43,287	41,326
Borrowing costs expense	7	0	0	0	0
Administration expenses	8	192,612	209,936	211,762	204,317
Accommodation expenses	9	59,090	75,471	59,090	75,471
Carrying value of non-current assets disposed of	10 (b)	19,259	11,564	15,873	11,564
Other expenses from ordinary activities	10 (a)	126,722	51,494	126,722	51,494
Total expenses from ordinary activities		3,249,953	3,227,629	3,265,005	3,224,540
<b>NET PROFIT</b>		20,364	532,772	0	505,576
Net increase in asset revaluation reserve		1,426,350	0	1,426,350	0
<b>Total changes in equity other than those resulting from transactions with WA State Government as owners.</b>					
		1,446,714	532,772	1,426,350	505,576

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



## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Note	Consolidated		Parent	
		2005	2004	2005	2004
<b>Current Assets</b>					
Cash assets	20 (a)	3,244,592	1,025,057	3,244,592	1,020,432
Inventories	11	29,802	187,140	29,802	183,754
Receivables	12	1,823,404	2,330,973	1,823,404	2,328,632
Prepayments		7,397	5,705	7,397	5,705
Loan	13	0	0	0	22,707
<b>Total Current Assets</b>		5,105,195	3,548,875	5,105,195	3,561,230
<b>Non-current Assets</b>					
Property plant and equipment	14	2,235,481	836,393	2,235,481	836,393
Intangible assets	15	0	5,814	0	5,814
<b>Total Non-current Assets</b>		2,235,481	842,207	2,235,481	842,207
<b>Total Assets</b>		7,340,676	4,391,082	7,340,676	4,403,437
<b>Current Liabilities</b>					
Payables	16	238,902	546,497	238,902	540,488
Provisions	17	64,835	96,199	64,835	94,199
Other liabilities	18	3,062,143	1,186,479	3,062,143	1,186,479
<b>Total Current Liabilities</b>		3,365,880	1,829,175	3,365,880	1,821,166
<b>Non-current Liabilities</b>					
Provisions	17	51,075	84,900	51,075	84,900
<b>Total Non-current Liabilities</b>		51,075	84,900	51,075	84,900
<b>Total Liabilities</b>		3,416,955	1,914,075	3,416,955	1,906,066
<b>NET ASSETS</b>		3,923,721	2,477,007	3,923,721	2,497,371
<b>Equity</b>					
Contributed equity	19 (a)	710,000	710,000	710,000	710,000
Reserves	19 (b)	1,446,913	20,563	1,446,913	20,563
Grower Reserve Fund	19 (c)	1,766,808	1,746,444	1,766,808	1,766,808
<b>TOTAL EQUITY</b>		3,923,721	2,477,007	3,923,721	2,497,371

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

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated		Parent	
		2005	2004	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Sales of goods and services		28,463,442	29,571,700	28,456,076	29,531,307
Interest received		110,228	55,777	110,076	54,637
GST receipts on sales		86,510	63,521	84,634	60,494
GST receipts from taxation authority		322,301	354,887	322,051	351,858
Other operating receipts		142,088	170,920	142,088	170,920
<b>Payments</b>					
Employee costs		(1,363,786)	(1,427,055)	(1,363,786)	(1,427,055)
Supplies and services		(3,063,171)	(3,011,151)	(3,053,111)	(2,995,050)
Borrowing costs		0	0	0	0
GST payments on purchases		(79,650)	(393,350)	(79,400)	(391,860)
GST payments to taxation authority		(326,591)	(57,661)	(326,075)	(54,057)
Payments to growers		(22,063,083)	(25,818,652)	(22,063,083)	(25,818,652)
<b>Net cash provided by / (used in) operating activities</b>	20 (b)	<u>2,228,288</u>	<u>(491,064)</u>	<u>2,229,470</u>	<u>(517,458)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Refund of loan made		1,002	0	4,445	31,787
Purchase of non-current physical assets		(11,405)	(29,828)	(11,405)	(29,828)
Proceeds on asset disposal		1,650	0	1,650	0
<b>Net cash provided by / (used in) investing activities</b>		<u>(8,753)</u>	<u>(29,828)</u>	<u>(5,310)</u>	<u>1,959</u>
<b>Net increase/(decrease) in cash held</b>		2,219,535	(520,892)	2,224,160	(515,499)
Cash assets at the beginning of the financial year		1,025,057	1,545,949	1,020,432	1,535,931
<b>Cash assets at the end of the financial year</b>	20 (a)	<u>3,244,592</u>	<u>1,025,057</u>	<u>3,244,592</u>	<u>1,020,432</u>

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

## 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 the previous year.

### General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with 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 1985* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over 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 practicable, the resulting financial effect are disclosed in individual notes to these financial statements.

In a Ministerial statement to the Legislative Council (July 2004) the Minister announced the Cabinet's decision to retain the regulation of the potato industry. However, the Potato Marketing Corporation of Western Australia was to cease all its commercial activity. The Corporation was to immediately enter a transition period ending with the Act being amended and the commercial activities handed over to a grower-owned entity, yet to be established. During the year ending June 2005 the Cabinet decision has been complied with. All commercial activity has been transferred, and the resulting staffing levels, Corporation reorganisation and finances included in the June 2005 financial statements reflect the current Corporation activities.

### Basis of Accounting

The financial statements have previously 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 or at valuation.

#### (a) Principle of Consolidation

The consolidated financial statements have been prepared by combining the financial statements that comprise the consolidated entity, being the Corporation (the parent entity) and its controlled entity as defined in AAS24 Consolidated Financial Reports. The controlled entity appears in Note 21. Consistent accounting policies have been employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of the controlled entity from the date on which the Corporation obtains control until such time as the Corporation ceases to control the entity.

In preparing the consolidated financial statements, all inter-entity balances and transactions and unrealised profits arising within the consolidated entity are eliminated in full.

The subsidiary entity of the parent Corporation has applied for deregistration during the financial year with all assets and liabilities being extinguished.

#### (b) Revenue Recognition

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

Interest revenues are recognised as they are accrued.

#### (c) Acquisitions 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.

Assets acquired at no cost or for nominal consideration are initially recognised at their fair value at the date of acquisition.

#### (d) Depreciation of Non-current Assets

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner which reflects the consumption of their future economic benefits.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Depreciation is calculated on the straight line basis, using rates which are reviewed annually. Expected useful lives for each class of depreciable asset are:

Buildings	20 years
Plant and equipment	5 years
Furniture and fittings	10 years
Office and field equipment	5 to 10 years
Computer equipment	3 years
Intangible assets	5 years

Assets found to be obsolete due to change of business or technology are written down to their estimated disposal value at the time of determination. See further disclosure at Note 14.

(e) Revaluation of Land and Buildings

The Corporation has a policy of re-valuing land and buildings to their commercial value. Valuations are undertaken every three years by the Valuer General's Office, the current valuation was done during 2005 and the land asset has been revalued to reflect that valuation. Buildings are maintained at the lower directors valuation due to expected high maintenance costs.

(f) Leases

The Corporation has entered into a number of operating lease arrangements for motor vehicles and office equipment where the lessor effectively retains all of the risks and benefits incident to ownership of the items held under the 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.

(g) Cash

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

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis.

Inventory reflects potatoes delivered but not on-sold and seed products held in coolstore for resale as at year end.

(i) Receivables

Receivables are recognised at the amounts receivable as they are due for settlement. The standard credit term is 14 days. However, occasional extensions are permitted for specific commercial reasons.

Collectability of receivables is reviewed on an ongoing basis. Debts believed to be bad are provided for in the accounts. However, write off of the debt does not occur until all possible recovery steps have been exhausted.

(j) Investments

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

(k) Intangible Assets

Intangible assets are valued at cost and they are amortised on a straight line basis over their estimated useful life.

(l) Payables

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

(m) Interest-bearing Liabilities

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Borrowing costs expense is recognised on an accrual basis.

(n) Employee Benefits

*Annual leave*

This benefit is recognised at the reporting date in respect to employees' services up to that date and is measured as the nominal amounts expected to be paid (including loading) when the liabilities are settled.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

## Long service leave

The liability for long service leave able to be settled within 12 months of the reporting date is recognised in the current provisions for employee benefits, and is measured as the nominal amounts expected to be paid when the liability is settled. The liability for long service leave due to be settled more than 12 months from the reporting date is recognised in the non-current provisions for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. When assessing expected future payments, consideration is given to expected future wage and salary levels including relevant on costs, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

## Superannuation

Contributions are made to superannuation funds which exist to provide benefits for employees and their dependents on retirement, disability and death.

All staff who do not contribute to the Pension Scheme or the Gold State superannuation fund (defined benefit funds) become non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. All of these schemes are administered by the Government Employees Superannuation Board (GESB).

From 30 June 2004 the Treasurer has assumed the liability for the pension and pre-transfer benefit superannuation liabilities. The assumption was designated as a contribution by owners under TI955 (3)(iv) on 30 June 2004.

### (o) Accrued Salaries

Accrued salaries (see Note 18) represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. The Corporation considers the carrying amount approximates net fair value.

### (p) Foreign Currency Translation and Hedges

All export sales are denominated in Australian Dollars and as such there are no exchange rate exposures to the Corporation.

### (q) Comparative Figures

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented in the current financial year.

### (r) Rounding of Amounts

Amounts in the financial statements have been rounded to the nearest dollar.

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>2. Trading Profit</b>				
Sales				
- Local	26,690,005	27,276,635	26,684,845	27,247,490
- Export	1,368,921	2,260,328	1,368,921	2,260,328
	<u>28,058,926</u>	<u>29,536,963</u>	<u>28,053,766</u>	<u>29,507,818</u>
Costs of Sales				
- Purchase from growers	(23,776,982)	(24,842,139)	(23,776,982)	(24,842,139)
- Export cost	(1,202,891)	(1,105,371)	(1,202,891)	(1,105,371)
- Freight	(67,613)	(56,024)	(67,613)	(56,024)
Cost of Goods Sold	<u>(25,047,486)</u>	<u>(26,003,534)</u>	<u>(25,047,486)</u>	<u>(26,003,534)</u>
Trading Profit	<u>3,011,440</u>	<u>3,533,429</u>	<u>3,006,280</u>	<u>3,504,284</u>
<b>3. Other Revenues from Ordinary Activities</b>				
Seed levy reimbursement	8,808	8,724	8,808	8,724
Store rentals	60,900	59,500	60,900	59,500
Agency fees/minituber sales	72,379	96,911	72,379	96,911
Promotional items sold	5,338	5,785	5,338	5,785
	<u>147,425</u>	<u>170,920</u>	<u>147,425</u>	<u>170,920</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		Parent	
	2005	2004	2005	2004
<b>4. Employee Expenses</b>				
Wages and salaries	937,396	937,131	937,396	937,131
Superannuation	92,362	105,391	92,362	105,391
Annual and long service leave	89,867	104,772	89,867	104,772
Other related expenses (i)	184,687	249,202	184,687	249,202
	<u>1,304,312</u>	<u>1,396,496</u>	<u>1,304,312</u>	<u>1,396,496</u>
(i) These employee expenses include payroll tax, workers compensation premium and other employment on-costs associated with the recognition of annual and long service leave liability. The related on-cost liability is included in employee benefit liability at note 17.				
<b>5. Supplies and Services</b>				
Consultants and contractors	444,213	340,410	443,501	340,410
Materials	79,539	44,537	79,539	44,537
Marketing	831,212	845,219	831,212	847,749
Repairs and maintenance	27,863	33,486	27,863	33,486
Travel	52,192	50,326	52,192	50,326
Other	69,652	127,364	69,652	127,364
	<u>1,504,671</u>	<u>1,441,342</u>	<u>1,503,959</u>	<u>1,443,872</u>
<b>6. Depreciation and Amortisation Expense</b>				
Depreciation				
Plant and machinery	3,574	4,598	3,574	4,598
Buildings	6,406	3,647	6,406	3,647
Office furniture and fittings	1,889	2,116	1,889	2,116
Office and field equipment	3,579	4,229	3,579	4,229
Computer equipment	22,024	23,830	22,024	23,830
Total Depreciation	<u>37,472</u>	<u>38,420</u>	<u>37,472</u>	<u>38,420</u>
Amortisation				
Intangible asset	5,815	2,907	5,815	2,907
Total Amortisation	<u>5,815</u>	<u>2,907</u>	<u>5,815</u>	<u>2,907</u>
	<u>43,287</u>	<u>41,327</u>	<u>43,287</u>	<u>41,327</u>
<b>7. Borrowing Costs</b>				
Interest paid	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>8. Administration Expenses</b>				
Communication	51,245	60,767	51,245	60,767
Consumables	32,877	62,716	32,877	62,716
Other costs	108,490	80,834	127,640	80,834
	<u>192,612</u>	<u>204,317</u>	<u>211,762</u>	<u>204,317</u>
<b>9. Accommodation Expenses</b>				
Maintenance	36,043	56,003	36,043	56,003
Cleaning	23,047	19,468	23,047	19,468
	<u>59,090</u>	<u>75,471</u>	<u>59,090</u>	<u>75,471</u>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		Parent	
	2005	2004	2005	2004
<b>10. Other Expenses from Ordinary Activities</b>				
<b>(a)</b>				
Levies	22,488	26,332	22,488	26,332
Quality assurance program	12,892	26,309	12,892	26,309
R+D Seed	10,000	10,000	10,000	10,000
Stock obsolescence / (write back) of provision	81,342	(11,148)	81,342	(11,148)
	<u>126,722</u>	<u>51,493</u>	<u>126,722</u>	<u>51,493</u>
<b>(b) Net profit/(loss) on disposal of non-current assets</b>				
<i>Profit on disposal of non-current assets</i>				
Proceeds on disposal of non-current assets	1,650	0	1,650	0
<i>Loss on disposal of non-current assets</i>				
Loss on disposal of non-current assets				
Computer Equipment	19,259	11,564	15,873	11,564
	<u>19,259</u>	<u>11,564</u>	<u>15,873</u>	<u>11,564</u>
Nett profit/(loss)	<u>(17,609)</u>	<u>(11,564)</u>	<u>(14,223)</u>	<u>(11,564)</u>
<b>11. Inventories</b>				
Current Inventories held for resale				
-potatoes at cost	144,439	204,903	144,439	204,903
-provision for obsolescence	(114,637)	(33,295)	(114,637)	(33,295)
-promotional items at cost	0	12,146	0	12,146
-mash labels at cost	0	3,386	0	0
	<u>29,802</u>	<u>187,140</u>	<u>29,802</u>	<u>183,754</u>
See Note 1 (h)				
<b>12. Receivables</b>				
Trade debtors	1,873,521	2,285,741	1,873,521	2,285,741
Provision for bad debts	(61,264)	0	(61,264)	0
GST receivable	10,647	40,965	10,647	40,965
Other debtors	500	1,926	500	1,926
	<u>1,823,404</u>	<u>2,328,632</u>	<u>1,823,404</u>	<u>2,328,632</u>
<b>13. Loan</b>				
Fresh Western	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,707</u>
<b>14. Property, Plant and Equipment</b>				
Plant and machinery				
At cost	73,845	73,845	73,845	73,845
Accumulated depreciation	(59,548)	(55,975)	(59,548)	(55,975)
	<u>14,297</u>	<u>17,870</u>	<u>14,297</u>	<u>17,870</u>
Furniture and fittings				
At cost	40,514	40,514	40,514	40,514
Accumulated depreciation	(23,512)	(21,623)	(23,512)	(21,623)
	<u>17,002</u>	<u>18,891</u>	<u>17,002</u>	<u>18,891</u>
Office and field equipment				
At cost	76,426	75,245	76,426	75,245
Accumulated depreciation (note)	(57,047)	(53,468)	(57,047)	(53,468)
	<u>19,379</u>	<u>21,777</u>	<u>19,379</u>	<u>21,777</u>
NOTE: Equipment found to be obsolete was fully depreciated during the year. Additional depreciation = \$665				
Computer equipment				
At cost	162,934	157,967	162,934	157,967
Accumulated depreciation (note)	(147,034)	(129,819)	(147,034)	(129,819)
	<u>15,900</u>	<u>28,148</u>	<u>15,900</u>	<u>28,148</u>
NOTE: Equipment found to be obsolete was fully depreciated during the year. Additional depreciation = \$46				

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		Parent	
	2005	2004	2005	2004
<b>14. Property, Plant and Equipment (cont.)</b>				
Buildings				
At cost	0	669,950	0	669,950
At Directors valuation 2005	32,553	0	32,553	0
Accumulated depreciation (note)	0	(630,244)	0	(630,244)
	<u>32,553</u>	<u>39,706</u>	<u>32,553</u>	<u>39,706</u>
NOTE: Signage found to be obsolete was fully depreciated during the year. Additional depreciation = \$3,179 Buildings are held at Directors valuation due to the expected high cost of asbestos replacement and removal. Under the IFRS reporting standards (implemented 2006) buildings rented will be separately identified as investment assets.				
Land				
At independent valuation 2005	2,136,350	710,000	2,136,350	710,000
Accumulated depreciation	0	0	0	0
	<u>2,136,350</u>	<u>710,000</u>	<u>2,136,350</u>	<u>710,000</u>
NOTE: This land is owned by the Crown and vested in the Corporation for a period of 25 years (until 2028). Whilst the Corporation has management control, they can not dispose or encumber the land. The valuation of the land is also reflected in the revaluation reserve. Treasury instruction 954 require non-current assets to be reflected at the fair value. AASB 1041 requires revaluation every 3 years. The valuation was undertaken by the Valuer General in 2005.				
	<u>2,235,481</u>	<u>836,392</u>	<u>2,235,481</u>	<u>836,392</u>

### Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Plant and Machinery	Furniture and fittings	Office and field equip.	Computer equip.	Buildings	Land	Total
<b>Consolidated - 2005</b>							
Carrying amount at start of year	17,870	18,891	21,777	28,148	39,706	710,000	836,392
Revaluation	0	0	0	0	0	1,426,350	1,426,350
Additions	0	0	1,181	10,224	0	0	11,405
Disposals (net value)	0	0	0	(449)	(745)	0	(1,194)
Depreciation	(3,574)	(1,889)	(3,579)	(22,024)	(6,406)	0	(37,472)
Carrying amount at end of year	<u>14,296</u>	<u>17,002</u>	<u>19,379</u>	<u>15,899</u>	<u>32,555</u>	<u>2,136,350</u>	<u>2,235,481</u>
<b>Parent Entity - 2005</b>							
Carrying amount at start of year	17,870	18,891	21,777	28,148	39,706	710,000	836,392
Revaluation	0	0	0	0	0	1,426,350	1,426,350
Additions	0	0	1,181	10,224	0	0	11,405
Disposals (net value)	0	0	0	(449)	(745)	0	(1,194)
Depreciation	(3,574)	(1,889)	(3,579)	(22,024)	(6,406)	0	(37,472)
Carrying amount at end of year	<u>14,296</u>	<u>17,002</u>	<u>19,379</u>	<u>15,899</u>	<u>32,555</u>	<u>2,136,350</u>	<u>2,235,481</u>

	Consolidated		Parent	
	2005	2004	2005	2004
<b>15. Intangible Assets</b>				
Intellectual property				
At cost	14,536	14,536	14,536	14,536
Accumulated amortisation (note)	(14,536)	(8,722)	(14,536)	(8,722)
	<u>0</u>	<u>5,814</u>	<u>0</u>	<u>5,814</u>

NOTE: Intellectual property found to be obsolete was fully depreciated during the year. Additional amortisation = \$2,907  
Under the IFRS reporting standards (implemented 2006) this asset will no longer be reflected in future accounts.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		Parent	
	2005	2004	2005	2004
<b>16. Payables</b>				
<b>Current</b>				
Trade payables	144,200	494,306	144,200	489,650
Other creditors	94,702	52,190	94,702	50,838
	<u>238,902</u>	<u>546,496</u>	<u>238,902</u>	<u>540,488</u>
<b>17. Provisions</b>				
<b>Current</b>				
Annual leave	41,919	66,688	41,919	66,688
Long service leave	22,916	27,511	22,916	27,511
Audit Fees	0	2,000	0	0
	<u>64,835</u>	<u>96,199</u>	<u>64,835</u>	<u>94,199</u>
<b>Non-current</b>				
Long service leave	51,075	84,900	51,075	84,900
	<u>51,075</u>	<u>84,900</u>	<u>51,075</u>	<u>84,900</u>
<i>Employee Entitlements</i>				
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:				
Provision for employee entitlements				
Current	64,835	96,199	64,835	94,199
Non-current	51,075	84,900	51,075	84,900
	<u>115,910</u>	<u>181,099</u>	<u>115,910</u>	<u>179,099</u>
<b>18. Other Liabilities</b>				
Payments due to growers	2,907,535	1,043,761	2,907,535	1,043,761
Accrued expenses (i)	154,608	142,718	154,608	142,718
	<u>3,062,143</u>	<u>1,186,479</u>	<u>3,062,143</u>	<u>1,186,479</u>
(i) Includes accrued salaries of \$16,495				
<b>19. Equity</b>				
Equity represents the residual interest in the net assets of the Corporation. The Corporation holds the equity interest on behalf of the growers.				
<b>(a) Contributed Equity</b>	710,000	710,000	710,000	710,000
<b>(b) Reserves</b>				
<u>Asset Revaluation Reserve</u>				
Opening balance	0	0	0	0
Net revaluation increments	1,426,350	0	1,426,350	0
Closing balance	<u>1,426,350</u>	<u>0</u>	<u>1,426,350</u>	<u>0</u>
<u>General Reserve</u>				
Opening balance	20,563	20,563	20,563	20,563
Net revaluation increments	0	0	0	0
Closing balance	<u>20,563</u>	<u>20,563</u>	<u>20,563</u>	<u>20,563</u>
	<u>1,446,913</u>	<u>20,563</u>	<u>1,446,913</u>	<u>20,563</u>
<b>(c) Grower Reserve Fund</b>				
Opening balance	1,746,444	1,215,673	1,766,808	1,261,232
Year profit/(loss)	20,364	25,195	0	0
Contributions from Pools	559,393	527,708	559,393	527,708
Contributions to Pools	(559,393)	(22,132)	(559,393)	(22,132)
Closing balance	<u>1,766,808</u>	<u>1,746,444</u>	<u>1,766,808</u>	<u>1,766,808</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		Parent	
	2005	2004	2005	2004
<b>20. Reconciliation of Net Cash Provided by Operating Activities to Profit</b>				
<b>(a) Reconciliation of Cash</b>				
Cash at the end of the financial year in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:				
Cash at bank	3,244,158	1,024,257	3,244,158	1,019,632
Cash on hand	434	800	434	800
	<u>3,244,592</u>	<u>1,025,057</u>	<u>3,244,592</u>	<u>1,020,432</u>
<b>(b) Reconciliation of Profit from Ordinary Activities to Net Cash Flows Provided by/(used in) Operating Activities</b>				
Profit from ordinary activities	20,364	532,772	0	505,576
Non-cash Items:				
Depreciation + amortisation	43,287	41,327	43,286	41,326
Doubtful debt expense	0	43,277	0	43,277
Bad debt expense	2,073	0	21,328	0
(Profit)/Loss on sale of property, plant and equipment	17,609	11,564	14,223	11,564
Stock obsolescence movement	81,342	(11,148)	81,342	(11,148)
(Increase)/decrease in assets:				
Current receivables	489,506	(110,651)	484,581	(118,646)
Current inventories	72,610	344,927	72,610	348,313
Other current assets	0	11,146	0	11,146
Increase/(decrease) in liabilities:				
Current account payables	(289,696)	310,742	(289,696)	317,109
Current provisions	(29,364)	1,398	(29,364)	1,398
Other liabilities	1,854,532	(1,655,061)	1,863,774	(1,655,061)
Non-current provisions	(33,825)	15,317	(33,825)	15,317
Net GST receipts/(payments)	(150)	(26,674)	1,210	(27,629)
Net cash provided by operating activities	<u>2,228,288</u>	<u>(491,064)</u>	<u>2,229,470</u>	<u>(517,458)</u>

### 21. Investments in Controlled Entities

Name of Entity	Country of Incorporation	Class of Shares	Entity's Investment	
			2005	2004
Fresh Western Pty Ltd	Australia	Ordinary	\$ 0	\$ 2

The names of each person holding the position of Director in Fresh Western Pty Ltd are listed below. These individuals held the position of Board Members in the Company during the year.

Geoffrey Hick  
Jim Murphy  
Herbert Russell  
Salvatore Calameri  
David Sash  
Deborah Pitter

The Fresh Western contract with Homestyle for the supply of Potato Mash was terminated November 2004. Alternative sales and business options have been reviewed, however no clients have been found. Therefore the directors of Fresh Western have agreed to wind-up the business and seek de-registration of the company. As at June 2005 the business was ceased, tax returns filed and application made to the ASIC for de-registration. The Corporation has liquidated its investments in Fresh Western as at June 2005.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### 22. Explanatory Statement

#### 22.1 Comparison of Actual Results with those of the Preceding Year

Details and reasons for significant variations between actual (income) and expenditure estimates for the corresponding item of the preceding year are detailed below. Significant variations are considered to be those greater than 5% and exceeding \$100,000

	2005 \$	2004 \$	Variance \$	
Sales Revenue - Export	1,368,921	2,260,328	(891,407)	-39.44%
Consultants / Contractors	443,501	340,410	(103,091)	-30.28%

#### *Sales Revenue - Export*

Following the Ministerial statement (July 2004) the Corporation has only exported tonnages committed as at that point in time.

This unfavourable result reflects a significant reduction in seed exports.

#### *Consultants / Contractors*

The Corporation restructure incurred considerable legal and consultant costs above the prior year.

Additional legal expenses incurred in the legislative and compliance reviews of systems and documentation.

#### 22.2 Comparison of Estimates and Actual Results

Details and reasons for significant variations between estimates and actual results are detailed below.

Significant variations are considered to be those greater than 5% and exceeding \$100,000.

Following the Ministerial statement (July 2004) the Corporation has been reorganised whereby both the staffing levels and the business has significantly changed. Both the type and level of actual expenditure bears little resemblance to the original budget. It is believed that any reporting of variations would be meaningless and therefore not provide any benefit to the reader.

### 23. Financial Instruments

#### (a) Interest Rate Risk Exposure

The following table details the Corporation's exposure to interest rate risk as at the reporting date:

	Weighted Average Effective Interest Rate %	Variable Interest Rate 000 \$	Fixed Interest Rate %	Fixed Interest Rate 000 \$	Non-Interest Bearing 000 \$	Total 000 \$
<b>2005</b>						
Financial assets						
Cash asset	4.69%	2,995	4.25%	250	0	3,245
Receivable		0		0	1,823	1,823
Loan		0		0	0	0
		2,995		250	1,823	5,068
Financial liabilities						
Payables		0		0	394	394
Outstanding payments to growers		0		0	2,907	2,907
		0		0	3,301	3301
<b>2004</b>						
Financial assets						
Cash asset	4.40%	783	5.13%	237	0	1,020
Receivable		0		0	2,329	2,329
Loan		0		0	23	23
		783		237	2,352	3,372
Financial liabilities						
Payables		0		0	683	683
Outstanding payments to growers		0		0	1,044	1,044
		0		0	1,727	1727

#### (b) Credit Risk Exposure

The Corporation's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

Credit risk in trade receivables is managed in the following ways:

\* Payment terms are 14 days, and

\* A risk assessment process is used for all customers.

#### (c) 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### 24. Remuneration of Members of the Accountable Authority and Senior Officers

As a result of the Ministerial statement (July 2004) and the subsequent reorganisation of the Corporation, significant changes were made to employees. Two Board members resigned effective Sept 2004 with replacements appointed by the Minister. Additionally, three senior staff have resigned and/or relocated during the year and have been replaced. The band levels shown below reflect the earnings of the employees during the current year for the period of their employment. It does not reflect their salary level.

	2005 \$	2004 \$
Total fees, salaries and other benefits received in the financial year by:		
Board Members	79,288	78,555
Senior Officers	686,839	454,848

Number of Board Members whose total fees, salaries, superannuation and other benefits fall within the following bands:

\$0 to \$10,000	4	5
\$10,001 to \$20,000	4	1
\$20,001 to \$30,000	0	2

Number of Senior Officers other than Members of the Board, whose total fees, salaries, superannuation and other benefits fall within the following bands:

\$10,001 to \$20,000	1	0
\$40,001 to \$50,000	1	0
\$70,001 to \$80,000	2	1
\$80,001 to \$90,000	1	0
\$90,001 to \$100,000	0	1
\$100,001 to \$110,000	1	1
\$120,001 to \$130,000	1	0
\$170,001 to \$180,000	1	0
\$180,001 to \$190,000	0	1

The superannuation included here represents the superannuation expenses incurred by the Corporation in respect of members of the Board and Senior Officers. One Senior Officer is a member of the Government Pension Scheme.

### 25. Remuneration of the Auditor

The total fees paid or due to the Auditor General for the financial year are as follows:

	2005 \$	2004 \$
Audit Fees	30,000	30,000
	<u>30,000</u>	<u>30,000</u>

### 26. Supplementary Financial Information

	2005 \$	2004 \$
<b>26.1 Revenue and Public and Other Property Written Off During the Financial Year</b>		
Market Fresh - Debt		400,625
Market Fresh - Provn for D/Debt		(450,625)
MAES - Debt		38,186
MAES - Provn D/Debt		(38,186)
Manji Cool Stores - Debt		8,847
Nix - Debt		425
Prior Year - Provn D/Debt		(1,425)
Loan - Fresh Western (eliminated on consolidation)	19,262	
Lakeside Fresh	59	
Swim Communications	110	
The Potato Shop	1,255	
WG Mitchell	262	
Smiths Snackfoods	381	
	<u>21,328</u>	<u>(42,153)</u>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

## 27. Segment Information

The potato growing season comprises of seven licensed Pool periods and one Pool of contract transactions. These are disclosed as our key output areas.

GROWING YEAR 2004	FINANCIAL STATISTICS							Licensed Pools		YEAR	
		Pool 1	Pool 2	Pool 3	Pool 4	Pool 5	Pool 6	Pool 7	TOTAL	Contract Pool 0	30-Jun-04 TOTAL
<b>TRADING PROFIT</b>	\$	527,282	402,162	300,953	407,835	673,616	560,719	609,217	3,481,784	22,500	3,504,284
<b>SERVICE EXPENSES</b>											
- Employee	\$	215,251	154,404	99,123	180,874	243,262	191,262	312,320	1,396,496	0	1,396,496
- Supply + Services	\$	207,820	162,741	117,365	180,098	281,387	271,256	223,205	1,443,872	0	1,443,872
- Depn + Amortn	\$	2,305	3,758	5,099	5,864	6,109	6,312	11,880	41,327	0	41,327
- Admin	\$	28,874	18,183	25,636	20,915	42,706	38,009	28,750	203,073	1,244	204,317
- Accom	\$	12,734	11,152	8,437	5,347	16,731	11,751	9,319	75,471	0	75,471
- Levies	\$	3,681	3,043	2,167	2,512	5,276	5,435	4,323	26,437	(105)	26,332
- QA	\$	3,289	3,425	2,448	2,362	9,591	3,988	1,206	26,309		26,309
- R+D Seed	\$						10,000		10,000		10,000
- Asset Disposals	\$	1,599	1,321	959	1,144	2,293	2,369	1,879	11,564		11,564
- Provn Stock Obsolescence	\$						(39,261)	8,130	(31,131)	19,983	(11,148)
<b>TOTAL SERVICES</b>	\$	475,553	358,027	261,234	399,116	607,355	501,121	601,012	3,203,418	21,122	3,224,540
<b>OTHER REVENUE</b>											
- Net Proceeds on Promo	\$	106	4,601	178	2,586	(3,031)	616	729	5,785		5,785
- Other Income	\$	20,802	16,121	12,873	16,430	36,650	35,964	25,709	164,549	586	165,135
- Interest	\$	15,704	10,290	6,473	8,836	6,967	3,705	2,938	54,913		54,913
- Profit on Contracts	\$	272	224	163	194	389	402	319	1,963	(1,964)	(1)
<b>TOTAL OTHER REVENUE</b>	\$	36,884	31,236	19,687	28,046	40,975	40,687	29,695	227,210	(1,378)	225,832
<b>TRANSFER TO RESERVE</b>	\$	88,613	75,371	59,406	36,765	107,236	100,285	37,900	505,576	0	505,576

GROWING YEAR 2005	FINANCIAL STATISTICS							Licenced Pools		YEAR	
		Pool 1	Pool 2	Pool 3	Pool 4	Pool 5	Pool 6	Pool 7	TOTAL	Contract Pool 0	30-Jun-05 TOTAL
<b>TRADING PROFIT</b>	\$	669,379	491,683	358,740	333,645	563,154	594,634	381,381	3,392,616	(386,338)	3,006,278
<b>SERVICE EXPENSES</b>											
- Employee	\$	236,896	174,971	125,178	120,688	235,240	235,846	175,492	1,304,311		1,304,311
- Supply + Services	\$	344,517	251,715	187,338	167,908	227,638	181,958	142,886	1,503,960		1,503,960
- Depn + Amortn	\$	7,857	5,812	4,135	4,026	7,829	7,838	5,788	43,285		43,285
- Admin	\$	38,440	28,429	20,241	19,686	38,290	38,340	28,336	211,762		211,762
- Accom	\$	10,725	7,933	5,645	5,496	10,688	10,700	7,902	59,089		59,089
- Levies	\$	4,082	3,019	2,148	2,092	4,068	4,072	3,007	22,488		22,488
- QA	\$	2,340	1,731	1,232	1,199	2,332	2,335	1,724	12,893		12,893
- R+D Seed	\$						10,000		10,000		10,000
- Asset Disposals	\$	2,582	1,910	1,359	1,323	2,573	2,576	1,902	14,225		14,225
- Provn Stock Obsolescence	\$					12,695	79,161	(1,690)	90,166	(8,824)	81,342
<b>TOTAL SERVICES</b>	\$	647,439	475,520	347,276	322,418	541,353	572,826	365,347	3,272,179	(8,824)	3,263,355
<b>OTHER REVENUE</b>											
- Net Proceeds on Promo	\$	977	709	540	463	930	949	770	5,338		5,338
- Other Income	\$	25,791	19,077	13,575	13,217	25,700	25,730	19,001	142,091		142,091
- Interest	\$	19,796	14,722	10,476	10,199	19,833	19,856	14,662	109,544	106	109,650
- Profit on Contracts	\$	(68,504)	(50,671)	(36,055)	(35,106)	(68,264)	(68,343)	(50,467)	(377,410)	377,410	0
<b>TOTAL OTHER REVENUE</b>	\$	(21,940)	(16,163)	(11,464)	(11,227)	(21,801)	(21,808)	(16,034)	(120,437)	377,516	257,079
<b>TRANSFER TO RESERVE</b>	\$	0	0	0	0	(0)	(0)	0	(0)	2	2

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### 28. Non-cancellable Operating Lease Commitments

Commitments for minimum lease payments are payable as follows:	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
- not later than 1 year	52,125	134,414
- later than 1 year but not later than 5 years	31,567	40,191

### 29. Contingent Liabilities and Contingent Assets

One Senior staff is a member of the Government pension scheme. GESB has advised that a contingent liability of \$10,519 exists at June 2005.

Contingent Liabilities:

The Corporation is not aware of any other contingent liabilities as at the financial reporting date.

Contingent Assets:

The Corporation is not aware of any contingent assets as at the financial reporting date.

### 30. Impact of Adopting Australian Equivalents to IFRS

The International Financial Reporting Standards (IFRS) have been integrated into the company accounting procedures during the year and expect to be fully operational by June 2006. Valuation methods of assets currently in practise comply with the IFRS standards.

*Specific items amended for IFRS during the current year;*

Intellectual property (see note 15) is required to be deleted from the IFRS accounts. During the current year the additional amortisation of \$2,907 was bought to account such that the intangible asset is fully written down. The subsequent deletion of this asset in the 2006 accounts will have no financial impact on the business profits.

*Specific items to be amended for IFRS during next year;*

Buildings (see note 14) used for commercial gain will be required to be separately identified as investment assets. The separation of this investment asset during 2006 will not have any financial impact on the business profits.

Leave Provisions (see note 17) will be required to include all oncosts associated with the leave liability (specifically superannuation). Current leave liability is sufficient to cover the immediate liability.

Many IFRS amendments relate to tax effect accounting. The Corporation is not subject in tax therefore these changes do not apply.

### 31. Events Occurring after Reporting Date

Deregistration of Fresh Western Pty Ltd was approved by ASIC during August 2005.

There have been no other significant events subsequent to the reporting date that would have any material effect upon the Corporation and all operations contained therein.

### 32. Related Party Disclosure

In addition to remuneration (see Note 24), the Corporation also makes the following disclosures:-

David Sash (Board Member) is a partner with the law firm Jackson McDonald. During the year ending June 2005 the Corporation paid \$59,315.63 for legal services to this company. The transactions were for legal services based upon the company's usual commercial terms and conditions.

Deborah Pitter (Board Chairman) is the owner of Business Today. During the year ending June 2005 the Corporation paid \$660 to Business Today as reimbursement of expenses incurred in attending a directors training course.

Herbert Russell (Board Member) is a licensed potato grower and has delivered during the 2005 year. Payments for his potatoes have been based upon commercial packout gradings and grower payment rates as they apply to all licensed growers in the same pools, in the same year. Specific grower payments have always been deemed confidential, therefore the value of grower payments made to Herbert Russell are not disclosed.

Salvatore Calameri (Board Member) is a licensed potato grower and has delivered during the 2005 year. Payments for his potatoes have been based upon commercial packout gradings and grower payment rates as they apply to all licensed growers in the same pools, in the same year. Specific grower payments have always been deemed confidential, therefore the value of grower payments made to Salvatore Calameri are not disclosed. Salvatore Calameri also holds the position of Chairman of the APC-PPC. During the year the Corporation paid to the APC-PPC \$300,000 for marketing and promotion work covering the period of March to June 2005.

Andrew Tempra (Board Member) is a licensed potato grower and has delivered during the 2005 year. Payments for his potatoes have been based upon commercial packout gradings and grower payment rates as they apply to all licensed growers in the same pools, in the same year. Specific grower payments have always been deemed confidential, therefore the value of grower payments made to Andrew Tempra are not disclosed.

## PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2005



### AUDITOR GENERAL

#### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

#### POTATO MARKETING CORPORATION OF WESTERN AUSTRALIA PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2005

##### **Audit Opinion**

In my opinion, the key effectiveness and efficiency performance indicators of the Potato Marketing Corporation of Western Australia are relevant and appropriate to help users assess the Corporation's performance and fairly represent the indicated performance for the year ended 30 June 2005.

##### **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  
21 October 2005

## PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2005

### Certification of Performance Indicators

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Potato Marketing Corporation of Western Australia, and fairly represent the performance of the Potato Marketing Corporation of Western Australia for the financial year ended 30 June 2005.



L Skelton  
Principal Accounting Officer



D Pitter  
Chairperson



H Russell  
Board Member

07 October 2005

### Performance Indicators

The Potato Marketing Corporation of Western Australia's primary outcome is outlined in the *Marketing of Potatoes Act 1946* as being "...to control the production of potatoes in Western Australia through their marketing, sales and disposal".

Key Performance Indicators have been selected to demonstrate the extent to which the Corporation's outputs achieve the desired outcome outlined in the Act.

Management has set targets for the indicators, based on industry standards, market trends and requirements of the Act.

#### 1. Effectiveness Indicators

##### 1.1 The extent to which the Corporation increased sales to the local ware (fresh potato) market via the orderly marketing system

The Corporation aims to increase local ware market sales by at least 1.5% over the previous season. This indicator allows the Corporation to ascertain the effectiveness of its supply management and advertising campaigns.

	2002/03	2003/04	2004/05
	(%)	(%)	(%)
Increase in local ware market sales	(2.0)		
Market sales (amended)	(5.8)	(3.4)	5.0



## PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2005

### 1.2 The extent to which the Corporation aligned domestic production more closely with local demand

Through its supply management, the Corporation aims to align its domestic production to approximately 95% of total production.

	2002/03	2003/04	2004/05
	(%)	(%)	(%)
Local ware market sales vs deliveries	94.6		
Amended	92.8	91.8	92.9

Local seed sales and exports are the main reasons the Corporation did not achieve its target. Both of these factors will cease during the 2005/2006 year.

## 2. Efficiency Indicators

### 2.1 Maintaining the Corporation's cost at a reasonable level

	2002/03	2003/04	2004/05
	\$/T	\$/T	\$/T
Corporation's cost per tonne:			
of potatoes sold (Net)	96.86		
of potatoes delivered (Gross)	89.30	82.20	81.78

The Corporation's costs include export costs. Although the year shows a decrease, the increase in export costs (see Note 2) distorts the actual decrease in service costs.

### 2.2 Maintaining the cost of potato marketing at a reasonable level

	2002/03	2003/04	2004/05
	\$/T	\$/T	\$/T
Marketing cost per tonne of potatoes sold	23.75	22.58	18.54

Marketing and promotion was handed over to the APC-PPC as from March 2005 (refer Ministerial statement July 2004). The decrease in marketing costs reflect the part year only.

## APPENDIX

### Annual Estimate – Operating Budget

O P E R A T I N G   B U D G E T				
3 YEAR PLAN				
	BUDGET Jun-06	YEAR 2006-07	YEAR 2007-08	YEAR 2008-09
<b>GROSS TONNAGE</b>	50,000	52,500	55,125	57,881
<b>EXCESS DME</b>	2,500			
<b>REVENUE</b>				
Local Wares	(24,625,000)	(25,856,250)	(27,149,063)	(28,506,516)
Excess DME	(625,000)			
<b>GROWER PAYMENTS</b>				
1st Payment	15,150,000	16,537,500	17,584,875	18,464,119
Interim Payment	3,425,000	4,068,750	4,272,188	4,485,797
2nd Payment	1,725,000	2,388,750	2,508,188	2,633,597
Excess DME	625,000			
Final Payment	1,223,965	322,585	283,735	385,174
<b>FREIGHT</b>				
Local Bin + Pallet Hire	75,000			
<b>STOCK DISPOSAL</b>				
Freight	75,000			
Packing	75,000			
Cool Storage	45,000			
AQIS and Phyto	2,500			
<b>TRADING PROFIT</b>	<b>(2,828,535)</b>	<b>(2,538,665)</b>	<b>(2,500,078)</b>	<b>(2,537,829)</b>
<b>CORPORATION SERVICES</b>	-	-	-	-
Salaries and Wages	1,024,434	884,691	869,710	884,410
Superannuation	99,075	85,627	80,189	81,568
Leave Loading	12,166	10,338	10,181	10,356
Employee Other	261,417	237,973	231,101	236,148
<b>EMPLOYEE COSTS</b>	<b>1,397,092</b>	<b>1,218,629</b>	<b>1,191,182</b>	<b>1,212,482</b>
Consultancy Fees	585,435	514,205	481,390	479,074
Software	15,000	15,000	14,000	12,000
Marketing	54,950	55,500	57,500	57,500
Repairs and Maintenance	185,250	143,000	152,000	156,000
Travel and Accommodation	101,578	102,800	100,200	101,600
Other Supplies	76,500	66,000	66,000	68,000
<b>SUPPLY AND SERVICES</b>	<b>1,018,713</b>	<b>896,505</b>	<b>871,090</b>	<b>874,174</b>
Depreciation	65,305	69,000	71,100	73,900
<b>DEPRECIATION</b>	<b>65,305</b>	<b>69,000</b>	<b>71,100</b>	<b>73,900</b>
Communications	75,000	75,000	77,000	77,000
Consumables	37,000	37,000	37,000	37,000
Other Administration	150,500	152,000	155,400	158,800
<b>ADMINISTRATION</b>	<b>262,500</b>	<b>264,000</b>	<b>269,400</b>	<b>272,800</b>
SQF Testing	25,000	25,000	25,000	25,000
PCN and Lab Tests	1,800	2,000	2,000	2,000
Variety Test and Crop Management	30,000	30,000	31,000	32,000
<b>ANALYSIS</b>	<b>56,800</b>	<b>57,000</b>	<b>58,000</b>	<b>59,000</b>
<b>TOTAL SERVICES COSTS</b>	<b>2,800,410</b>	<b>2,505,134</b>	<b>246,771</b>	<b>2,492,356</b>
Services \$/t	53.34	47.72	44.64	43.06
<b>NON OPERATING ACTIVITIES</b>				
Interest including General Deposit	(60,000)	(60,000)	(60,000)	(60,000)
Store Rental	(60,000)	(62,000)	(64,000)	(66,000)
HAL Levy (50c/t)	25,000	26,250	27,563	28,941
Transfer to Reserves (0.5%)	123,125	129,281	135,745	142,533
Transfer ex Reserves				
<b>PROFIT/LOSS</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>



