



POTATO MARKETING CORPORATION
OF WESTERN AUSTRALIA

Annual Report 2006



POTATO MARKETING CORPORATION
OF WESTERN AUSTRALIA

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Statement of Compliance

Hon. Kim Chance, MLC
Minister for Agriculture and Food; 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 financial year ended 30 June 2006.

The Annual Report has been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985*, Treasurer Instructions and all relevant accounting standards.

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Yours sincerely



H Russell
Chairman



A Tempra
Board Member

Chairman's Report

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his year has been demanding for all industry stakeholders as the industry adjusts to the enormous changes introduced by implementing the Implementation Advisory Group (IAG) recommendations. While this has created some anxiety within our industry, overall, I remain very optimistic about the future of our industry.


The changes that have been introduced will result in an industry that is more focused on our customers, as growers increasingly meet customer needs. While we have only commenced this process and there is plenty of work ahead of us, it is our fundamental focus on consumer needs that will lead to a prosperous industry and better returns to growers.

The Federal Court action has also provided a significant challenge to the Corporation this year. This action is ongoing. We are vigorously defending the action and remain confident of a positive outcome. The bipartisan political support and overwhelming support of growers has been very much appreciated by the Corporation as we work through this issue.

I would like to welcome our new CEO, John Dawson, to the Corporation. John brings extensive commercial experience to the Corporation, and I believe this will be invaluable as we face the challenges ahead of us.

I would like to take this opportunity to thank three individuals, all of whom made an immense contribution to the Corporation and the industry over the past few years. Deborah Pitter resigned as Chairperson of the Board, David Sash retired as a board member, and John Gallagher completed a term as Acting CEO. Deborah, David and John all made a tremendous contribution to the Corporation during a very difficult period where many changes were introduced to the industry, and I thank each of them on behalf of the industry.

Finally, I would like to thank growers and merchants for their loyalty and support to the Corporation over the past twelve months. We have been through some very difficult periods this year, and their loyalty has been very important as we have worked through these issues. We have many challenges ahead of us, but, as a consequence of the foundations that have been put in place this year, I believe that we are well positioned to address these challenges.



Herbert Russell
Chairman

Chief Executive Officer's Report

Since commencing employment with the Corporation in December 2005, I have witnessed an industry undergoing significant change as it adapts to the changing environment in which it operates. Like all industries, the potato industry needs to adapt and evolve if our stakeholders are to grow and prosper.

Most importantly, we must focus our attention on the ever increasing demands of the consumers who purchase our product and therefore ultimately underwrite the profitability of our industry. Only through meeting the needs of our consumers, and doing this better than our competitors, will our industry thrive.

While the Western Australian industry operates in a regulated environment, in many respects, the industry faces the normal pressures of any commercial business. Increasing costs, the need to optimise efficiencies through economies of scale, increasing competition from alternative foods and imported potatoes, plus the increasing demands from retailers and consumers are all daily challenges facing growers, merchants and the Corporation.

It is in this 'competitive environment' that the Corporation must also ensure that it carries out its functions as prescribed in the *Marketing of Potatoes Act 1946*. Two of these functions are to:

- ensure consumers in Western Australia have a supply of potatoes of qualities, kinds and quantities as preferred by consumers.
- enable potatoes to be grown in the state to compete in price and quality against potatoes from alternative sources of supply.

At the same time, the Corporation aims to ensure that growers receive fair returns. Our objective is to:

- ensure that growers receive a level of return that should provide a reasonable opportunity for profit from the economically efficient production of potatoes.

The profitability of growers and merchants and the success of the Corporation in carrying out its functions are all fundamentally a consequence of meeting the needs of the consumers in the most efficient manner possible.

Market research indicates that West Australian consumers receive very competitive prices but there is room for improvement with respect to meeting their overall needs.

- With respect to 'pricing', we can demonstrate that our prices are amongst the cheapest in Australia and have been for several years.
- With respect to availability of 'varieties', we can demonstrate that consumers do have access to a range of varieties. However, some of these are only available for limited time periods.
- The main area where we can improve is with respect to the 'quality' of product. Although this is a more difficult parameter to measure, the feedback from our merchants and retailers indicates that quality, and consistency of quality, is a key area that can be improved.

The constant challenge is to meet the ever increasing demands of the consumer (price, variety and quality) while at the same time introducing practices into our industry that improve operational efficiencies and reduce the cost base of production and associated supply chain costs.

Chief Executive Officer's Report (cont.)

Consumers have also demonstrated that they are prepared to pay higher prices for better quality, so the opportunity to increase prices also results from better meeting customer needs.

Essential to improving efficiencies in the supply chain, is that we structure our industry such that growers are rewarded for meeting the needs of consumers. Several initiatives have been introduced to reward those growers that are able to achieve this.

- Domestic Market Entitlement – rewards growers primarily on quality (as reflected in pack-outs) rather than total tonnage from a given area.
- Delivery Incentives – rewards growers for delivering when the market requires the product.
- Grid pricing – rewards growers for supplying better quality and preferred varieties to the consumer.

Over the coming year, the Corporation will direct its attention and energies towards improving practices and efficiencies in the supply chain. Our aim is for improvement in the overall quality of the product to the consumer while costs are reduced and returns to merchants and growers are increased.

We will be seeking the support and input of growers and merchants as we work through this process and implement changes.

The success of the industry in meeting this challenge is important to the future prosperity of our industry. The Board, management and staff of the Corporation look forward to working with our growers and merchants as we respond to the ever changing demands of our consumers, improve the quality of our product and seek ways to improve returns to growers and merchants.



John Dawson
Chief Executive Officer

Organisational Profile

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he Potato Marketing Corporation of Western Australia is a statutory marketing organisation established under the *Marketing of Potatoes Act 1946* (the Act) for the purpose of managing the production and supply of potatoes so as to satisfy market needs.

The Corporation is responsible for encouraging growers, merchants (washpackers) and retailers to provide fresh Western Australian potatoes all year round.

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 defined in Section 17A of the *Marketing of Potatoes Act 1946* as:

- 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 license 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.

The *Marketing of Potatoes Act 1946* is currently under review and amendments are expected to be finalised in line with Implementation Advisory Group recommendations.

Responsible Minister

The Corporation reports to the Hon. Kim Chance, MLC, Minister for Agriculture and Food; 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.

Overview of the Potato Industry in Western Australia

Potatoes 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 and is achieved by incorporating Pools, Licences, Delivery Schedules, Domestic Market Entitlements and Grading.

Recent Industry Changes

Over the years, the legislation has gone through a number of reviews to ensure the industry continues to remain efficient and responsive to consumer needs. In August 2003, State Cabinet decided to retain regulation of the potato industry. However, to ensure compliance with the *Trade Practices Act 1974* and the competitive neutrality principle, changes were required to the operation of the Corporation, particularly in regard to export and some commercial activities.

An industry Implementation Advisory Group (IAG) was formed to make recommendations to the Minister for Agriculture and Food 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.

A transition period commenced on 1 July 2004 to implement the proposed changes resulting from the recommendations. To date, all except those requiring changes to the *Marketing of Potatoes Act 1946* have been addressed. The Act is still under review and amendments are targeted for completion in the coming twelve months. The amendments to the Act will formalise the end of the transition period.

Organisational Highlights and Challenges

Highlights

- The Corporation welcomed Mr John Dawson to the role of Chief Executive Officer in December 2005.
- The regulation of ware potatoes in tonnage using the Domestic Market Entitlements (DME) provisions in Section 28 of the *Marketing of Potatoes Act 1946* was introduced.
- The Corporation worked on introducing changes which assist in the overall management of supply. As a result of the work undertaken during the year a new grid pricing system and a delivery incentive payment of \$100/tonne will be introduced from 1 July 2006.
- The Corporation held an industry conference in mid-October to update stakeholders on work undertaken to address the IAG recommendations and to answer any questions relating to the Corporation's activities. Over 80 industry participants attended the conference.
- New functionality was added to the Corporation's website giving merchants password protected access to relevant industry information. Timeliness of reporting on the website was also improved.
- The cost of running the Corporation has decreased by 38% primarily due to the Corporation no longer taking an active role in export or marketing.
- The Corporation improved the timing of grower payments with the aim of making first payments fourteen days from the date of delivery of the product to the merchants.
- There was a slight improvement to the return to growers (average \$455.17 per gross tonne) on the previous year which was encouraging, given the unusual weather experienced during the season.
- A total of 96% of ware potatoes were produced by certified growers.
- The process of updating and documenting policies and procedures was continued as required under the *State Records Act 2000* and the Corporation's Record-keeping Plan was approved by the State Records Office during the year.

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Challenges

- Industry stakeholders are still adjusting to the significant changes introduced by implementing the IAG recommendations.
- Heavy rain, hail and frost caused damage to a number of crops at the beginning of the season.
- Imports increased compared to the previous year, due in part to the inclement weather experienced by growers which led to a shortage of locally supplied quality potatoes.
- A Federal Court action commenced against the Corporation challenging the validity of the *Marketing of Potatoes Act 1946* and *Marketing of Potatoes Regulations 1987*.

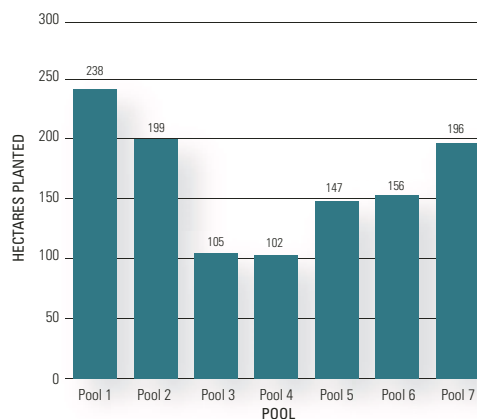
Statistical Overview (Pool Results) 2005–2006

Statistical Overview (Pool Results) 2005–2006

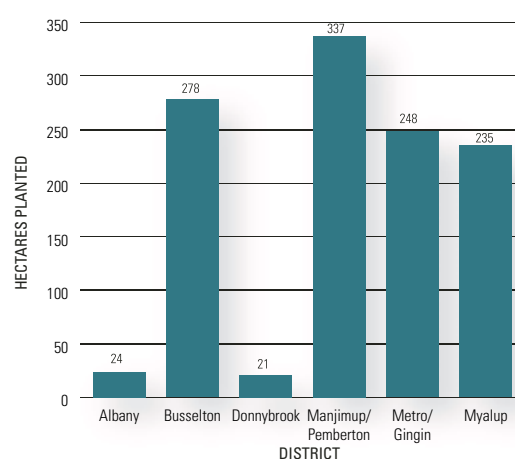
	Total Gross Tonnes Delivered	Class 1	Paid Grading Class 2	Summary Smalls	Drybrush	Waste/Soil
Pool 1	8258	45%	20%	19%	1%	15%
Pool 2	5098	57%	15%	16%	2%	10%
Pool 3	4806	61%	17%	13%	1%	8%
Pool 4	5650	51%	21%	15%	2%	11%
Pool 5	10609	49%	23%	15%	2%	11%
Pool 6	9028	46%	24%	15%	1%	14%
Pool 7	8976	45%	23%	16%	1%	15%

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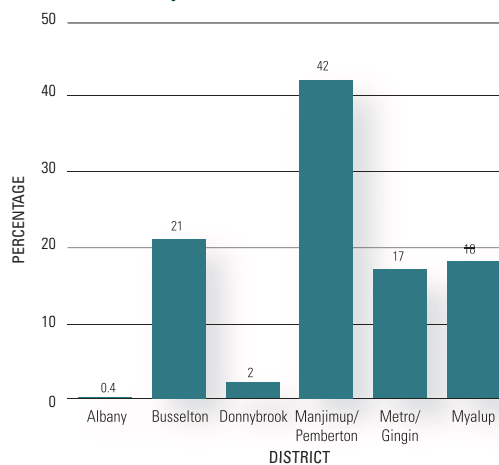
Total Hectares Planted by Pool



Total Hectares Planted by District



Total Deliveries by District



The Year in Review

IAG Recommendations

Recommendations of the Implementation Advisory Group (IAG) were given priority over the past twelve months and all except those requiring legislative amendment have been addressed. The Legislative Committee established to review the *Marketing of Potatoes Act 1946* required under Section 44, has also made progress. After considerable consultation with the Corporation and industry stakeholders, the committee finalised a draft report of recommended changes to the *Marketing of Potatoes Act 1946*.

The regulation of ware potatoes in tonnage using the Domestic Market Entitlement (DME) provisions in Section 28 of the *Marketing of Potatoes Act 1946* was introduced. In reviewing the best method to allocate DME, industry stakeholders were consulted and invited to forward submissions to the Corporation. A DME Subcommittee was established to review submissions and to develop a method to allocate DME that took into consideration industry views. The final DME allocation method was approved by the Minister for Agriculture and Food.

The introduction of DME provisions aims to reduce domestic surpluses and remove inappropriate incentives for growers to oversupply the domestic ware requirements, ultimately assisting in maximising grower returns.

The Corporation also continued working on introducing changes which assist in the overall management of supply to ensure a constant supply of fresh (better quality) potatoes to the consumers by rewarding growers who deliver to their delivery schedule, as well as passing on the higher price back to growers for those varieties where the market is currently paying a premium.

A new grid pricing system was designed to improve pricing signals to growers by paying growers in a structure that is consistent with the market prices received for various varieties and grades. This will take effect from 1 July 2006 as it is introduced in stages over the next two to three seasons to ensure that these changes can occur smoothly. A delivery incentive payment of \$100/tonne will also be introduced from 1 July 2006 to provide an incentive for growers to deliver to the schedule. It will be made with the first payment from the Pool.

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Supply

Heavy rain, hail and frost caused damage to a number of potato crops in the Southwest at the beginning of the season causing a shortage of locally supplied quality potatoes to the Western Australian market. This shortage saw an increased amount of potatoes being imported from South Australia to meet market demand. Growers experienced cooler than normal weather in the later half of the season (summer months) which provided ideal growing conditions, increasing yield and reducing waste on farm.

Federal Court Action

A Federal Court action was commenced by Mr A Galati and Galati Nominees Pty Ltd challenging the validity of the *Marketing of Potatoes Act 1946*. The Corporation is vigorously defending this action, and remains confident of a positive outcome. At the request of the Minister, the State Solicitors Office has intervened in this case to support the Corporation in defending this action.

The Year in Review (cont.)

Compliance

Compliance and monitoring continues to be a key priority in regulating the production of ware potatoes. Although Domestic Market Entitlement (DME) provisions were introduced, the provisions in the Act for the licensing of areas on which potatoes are grown remains as a key compliance mechanism. The adherence to the *Marketing of Potatoes Act 1946* and Regulations is of paramount importance to the industry as a whole.

The majority of stakeholders complied with the Act however, the Corporation did address some breaches. These related to overplanting, the sale of small quantities of potatoes directly to retailers and several labelling offences including incorrect labelling of packed potatoes and incorrect date coding.

One particular breach which engendered significant media coverage relates to processing potatoes that were allegedly illegally sold onto the domestic market by Mr Galati. The Corporation has commenced legal proceedings with respect to this breach, however, this action is on hold until the outcome of the Federal Court action initiated by Mr Galati and Galati Nominees Pty Ltd is known.

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Stakeholder Communication

Understandably, growers, merchants and other industry stakeholders are still adjusting to the changes introduced as a result of the IAG recommendations. The Corporation remains committed to ensuring these changes are effectively communicated to stakeholders and all concerns are addressed.

The Corporation held an industry conference in mid-October to update stakeholders on the work undertaken to fulfil the IAG recommendations and to present a detailed breakdown of the Corporation's financial position. Stakeholders welcomed the opportunity to ask questions and meet staff and the Board of the Corporation. The conference was well received with over 80 participants from all industry groups attending and will continue to be held by the Corporation on a bi-annual basis.

Representatives from the Corporation attended grower 'zone meetings' and continued to meet with merchants on a monthly basis to discuss market conditions and industry issues.

New functionality was added to the Corporation's website (www.pmc.wa.gov.au) which allowed merchants password protected access to information relevant to their business operations. The timeliness of information provided to growers was also improved. The website continues to serve as an integral communication tool to industry stakeholders.

Quality Assurance

The Potato Marketing Corporation continues to assist the potato industry to implement a food safety and quality assurance system which shows due diligence in food safety and demonstrates to retailers and consumers our industry's commitment to quality.

There was continued uptake of the food safety and quality SQF 2000^{CM} Code by the potato industry in 2005–2006 with the percentage of potatoes grown by SQF certified growers reaching 96%.

Due to the difficulties in marketing non-quality and food safety assured potatoes, the Corporation now includes quality assurance certification as a prerequisite requirement of all issued potato licences. Growers were given twelve months to achieve this certification status.

Since July 2005 the Corporation has recovered the costs of providing quality assurance support by directly invoicing growers for services provided.

The Year in Review (cont.)

Return to Growers

The Corporation has run well within budget over the past twelve months even with the unexpected significant legal expense incurred as a result of the Federal Court action. As outlined in the key performance indicators, the cost of running the Corporation has decreased by 38%. This is primarily because the Corporation no longer has an active role in export and marketing activity. However, other smaller cost cutting initiatives also contributed to this result. Effective from the 1 July 2005, the Corporation abolished the grower own agent fee of \$1.00/tonne, the seed growers administration fee of \$3.45/tonne and the \$5/tonne price differential for quality assured growers. The Corporation also reduced the contribution from grower payments to the Grower Reserve Fund from 2% to 0.5% and improved the timing of grower's first payments with the aim of making first payments fourteen days from the date of delivery of product to the merchants.

Overall, the return to licensed growers for the year was higher than the previous year (average \$455.17/gross tonne) which was encouraging given the unusual weather experienced during the season and the significant changes introduced over the past twelve to eighteen months as a consequence of implementing the IAG recommendations.

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 and Food. 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

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

One ministerial directive was received during the year under Section 20A of the *Marketing of Potatoes Act 1946* directing the Corporation to invest \$600,000 in Western Potatoes Limited.

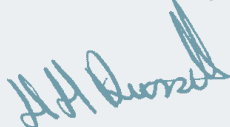
Legislation Impacting on the Corporation's Activities

A New Tax System (Goods and Services Tax) Act 1999
Debts Tax Act 1990
Disability Services Act 1993
Electoral Act 1907
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 Interest Disclosure Act 2003
Public Sector Management Act 1994
Sales Tax Assessment Act 1992
State Records Act 2000
Statutory Corporations (Liability of Directors) Act 1996
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.



H Russell
Chairman



L Skelton
Chief Finance Officer

Report on Operations (cont.)

Board of the Potato Marketing Corporation of Western Australia

The Board consists of a Chairman and five members who have relevant expertise in the areas of strategy and business planning and commercial potato production.

The Board is responsible to the Minister for Agriculture and Food, who appoints the Chairman 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*.

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.

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.

Board Profiles

Ms Deborah Pitter (Chairperson – resigned February 2006)

Ms Pitter resigned as Chairperson in February 2006 due to family commitments and the undertaking of a new business venture. Ms Pitter holds a Bachelor of Applied Science – Consumer Science and a Master in Agribusiness and brought experience in the development and implementation of marketing strategy for primary producers to her role as Chairperson. The Board extends its thanks to Ms Pitter and acknowledges the significant contribution she has made, particularly with regards to the fulfilment of the recommendations outlined by the Implementation Advisory Group and the development of strong corporate governance disciplines.

Mr Herbert (Bert) Russell (Chairman)

Mr Russell is a commercial producer of potatoes with over fifty years of industry experience and was re-appointed to the Board in September 2004. Mr Russell was appointed to the position of Chairman in February 2006 following the resignation of Ms Pitter. Mr Russell is a Seed Grower member of the State Seed Advisory Committee, President of the Potato Growers Association and member of the APC Potato Producers Committee.

Mr Russell's term expires in September 2007.

Report on Operations (cont.)

Mr Eddie Atchison

Mr Atchison was appointed to the Board in September 2004. Mr Atchison 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 term expires in September 2007.

Mr David Sash

Mr Sash's term on the Board concluded in February 2006. Mr Sash holds a Bachelor of Arts and a Bachelor of Law degree and is a partner with the legal firm, Jackson McDonald. Mr Sash 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. We would like to thank Mr Sash for his valuable contribution to the Board during his term of appointment.

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 term expires in September 2007.

Mr Salvatore (Sam) Calameri

Mr Calameri was elected to the Board in September 2003 for a term of three years. Mr Calameri has over 40 years of potato growing experience and is Managing Director of Baldivis Market Gardens Pty Ltd. Mr Calameri is also the Chairman of the APC Potato Producers Committee and member of the Carrot Association Research and Development Committee.

Mr Calameri's term expires in September 2006.

Mr Ian Flack

Mr Flack was appointed to the Board in January 2006. Mr Flack holds a Diploma in Environmental Health from the Royal Melbourne Institute of Technology. In recent years Mr Flack has served as a specialist consultant in strategy, policy and human resource management for government departments, agencies and the agricultural sector. He has also extensive knowledge of the Western Australian meat industry.

Mr Flack's term expires in January 2009.

Ms Annemie McAuliffe

Ms McAuliffe was appointed to the Board in January 2006. Ms McAuliffe holds a Bachelor of Arts, Masters in Preliminary Classics and a Post Graduate Diploma of Education from the University of Western Australia. She has also completed her Masters of Library and Information Science at Monash University. Ms McAuliffe has worked locally and abroad. Her most recent position was Acting Director, Public Sector Telecommunications Strategy for the WA Department of Premier and Cabinet. Prior to this role, Ms McAuliffe worked as a Management Consultant providing a broad range of consultancy services including strategic planning, business planning and performance assessment to the Government and private sector.

Ms McAuliffe's term expires in January 2009.

Report on Operations (cont.)

Board 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 (\$)
Ms Deborah Pitter	8	\$16,499.97
Mr Bert Russell	12	\$19,523.29
Mr David Sash	8	\$9,749.97
Mr Eddie Atchison	12	\$14,083.29
Mr Andrew Tempra	12	\$14,083.29
Mr Sam Calameri	12	\$14,083.29
Mr Ian Flack	3	\$5,416.65
Ms Annemie McAuliffe	3	\$5,416.65

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Chief Executive Officer

The Chief Executive Officer of the Corporation is Mr John Dawson. Mr Dawson was appointed CEO of the Potato Marketing Corporation on the 1 December 2005. Mr Dawson holds a Bachelor of Science and a Bachelor of Veterinary Medicine and Surgery from Murdoch University. He has also completed a Post Graduate Diploma of Business (Marketing) from Monash University. Mr Dawson has extensive experience in marketing and business development in agricultural industries, both nationally and internationally. His role is to provide strategic leadership and direction and to manage the day-to-day operations of the Corporation.

Chief Finance Officer

The Corporation's Chief Finance Officer is Mr Llewellyn Skelton as required in Section 52 of the *Financial Administration and Audit Act 1985*. Mr Skelton is a fellow of the National Institute of Accountants (FNIA) and as a Professional National Accountant (PNA) complies with TI 824 part 1.

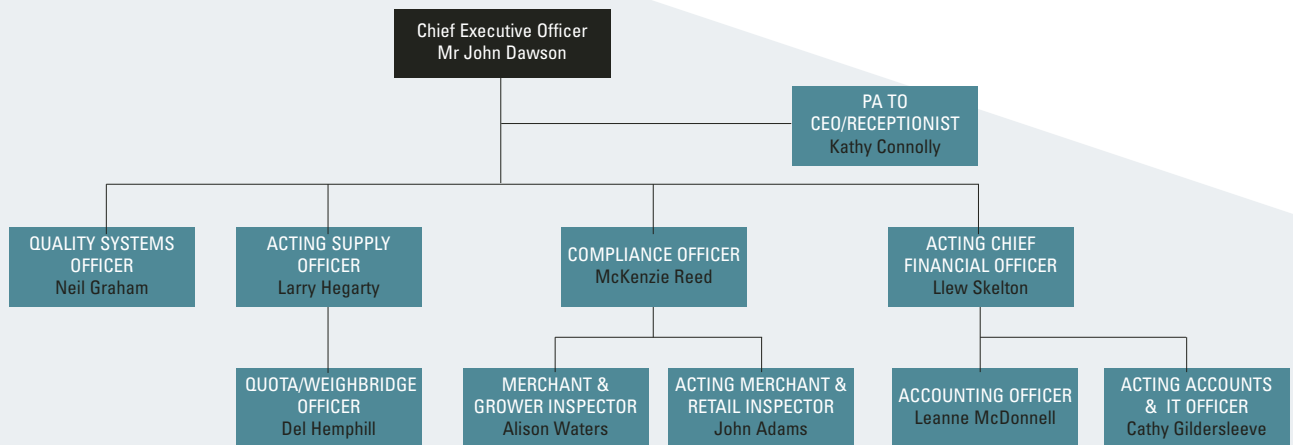
Staff Profile

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 2006, the Potato Marketing Corporation of WA had twelve fulltime equivalent staff.

Report on Operations (cont.)

Organisational Structure



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

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 \$4254.63 on training, with courses being undertaken in the areas of computer development, forklift training and investigative procedures.

Workers Compensation

No 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 jobs.

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.

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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.

Consistent with the sustainability requirements, work continued on maintaining the site and buildings to provide a safe and pleasant work environment for employees and visitors alike. A complete asbestos check was completed on the sheds and all bushes were trimmed back from the asbestos walls to maintain the integrity of the safety coating; all drainage facilities were cleaned and maintained; balustrades were erected to assist in directing traffic flow; a landscaping and beautification process of the gardens was conducted including the removal of dead trees. Roller doors were also purchased to increase the level of security to the administration building and increase the longevity of the motor vehicle fleet due to surrounding environmental conditions.

Information Technology

The Corporation constantly reviews our information technology processes, hardware and software to ensure that the latest relevant technology is utilised. The Corporation commenced upgrading hardware during the year and plans to carry on the upgrade process over a three-year period.

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 which was approved by the State Records Office on 8 December 2005.

The Plan is monitored on a yearly basis to ensure it accurately reflects the Corporation's records system. The Corporation's record-keeping system was evaluated during the year and a number of small adjustments were made to improve the efficiency and effectiveness of the system.

Report on Operations (cont.)

Adherence to the process is the responsibility of all personnel. 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. The Corporation plans to review the efficiency and effectiveness of the record-keeping training program within the next twelve months.

The Corporation also commenced background work on developing an electronic document management database consistent with the Corporation's Record-keeping Plan for all compliance records. The database will be developed as an extension of the electronic database currently used by the Corporation.

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

- Annual Report 2005
- 'Our Growing Business' Newsletter

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.

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). The Corporation 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.

Report on Operations (cont.)

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 guidelines 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.

Information Statement

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

The Corporation received one FOI request during the year which was transferred in full from another agency. The request was non-personal in nature and was withdrawn by the applicant.

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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 2006 in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations. The expenditure totalled \$38,455.03 and comprises the following:

(a) Market Research Organisation	Synovate	\$37,875.00
(b) Advertising Agency		\$580.03
(c) Media Advertising Organisation		nil
(d) Polling Organisation		nil
(e) Direct Mail Organisation		nil
Total		\$38,455.03

Report on Operations (cont.)

Compliance with Public Sector Standards and Ethical Codes

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 Dawson
Chief Executive Officer

Financial Statements for the year ended 30 June 2006



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

POTATO MARKETING CORPORATION OF WESTERN AUSTRALIA FINANCIAL STATEMENTS AND PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2006

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Potato Marketing Corporation of Western Australia at 30 June 2006 and its financial performance and cash flows for the year ended on that date. They are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions;
- (ii) the controls exercised by the Corporation 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
- (iii) the key effectiveness and efficiency performance indicators of the Corporation are relevant and appropriate to help users assess the Corporation's performance and fairly represent the indicated performance for the year ended 30 June 2006.

Scope

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

The financial statements consist of the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the Notes to the Financial Statements.

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

Summary of my Role

As required by the Act, I have independently audited the accounts, financial statements and performance indicators to express an opinion on the financial statements, controls and performance indicators. This was done by testing selected samples of the evidence. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

An audit does not guarantee that every amount and disclosure in the financial statements and performance indicators 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 and performance indicators.

D D R PEARSON
AUDITOR GENERAL
25 September 2006

Certification of Financial Statements

The accompanying financial statements of the Potato Marketing Corporation of Western Australia 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 2006 and the financial position as at 30 June 2006.

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
Chief Finance Officer



H Russell
Chairman



A Tempra
Board Member

Income Statement for the year ended 30 June 2006

	Note	2006	2005
INCOME			
Revenue			
Sales	7	26,502,980	28,053,766
Interest revenue	8	139,832	109,650
Other revenue	9	239,308	147,425
Gain on disposal of non-current assets	10	110	0
Total Revenue		26,882,230	28,310,841
Total Income		26,882,230	28,310,841
EXPENSE			
Expenses			
Cost of Sales	7	24,190,330	25,047,486
Employee benefits expenses	11	1,161,840	1,304,312
Supplies and services	12	892,919	1,503,959
Depreciation and amortisation expense	13	58,995	43,287
Administration expenses	14	460,856	211,762
Accommodation expenses	15	89,778	59,090
Loss on disposal of non-current assets	10	0	14,223
Other expenses	16	79,396	126,722
Total Expenses		26,934,114	28,310,841
RESERVE MOVEMENT			
Transfer to/(from) Reserves as per <i>Marketing of Potatoes Act 1946</i>		(51,884)	0
PROFIT/(LOSS) for the period		(0)	0

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The Income Statement should be read in conjunction with the accompanying notes.

Balance Sheet as at 30 June 2006

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	Note	2006	2005
ASSETS			
Current Assets			
Cash and cash equivalents	25(a)	3,645,820	3,244,592
Inventories	17	0	29,802
Receivables	18	1,937,587	1,823,404
Other current assets		0	7,397
Total Current Assets		5,583,407	5,105,195
Non-current Assets			
Receivables	18	0	0
Property plant and equipment	19	2,180,562	2,220,307
Investment property	19	15,174	15,174
Total Non-current Assets		2,195,736	2,235,481
Total Assets		7,779,143	7,340,676
LIABILITIES			
Current Liabilities			
Payables	21	178,442	238,902
Provisions	22	173,798	64,835
Other current liabilities	23	3,496,503	3,062,143
Total Current Liabilities		3,848,743	3,365,880
Non-current Liabilities			
Provisions	22	58,564	51,075
Total Non-current Liabilities		58,564	51,075
Total Liabilities		3,907,307	3,416,955
NET ASSETS			
		3,871,836	3,923,721
Equity			
	24		
Contributed equity		710,000	710,000
Reserves		1,446,913	1,446,913
Grower Reserve Fund		1,714,923	1,766,808
TOTAL EQUITY		3,871,836	3,923,721

The Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity as at 30 June 2006

	Note	2006	2005
Balance of equity at start of period		3,923,721	3,923,721
CONTRIBUTED EQUITY	24(a)		
Balance at start of period		710,000	710,000
Contributions		0	0
Distributions		0	0
Balance at end of period		710,000	710,000
RESERVES	24(b)		
Asset Revaluation Reserve			
Balance at start of period		1,426,350	1,426,350
Net adjustment on transition to AIFRS		0	0
Restated balance at start of period		1,426,350	1,426,350
Gains/(losses) from asset revaluations		0	0
Balance at end of period		1,426,350	1,426,350
General Reserve			
Balance at start of period		20,563	20,563
Net adjustment on transition to AIFRS		0	0
Restated balance at start of period		20,563	20,563
Gains/(losses) from asset revaluations		0	0
Balance at end of period		20,563	20,563
Grower Reserve Fund	24(c)		
Balance at start of period		1,766,808	1,766,808
Net adjustment on transition to AIFRS		0	0
Restated balance at start of period		1,766,808	1,766,808
Contributions from Pools		131,633	559,393
Distributions to Pools		(183,518)	(559,393)
Balance at end of period		1,714,923	1,766,808
Balance of equity at end of period		3,871,836	3,923,721

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

Cash Flow Statement for the year ended 30 June 2006

Note

		2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sales of goods and services		26,457,213	28,456,076
Interest received		139,832	110,076
GST receipts on sales		28,935	84,634
GST receipts from taxation authority		104,319	322,051
Other receipts		239,304	142,088
Payments			
Employee benefits		(985,606)	(1,363,786)
Supplies and services		(689,381)	(3,053,111)
Administration expenses		(160,856)	(211,762)
Accommodation		(29,778)	(59,090)
GST payments on purchases		(111,467)	(79,400)
GST payments to taxation authority		(28,005)	(326,075)
Payments to growers		(24,244,142)	(21,792,231)
Net cash provided by/(used in) operating activities	25 (b)	720,368	2,229,470
CASH FLOWS FROM INVESTING ACTIVITIES			
Refund of loan made		0	4,445
Purchase of non-current physical assets		(19,250)	(11,405)
Proceeds from sale of non-current physical assets		110	1,650
Purchase of debenture – Western Potatoes Limited		(300,000)	0
Net cash provided by/(used in) investing activities		(319,140)	(5,310)
Net increase/(decrease) in cash and cash equivalents		401,228	2,224,160
Cash and cash equivalents at the beginning of the period		3,244,592	1,020,432
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	25 (a)	3,645,820	3,244,592

The Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 30 June 2006

1. First Time Adoption of Australian Equivalents to International Financial Reporting Standards

This is the Corporation's first published financial statements prepared under Australian equivalents to International Financial Reporting Standards (AIFRS). Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' has been applied in preparing these financial statements. Until 30 June 2005, the financial statements of the Authority had been prepared under the previous Australian Generally Accepted Accounting Principles (AGAAP).

The Australian Accounting Standards Board (AASB) adopted the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005 by issuing AIFRS which comprise a Framework for the Preparation and Presentation of Financial Statements, Accounting Standards and the Urgent Issue Group (UIG) Interpretations. The AASB continues to revise and maintain statements of accounting concepts, accounting standards and the UIG Interpretations that are of particular relevance to the Australian environment, deal more specifically with not-for-profit entity issues and/or do not have an equivalent IASB Standard or Interpretation.

In accordance with the option provided by AASB 1 paragraph 36A and exercised by Treasurer's Instruction 1106 'Transition to Australian Equivalents to International Financial Reporting Standards', financial instrument information prepared under AASB 132 and AASB 139 will apply from 1 July 2005 and consequently comparative information for financial instruments is presented on the previous AGAAP basis. All other comparative information is prepared under the AIFRS basis.

Investment property, principally comprising freehold buildings held for rental yields, is not occupied by the Authority. Investment property is carried at fair value, as mandated by TI 954, representing open-market value determined annually by external valuers. Changes in fair value are recorded in the Income Statement as part of other income. These are disclosed separately in the notes to the financial statements as part of the disclosures required by AASB 140(75)-(78).

As a result of transition to AIFRS (1 July 2004 and 30 June 2005) the only account amendments are the reclassification of buildings used for investment (\$15,174) and the elimination of the intangible assets (\$nil). These entries have no financial impact on the either the Income Statement or Balance Sheet.

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2. Summary of Significant Accounting Policies

(a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards as applied by the Treasurer's Instructions which may modify or clarify their application, disclosure, format and wording to provide certainty and to ensure consistency and appropriate reporting across the public sector.

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 the Accounting Standards, UIG Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

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.

(b) Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, modified by the revaluation of land and buildings which have been measured at fair value or directors' value as disclosed.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods, including the previous year unless otherwise stated.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

There are no specific judgements that have been made in the process of applying the Authority's accounting policies having a significant effect on the amounts recognised in the financial statements.

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are included at note 5.

(c) Reporting Entity/Consolidation

The reporting entity comprises the Authority only. The entity was consolidated last year however the 2005 comparatives reported here reflect the parent entity only. The former subsidiary company (Fresh Western Pty Ltd) was liquidated and deregistered during the year ending June 2005, therefore there is no difference in the net assets of the parent or consolidated entity as at June 2005.

Notes to the Financial Statements for the year ended 30 June 2006

(d) Income

Revenue

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for four major business activities as follows.

Sale of goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership control transfer to the purchaser.

Provision of services

Revenue is recognised on delivery of the service or by reference to the stage of completion.

Interest

Revenue is recognised as the interest accrues.

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term, recognised as income in the periods in which it is earned.

Gains

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

(e) Income Tax

The Authority is exempt from Income Tax.

(f) Property, Plant and Equipment, Investment Property

Initial Recognition and Measurement

All items of property, plant and equipment are initially recognised at cost. For items of property, plant and equipment acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

Subsequent Measurement

After recognition as an asset, the Authority uses the revaluation model for the measurement of land and buildings and the cost model for all other property, plant and equipment. Land and buildings are carried at fair value less accumulated depreciation on buildings and accumulated impairment losses. All other items of property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Where market evidence is available, the fair value of land and buildings is determined on the basis of current market buying values determined by reference to recent market transactions or on gross rental values. Where market evidence is not available, the fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. The revaluation of land and buildings is an independent valuation provided on a tri-annual basis by the Department of Land Information (Valuation Services). When buildings are revalued, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount. The most significant assumptions in estimating fair value are made in assessing whether to apply the existing use basis to assets. Professional judgment by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

Investment Property

Investment property comprises freehold buildings not occupied by the Authority and used for rental yields. TI 954 requires investment property to be carried at fair value, usually represented by open-market valuations. The Director's valuation used however reflects a high expected cost of replacement and rehabilitation due to asbestos.

Refer to note 19 for further disclosure on revaluations.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. Land is not depreciated. Depreciation on other assets is reviewed annually and calculated using method and rates indicated. Estimated useful lives for each class of depreciable asset are:

Buildings	20 years	straight line method
Plant and equipment	5 years	straight line method
Office furniture	10 years	straight line method
Office equipment	5 years	straight line method
Field equipment	10 years	straight line method
Computer equipment	2 years	straight line method
Investment property		not depreciated

Notes to the Financial Statements for the year ended 30 June 2006

(g) Intangible Assets

Research and Development

Research costs are expensed as incurred. Development costs incurred for an individual project are carried forward when the future recoverability can reasonably be regarded as assured. Other development costs are expensed as incurred.

Computer Software

Acquired software items costing less than \$1,000 are expensed in the year of acquisition. Where software is an integral part of the related hardware, it is treated as property, plant and equipment. Where the software is not an integral part of the related hardware, it is treated as an intangible asset.

Website Costs

Website costs are charged as expenses when they are incurred unless they relate to the development of an asset when they may be capitalised and amortised.

(h) Impairment of Assets

Property, plant and equipment, investment property and intangible assets are tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is written down to the recoverable amount and an impairment loss is recognised. As the Authority is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment. Surplus assets at cost are tested for indications of impairments at each reporting date.

See note 20 'Impairment of Assets' for the outcome of impairment reviews and testing.

See note 2(m) and note 18 for 'Impairment of Receivables'.

(i) Leases

The Authority has entered into a number of operating lease arrangements for the rent of various office equipment where the lessor effectively retains all of the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Income Statement over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

(j) Financial Instruments

The Authority has two categories of financial instrument:

- loans and receivables (includes cash and term deposits); and
- non-trading financial liabilities.

Initial recognition and measurement is at fair value. The transaction cost or face value is equivalent to the fair value. Subsequent measurement is at amortised cost using the effective interest method.

Short-term receivables and payables with no stated interest rate are measured at transaction cost/face value where the effect of discounting is immaterial.

See note 2(n) for 'Investments and Other Financial Assets'.

(k) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(l) Inventories

Inventories are potatoes delivered to the Authority but not yet graded by the merchant. Their cost is measured as the tonnage x current payment rates.

(m) Receivables

Receivables are recognised and carried at original invoice amount less any provision for uncollectible amounts (impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The provision for uncollectible amounts (doubtful debts) is raised when collectability is no longer probable. The carrying amount is equivalent to fair value as it is due for settlement within fourteen days, unless other terms have been agreed. See note 2(j) 'Financial Instruments' and note 18 'Receivables'.

Notes to the Financial Statements for the year ended 30 June 2006

(n) Investments and Other Financial Assets

The Authority has taken the exemption as permitted under AASB 1 paragraph 36A to apply AASB 132 and AASB 139 from 1 July 2005. The previous AGAAP Accounting Standard AAS 33 has been applied to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. See note 2(s) 'Comparative Figures'.

The Authority classifies its investments into the following categories: loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Authority provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date which are classified as non-current assets.

Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Authority's management has the positive intention and ability to hold to maturity.

Purchases and sales of investments are recognised on trade-date – the date on which the Authority commits to purchase or sell the asset. Investments are initially recognised at fair value being the fair value of consideration given, including transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all the risks and rewards of ownership.

Loans and receivables and held-to-maturity investments, such as commercial bills, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

The Authority assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(o) Payables

Payables are recognised when the Authority becomes obliged to make future payments as a result of a purchase of assets or services at the amounts payable. The carrying amount is equivalent to fair value, as they are generally settled within 30 days. See note 2(j) 'Financial Instruments' and note 21 'Payables'.

(p) Provisions

Provisions are liabilities of uncertain timing and amount. The Authority only recognises a provision where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at each balance sheet reporting date and adjusted to reflect the current best estimate. See note 22 'Provisions'.

Provisions – Employee Benefits

Annual Leave and Long Service Leave

The liability for annual and long service leave expected to be settled within twelve months after the end of the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than twelve months after the end of the reporting date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are 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 non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted to present value using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Authority does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Superannuation

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes. Employees may contribute to the Gold State Superannuation (GSS) Scheme, a defined benefit lump sum scheme closed to new members. Employees who are not members of this scheme become non-contributory members of the West State Superannuation (WSS) Scheme, an accumulation scheme. The Authority contributes to this accumulation scheme in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*.

The GSS Scheme and the WSS Scheme, where the current service superannuation charge is paid by the Authority to the GESB, are defined contribution schemes. The liabilities for current service superannuation charges under the GSS Scheme and WSS Scheme are extinguished by the concurrent payment of employer contributions to the GESB.

See also note 2(q) 'Superannuation Expense'.

Notes to the Financial Statements for the year ended 30 June 2006

Provisions Other

Employment On-Costs

Employment on-costs, including workers' compensation insurance and payroll tax, are not employee benefits and are recognised as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are not included as part of the Authority's 'Employee benefits expense' and the related liability is included in Employment on-costs provision (See notes 11 and 14).

(q) Superannuation Expense

The superannuation expense of the defined benefit plans is made up of the following elements:

- current service cost;
- interest cost (unwinding of the discount);
- actuarial gains and losses; and
- past service cost.

Actuarial gains and losses of the defined benefit plans are recognised immediately as income or expense in the income statement.

The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

See also note 2(p) 'Provisions – Employee Benefits', sub-heading 'Superannuation'.

(r) Accrued Salaries

Accrued salaries (refer note 23) 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. Accrued salaries are settled within a few days of the financial year end. The Authority considers the carrying amount of accrued salaries to be equivalent to the net fair value.

(s) Comparative Figures

Comparative figures have been restated on the AIFRS basis except for financial instruments information which has been prepared under the previous AGAAP Accounting Standard AAS 33 as permitted by AASB 1 paragraph 36A. The transition to AIFRS for data prepared under AASB 132 and AASB 139 will be 1 July 2005.

3. Financial Risk Management Objectives and Policies

The Authority's exposure to market risk for changes in interest rates relates primarily to trade receivables. This risk is managed with payment terms of fourteen days and a risk assessment of all customers.

4. Judgements Made by Management in Applying Accounting Policies

There are no judgements that have been made in the process of applying accounting policies that have had any significant effect on the amounts recognised in the financial report.

5. Key Sources of Estimation Uncertainty

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are:

- the Authority will continue to exist at the same location performing the same function; and
- the Federal Court action challenging the constitutional validity of the *Marketing of Potatoes Act 1946* will be defended successfully. See also note 35.

6. Disclosure of Changes in Accounting Policy and Estimates

Initial Application of an Australian Accounting Standard

There has been no change in accounting policies required as a result of the introduction of the new Australian Accounting Standards.

Voluntary Changes in Accounting Policy

There has been no voluntary change in accounting policies required as a result of the introduction of the new Australian Accounting Standards.

Early Adoption of an Australian Accounting Standard

The Authority is not aware of any new Australian Accounting Standards issued that may be required to be implemented in the future.

Changes in Accounting Estimates

There has been no change in accounting estimates (budget) as a result of the introduction of the new Australian Accounting Standards.

Notes to the Financial Statements for the year ended 30 June 2006

	2006	2005
7. Trading Profit		
Sales		
- Local	26,225,230	26,684,845
- Export	277,750	1,368,921
	<u>26,502,980</u>	<u>28,053,766</u>
Costs of Sales		
- Purchase from growers	(23,890,203)	(23,776,982)
- Export cost	(264,627)	(1,202,891)
- Freight	(35,499)	(67,613)
Cost of Goods Sold	<u>(24,190,330)</u>	<u>(25,047,486)</u>
Trading Profit	<u>2,312,650</u>	<u>3,006,280</u>
8. Interest Revenues		
Term deposits	29,043	12,117
Main cheque account	110,789	97,533
	<u>139,832</u>	<u>109,650</u>
9. Other Revenues		
Seed levy reimbursement	5,283	8,808
Store rentals	65,652	60,900
Agency fees/minituber sales	0	72,379
SQF income	64,650	0
Hessian sack sales	48,042	0
Export shipping settlement	42,000	0
Income from employee secondment	11,975	0
Other items	1,706	0
Promotional items sold	0	5,338
	<u>239,308</u>	<u>147,425</u>
10. Net Gain/(loss) on Disposal of Non-current Assets		
Costs of Disposal of Non-Current Assets		
Computer equipment	0	15,873
Proceeds from Disposal of Non-Current Assets		
Computer equipment	110	1,650
Net gain/(loss)	<u>110</u>	<u>(14,223)</u>
11. Employee Benefits Expense		
Wages and salaries	801,769	937,396
Superannuation - defined contribution plan	92,976	92,362
Annual leave	83,869	89,867
Long service leave	31,489	0
Other related expenses (i)	151,736	184,687
	<u>1,161,840</u>	<u>1,304,312</u>

(i) Excludes payroll tax and workers compensation. See also note 14.

Notes to the Financial Statements for the year ended 30 June 2006

	2006	2005
12. Supplies and Services		
Consultants and contractors	721,595	443,501
Materials	6,752	79,539
Marketing/market research	49,588	831,212
Repairs and maintenance (i)	0	27,863
Travel	60,128	52,192
Other	54,857	69,652
	<u>892,919</u>	<u>1,503,959</u>
(i) Included with accommodation expenses. See note 15.		
13. Depreciation and Amortisation Expense		
Depreciation		
Plant and equipment	14,297	3,574
Buildings	4,418	6,406
Office furniture and fittings	13,309	1,889
Office and field equipment	13,833	3,579
Computer equipment	13,138	22,024
Total depreciation	<u>58,995</u>	<u>37,472</u>
Amortisation		
Intangible asset	0	5,815
Total amortisation	<u>0</u>	<u>5,815</u>
Total depreciation and amortisation	<u>58,995</u>	<u>43,287</u>
14. Administration Expense		
Communication	28,720	51,245
Consumables	31,990	32,877
Doubtful Debts	300,000	0
Other (i)	100,146	127,640
	<u>460,856</u>	<u>211,762</u>
(i) Includes payroll tax, audit fees and insurances. See also note 11.		
15. Accommodation Expense		
Repairs and maintenance	72,717	36,043
Cleaning and security	17,061	23,047
	<u>89,778</u>	<u>59,090</u>
16. Other Expenses		
Levies	46,019	22,488
Quality assurance program	27,877	12,892
Research and development	5,500	10,000
Stock obsolescence/(write back) of provision	0	81,342
	<u>79,396</u>	<u>126,722</u>

Notes to the Financial Statements for the year ended 30 June 2006

	2006	2005
17. Inventories		
Current		
Inventories held for resale		
-potatoes at cost	0	144,439
-provision for obsolescence	0	(114,637)
	0	29,802
<i>All potatoes washed, graded and sold as at 30 June. See also Note 2(l).</i>		
18. Receivables		
Current		
Trade debtors	1,930,439	1,873,521
Provision for impairment of receivable	0	(61,264)
GST receivable	7,148	10,647
Other debtors	0	500
	1,937,587	1,823,404
Non-current		
Loan - WPL debenture	300,000	0
Provision for doubtful debt	(300,000)	0
	0	0
19. Property, Plant and Equipment		
Plant and equipment		
At cost	73,845	73,845
Accumulated depreciation	(73,845)	(59,548)
	0	14,297
Office furniture and fittings		
At cost	40,514	40,514
Accumulated depreciation	(36,821)	(23,512)
	3,693	17,002
Office and field equipment		
At cost	73,017	76,426
Accumulated depreciation	(67,184)	(57,047)
	5,833	19,379
Computer equipment		
At cost	159,145	162,934
Accumulated depreciation	(144,666)	(147,034)
	14,479	15,900
Buildings		
At Directors valuation 2005	24,625	17,379
Accumulated depreciation	(4,418)	0
	20,207	17,379

Buildings are held at Directors valuation due to the expected high cost of asbestos replacement and removal.

Notes to the Financial Statements for the year ended 30 June 2006

	2006	2005
19. Property, Plant and Equipment (cont.)		
Land		
At Independent valuation 2005	2,136,350	2,136,350
<i>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.</i>		
<i>Treasury Instruction 954 requires non-current assets to be reflected at the fair value and requires revaluations every 3 years. AASB 116 requires revaluations on a regular basis. The valuation was undertaken by the Valuer General in 2005.</i>		
TOTAL PROPERTY, PLANT AND EQUIPMENT	2,180,562	2,220,307
Investment Property		
Buildings at Directors valuation 2005	15,174	15,174
	15,174	15,174

Buildings are held at Directors valuation due to the expected high cost of asbestos replacement and removal.

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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.

	Carry Value at start of year	Revaluation	Transfers	Additions	Disposal (net value)	Depreciation	Carry value at end of year
Plant and equipment	14,297					(14,297)	0
Office furniture and fittings	17,002					(13,309)	3,693
Office and field equipment	19,379			287	0	(13,833)	5,833
Computer equipment	15,900			11,717	0	(13,138)	14,479
Assets at cost	66,578	0	0	12,004	0	(54,577)	24,005
Buildings	17,379			7,246		(4,418)	20,207
Land	2,136,350						2,136,350
Assets at valuation	2,153,729	0	0	7,246	0	(4,418)	2,156,557
TOTAL	2,220,307	0	0	19,250	0	(58,995)	2,180,562
Buildings	15,174						15,174
Investment property at valuation	15,174	0	0	0	0	0	15,174

20. Impairment of Assets

There are no indications of impairment of property, plant and equipment at 30 June 2006.

The Corporation held no goodwill or intangible asset with an indefinite useful life during the reporting period and at reporting date there were no intangible assets not yet available for use.

All surplus assets at 30 June 2006 have been classified as non-current assets held for sale or written off.

Notes to the Financial Statements for the year ended 30 June 2006

	2006	2005
21. Payables		
Current		
Trade payables	34,828	144,200
Other creditors	143,614	94,702
	<u>178,442</u>	<u>238,902</u>
22. Provisions		
Current		
Annual leave	78,729	41,919
Long service leave	35,069	22,916
Major maintenance	60,000	0
	<u>173,798</u>	<u>64,835</u>
Non-current		
Long service leave	58,564	51,075
	<u>58,564</u>	<u>51,075</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	113,798	64,835
Non-current	58,564	51,075
	<u>172,362</u>	<u>115,910</u>
23. Other Liabilities		
Current		
Payments due to growers	2,943,400	2,907,535
Accrued expenses (i)	553,103	154,608
	<u>3,496,503</u>	<u>3,062,143</u>
(i) Includes accrued salaries of \$13,425 for period 26/06/2006 - 30/06/2006 and \$8,759 for expected backpay re CSA negotiation.		
24. Equity		
Equity represents the residual interest in the net assets of the Corporation.		
(a) Contributed Equity	710,000	710,000
(b) Reserves		
<u>Asset Revaluation Reserve</u>		
Opening balance	1,426,350	0
Net revaluation increments	0	1,426,350
Closing balance	<u>1,426,350</u>	<u>1,426,350</u>
<u>General Reserve</u>		
Opening balance	20,563	20,563
Net revaluation increments	0	0
Closing balance	<u>20,563</u>	<u>20,563</u>
	<u>1,446,913</u>	<u>1,446,913</u>

Notes to the Financial Statements for the year ended 30 June 2006

	2006	2005
24. Equity (cont.)		
(c) Grower Reserve Fund		
Opening balance	1,766,808	1,766,808
Year profit/(loss)	0	0
Contributions from Pools	131,633	559,393
Contributions to Pools	(183,518)	(559,393)
Closing balance	1,714,923	1,766,808
25. Reconciliation of Net Cash Provided by Operating Activities to Profit		
(a) Reconciliation of Cash		
Cash at the end of the financial year in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
Position as follows:		
Cash at bank	930,836	2,994,816
Cash on deposit	2,714,584	249,342
Cash on hand	400	434
	3,645,820	3,244,592
(b) Reconciliation of Profit to Net Cash Flows Provided By/(used in) Operating Activities		
Profit after income tax equivalents	0	0
<i>Non-cash Items:</i>		
Depreciation and amortisation	58,995	43,287
Bad debt expense	300,000	21,328
Net (gain)/loss on sale of property, plant and equipment	(110)	14,223
Stock obsolescence movement	(114,637)	81,342
<i>(Increase)/decrease in assets:</i>		
Current receivables	(99,638)	484,581
Current inventories	144,439	72,610
Non-current receivables	(300,000)	0
<i>Increase/(decrease) in liabilities:</i>		
Current account payables	134,473	(289,696)
Current provisions	48,963	(29,364)
Other liabilities	398,495	1,863,774
Non-current provisions	207,490	(33,825)
Net GST receipts/(payments)	(6,218)	1,210
Net reserve movements	(51,884)	0
Net cash provided by operating activities	720,368	2,229,470

Notes to the Financial Statements for the year ended 30 June 2006

26. Explanatory Statement

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.

	2006 \$	2005 \$	Variance \$	
Sales revenue	26,502,980	28,053,766	(1,550,786)	-5.53%
Ceasing export activity decreased tonnages sold by 15%, however a more stable domestic price was achieved.				
Export costs	264,627	1,202,891	(938,264)	-78.00%
Costs incurred from activity with Western Potatoes Ltd. No export activity was expected in 2006.				
Employee costs	1,161,840	1,302,312	(140,472)	-10.79%
Corporate restructure savings from employee salaries.				
Supply and services	892,919	1,470,759	(577,840)	-39.29%
Ceasing marketing activity saved \$775,000, offset by increased legal fees by \$200,000.				
Administration costs	460,146	211,763	248,383	117.29%
Provision for bad debts relates to \$300,000 for possible non recovery of WPL debenture.				

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.

	Actual \$	Estimates \$	Variance \$	
Sales revenue	26,502,980	25,250,000	1,252,980	4.96%
Estimates based on prior year. Significant increase in domestic sales rates and product grades returned better results in 1st half year.				
Grower payments	23,925,703	22,223,966	1,701,737	7.66%
Increased revenues allowed more return to growers.				
Employee costs	1,161,840	1,344,775	(182,935)	-13.60%
Corporate restructure savings from employee salaries.				
Administration	460,856	314,817	146,039	46.39%
Ceasing marketing activity, decreased workforce and renegotiated communication contracts saved \$150,000. However offset by provision for bad debts of \$300,000 for possible non recovery of WPL debenture.				

Notes to the Financial Statements for the year ended 30 June 2006

27. 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 Within 1 Yr \$000	Fixed Interest Interest Rate \$000	Non-Interest Bearing \$000	Total \$000
2006						
<u>Financial assets</u>						
Cash and cash equivalents	4.89%	936	2,710	0	0	3,646
Receivable		0	0	0	1,937	1,937
		936	2,710	0	1,937	5,583
<u>Financial liabilities</u>						
Payables		0	0	0	731	731
Outstanding payments to growers		0	0	0	2,943	2,943
		0	0	0	3,674	3,674
	Weighted Average Effective Interest Rate %	Variable Interest Rate \$000	Fixed Interest Rate %	Fixed Interest Rate \$000	Non-Interest Bearing \$000	Total \$000
2005						
<u>Financial assets</u>						
Cash and cash equivalents	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
<u>Financial liabilities</u>						
Payables		0		0	394	394
Outstanding payments to growers		0		0	2,907	2,907
		0		0	3,301	3,301

(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 Balance Sheet.

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 2 to the financial statements.

Notes to the Financial Statements for the year ended 30 June 2006

28. Remuneration of Members of the Accountable Authority and Senior Officers

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.

	2006 \$	2005 \$
Total fees, salaries and other benefits received in the financial year by:		
Board Members	107,753	79,288
Senior Officers	483,600	686,839

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

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

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	0	1
\$20,001 to \$30,000	1	0
\$40,001 to \$50,000	0	1
\$50,001 to \$60,000	1	0
\$60,001 to \$70,000	1	0
\$70,001 to \$80,000	1	2
\$80,001 to \$90,000	2	1
\$90,001 to \$100,000	1	0
\$100,001 to \$110,000	0	1
\$120,001 to \$130,000	0	1
\$170,001 to \$180,000	0	1

The superannuation included here represents the superannuation expenses incurred by the Corporation in respect of members of the Board and Senior Officers.

29. Remuneration of the Auditor

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

Audit Fees	38,400	30,000
	<u>38,400</u>	<u>30,000</u>

30. Supplementary Financial Information

Revenue and Public and Other Property Written Off During the Financial Year

Loan - Fresh Western (eliminated on consolidation)	0	19,262
Lakeside Fresh	0	59
Swim Communications	0	110
The Potato Shop	0	1,255
WG Mitchell	0	262
Smiths Snackfoods	0	381
	<u>0</u>	<u>21,328</u>

Notes to the Financial Statements for the year ended 30 June 2006

31. Segment (Output) 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 2006								Licensed		YEAR	
FINANCIAL STATISTICS								Pools	Contract	30-Jun-06	
(Gross Tonnes)											
	Pool 1	Pool 2	Pool 3	Pool 4	Pool 5	Pool 6	Pool 7	TOTAL	0	TOTAL	
TRADING PROFIT	\$	429,842	269,192	252,729	291,987	374,090	413,021	367,815	2,398,676	(86,024)	2,312,652
SERVICE EXPENSES											
- Employee	\$	197,332	122,053	113,855	133,151	236,312	190,317	168,819	1,161,840		1,161,840
- Supply and Services	\$	151,657	93,802	87,502	102,332	181,615	146,266	129,744	892,919		892,919
- Depn and Amortn	\$	10,020	6,197	5,781	6,761	11,999	9,664	8,572	58,995		58,995
- Administration	\$	78,274	48,414	45,162	52,816	93,736	75,491	66,964	460,857		460,857
- Accommodation	\$	15,248	9,431	8,798	10,289	18,260	14,706	13,045	89,778		89,778
- Levies	\$	3,475	2,169	2,020	2,367	4,194	3,386	3,003	20,614	25,406	46,020
- QA	\$	4,735	2,928	2,732	3,195	5,670	4,566	4,051	27,877		27,877
- R and D	\$	934	578	539	630	1,119	901	799	5,500		5,500
- Asset Disposals	\$	(17)	(11)	(21)	(12)	(14)	(18)	(17)	(110)		(110)
- Provn Stock Obsolescence	\$										0
TOTAL SERVICES	\$	461,659	285,562	266,368	311,529	552,892	445,280	394,981	2,718,270	25,406	2,743,676
OTHER REVENUE											
- Other Income	\$	40,521	25,063	23,379	27,342	48,525	39,080	34,666	238,576	732	239,308
- Interest	\$	23,750	14,690	13,703	16,025	28,441	22,905	20,318	139,832		139,832
- Loss on Contracts	\$	(18,801)	(11,629)	(10,848)	(12,686)	(22,516)	(18,133)	(16,085)	(110,698)	110,698	0
	\$	45,470	28,124	26,234	30,681	54,450	43,852	38,899	267,710	111,430	379,140
TRANSFER TO / (FROM) RESERVE	\$	13,653	11,754	12,595	11,139	(124,352)	11,593	11,733	(51,884)	0	(51,884)

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GROWING YEAR 2005								Licensed		YEAR	
FINANCIAL STATISTICS								Pools	Contract	30-Jun-05	
		Pool 1	Pool 2	Pool 3	Pool 4	Pool 5	Pool 6	Pool 7	TOTAL	0	TOTAL
TRADING PROFIT	\$	669,379	491,683	358,740	333,645	563,154	594,634	381,381	3,392,616	(386,338)	3,006,278
SERVICE EXPENSES											
- Employee	\$	236,896	174,971	125,178	120,688	235,240	235,846	175,492	1,304,311		1,304,311
- Supply and Services	\$	344,517	251,715	187,338	167,908	227,638	181,958	142,886	1,503,960		1,503,960
- Depn and Amortn	\$	7,857	5,812	4,135	4,026	7,829	7,838	5,788	43,285		43,285
- Administration	\$	38,440	28,429	20,241	19,686	38,290	38,340	28,336	211,762		211,762
- Accommodation	\$	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 and 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
TOTAL SERVICES	\$	647,439	475,520	347,276	322,418	541,353	572,826	365,347	3,272,179	(8,824)	3,263,355
OTHER REVENUE											
- 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
	\$	(21,940)	(16,163)	(11,464)	(11,227)	(21,801)	(21,808)	(16,034)	(120,437)	377,516	257,079
TRANSFER TO RESERVE	\$	0	0	0	0	(0)	(0)	0	(0)	2	2

Notes to the Financial Statements for the year ended 30 June 2006

32. Non-cancellable Operating Lease Commitments

Commitments for minimum lease payments are payable as follows:

	2006 \$	2005 \$
- not later than 1 year	37,720	52,125
- later than 1 year but not later than 5 years	43,034	31,567
	<hr/> 80,754	<hr/> 83,692

33. Contingent Liabilities and Contingent Assets

Contingent Liabilities:

With regard to the ongoing Federal Court challenge, the Corporation was required to provide to the court an undertaking to submit to such order (if any) as the Court may consider to be just for the payment of compensation, to be assessed, by the Court as it may direct.

The Authority is not aware of any other contingent liability as at the financial reporting date.

Contingent Assets:

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

34. Impact of Adopting IFRS

The International Financial Reporting Standards (IFRS) have been integrated into the company accounting procedures and are fully operational.

Specific items amended due to IFRS

Intellectual property has been deleted from the IFRS accounts.

It was fully written down therefore no financial impact on the business profits.

Buildings (see note 19) used for commercial gain has been separately identified as an investment asset.

This transfer has not made any financial impact on the business profits.

Leave Provisions (see note 22) include all oncosts associated with the leave liability (specifically superannuation).

The leave liability has sufficient balance to cover the immediate additional liability.

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

35. Events Occurring after Reporting Date

A Federal Court action challenging the constitutional validity of the *Marketing of Potatoes Act 1946* and therefore the existence of the Authority has been instigated. Whilst this action was started prior to the reporting date, the action is ongoing and not expected to be finalised until some future indetermined date. It may be prejudicial to make further comment on the case other than these financial statements have been prepared on the basis of a future going concern.

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

36. Related Party Disclosure

In addition to remuneration (see Note 28), the Corporation also makes the following disclosures:-

David Sash (Board Member) is a partner with the law company Jackson McDonald. During the year ending June 2006 the Corporation paid \$88,688.61 to this company. The transactions were for legal services based upon the company's usual commercial terms and conditions.

Annemie McAuliffe (Board Member) is a Commissioner with the Insurance Commission of Western Australia. During the year ending June 2006 the Corporation paid \$16,161.40 for insurance premiums to this company. The transactions were for insurance premiums based upon the company's usual commercial terms and conditions.

Herbert Russell (Board Chairman) is a licensed potato grower and has delivered during the 2006 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. By law, the Corporation is required to deduct from growers an APC fee for service and remit to the APC. Herbert Russell is a Committee Member of the APC-PPC a sub committee of the APC. During the year the Corporation deducted from growers \$1,227,088 and paid to the APC \$1,177,375.

Salvatore Calameri (Board Member) is a licensed potato grower and has delivered during the 2006 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. By law, the Corporation is required to deduct from growers an APC fee for service and remit to the APC. Salvatore Calameri holds the position of Chairman of the APC-PPC a sub committee of the APC. During the year the Corporation deducted from growers \$1,227,088 and paid to the APC \$1,177,375.

Andrew Temptra (Board Member) is a licensed potato grower and has delivered during the 2006 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 Temptra are not disclosed.

Performance Indicators for the year ended 30 June 2006



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

POTATO MARKETING CORPORATION OF WESTERN AUSTRALIA FINANCIAL STATEMENTS AND PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2006

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Potato Marketing Corporation of Western Australia at 30 June 2006 and its financial performance and cash flows for the year ended on that date. They are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions;
- (ii) the controls exercised by the Corporation 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
- (iii) the key effectiveness and efficiency performance indicators of the Corporation are relevant and appropriate to help users assess the Corporation's performance and fairly represent the indicated performance for the year ended 30 June 2006.

Scope

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

The financial statements consist of the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the Notes to the Financial Statements.

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

Summary of my Role

As required by the Act, I have independently audited the accounts, financial statements and performance indicators to express an opinion on the financial statements, controls and performance indicators. This was done by testing selected samples of the evidence. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

An audit does not guarantee that every amount and disclosure in the financial statements and performance indicators 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 and performance indicators.

D D R PEARSON
AUDITOR GENERAL
25 September 2006

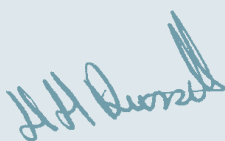
Performance Indicators for the year ended 30 June 2006

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 2006.



L Skelton
Chief Finance Officer



H Russell
Chairman



A Tempra
Board Member

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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 the 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.

	2003-04	2004-05	2005-06
	(%)	(%)	(%)
Increase in local ware market sales (Gross tonnage)	(3.4)	5.0	(8.3)

The Corporation is no longer involved in advertising activity, and is unable to use advertising to stimulate demand.

Sales were lower as a consequence of two factors. Early in the year, severe floods and frost reduced production and subsequent sales. Later in the year, dumping of illegal potatoes onto the market reduced sales that would normally have been made by the Corporation.

Performance Indicators for the year ended 30 June 2006

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.

	2003–04	2004–05	2005–06
	(%)	(%)	(%)
Local ware market sales vs deliveries (Gross tonnage)	91.8	92.9	96.5

2. Efficiency Indicators

2.1 Maintaining the Corporation's cost at a reasonable level

	2003–04	2004–05	2005–06
	\$/T	\$/T	\$/T
Corporation's cost per tonne of potatoes delivered (Gross)	82.20	81.78	61.53

Actual Corporation costs were reduced by 38% or \$1.7 million. This was primarily from savings in export costs (\$1.0 million) and marketing activity (\$0.7 million). This saving is not truly reflected in the cost per tonne due to a 12% reduction in tonnes delivered.

2.2 Maintaining the cost of potato marketing at a reasonable level

	2003–04	2004–05	2005–06
	\$/T	\$/T	\$/T
Marketing costs per tonne of potatoes sold	22.58	18.54	0.00

Marketing and promotion was handed over to the Agricultural Produce Commission - Potato Producers Committee (APC-PPC) as from March 2005. (refer Ministerial Statement July 2004).

Following the Ministerial Statement (July 2004), and the subsequent relinquishment of commercial activities and restructure of the Corporation, the Department of Treasury and Finance has agreed the current key performance indicators may not truly reflect the Corporation's revised activities and achievements. The department has agreed to the use of the current indicators for this year and will assist the Corporation in determining a new set of key performance indicators for next year.

Appendix

Annual Estimate – Operating Budget

OPERATING BUDGET

3 YEAR PLAN

	2006-2007 BUDGET	YEAR 2007-2008		YEAR 2008-2009		YEAR 2009-2010	
		6 Month	6 month	6 month	6 month	6 month	6 month
DME GROSS TONNAGE	46,735	23,835	23,835	24,312	24,312	25,445	25,445
REVENUE							
Local Wares	(23,402,650)	(12,293,412)	(12,293,412)	(12,539,280)	(12,539,280)	(13,102,832)	(13,102,832)
GROWER PAYMENTS							
1st Payment	16,241,550	8,526,814	8,526,814	8,953,154	8,953,154	9,400,812	9,400,812
Interim Payment	3,248,310	1,705,363	1,705,363	1,790,631	1,790,631	1,880,162	1,880,162
TRADING PROFIT	(3,912,790)	(2,061,236)	(2,061,236)	(1,795,495)	(1,795,495)	(1,821,857)	(1,821,857)
CORPORATION SERVICES							
Salaries and Wages	1,110,193	579,007	579,007	604,114	604,114	638,163	638,163
Superannuation	105,757	55,522	55,522	58,299	58,299	61,214	61,214
Leave Loading	162,571	85,350	85,350	89,617	89,617	94,098	94,098
Employee Other (FBT, P/Tax, W/Comp)	290,823	151,207	151,207	157,292	157,292	163,682	163,682
EMPLOYEE COSTS	1,669,343	871,086	871,086	909,322	909,322	957,157	957,157
Consultants	195,500	99,000	99,000	101,500	101,500	103,500	103,500
Legal Fees	286,000	129,000	129,000	129,000	129,000	129,000	129,000
Board Fees and Expenses	146,800	90,675	65,675	96,459	68,959	99,857	72,357
Software	18,500	9,250	9,250	9,250	9,250	9,250	9,250
Market Research	31,200	15,600	15,600	15,600	15,600	15,600	15,600
Repairs and Maintenance	58,800	25,900	25,900	28,400	28,400	28,400	28,400
Accommodation	13,800	7,000	7,000	7,250	7,250	7,500	7,500
Travel and Accommodation	101,328	52,522	52,522	54,723	54,723	57,022	57,022
Other Supplies	60,520	30,260	30,260	30,610	30,610	30,960	30,960
SUPPLY AND SERVICES	912,448	459,207	434,207	472,792	445,292	481,089	453,589
DEPRECIATION	25,200	12,600	12,600	12,600	12,600	12,600	12,600
Communications	36,000	18,000	18,000	18,000	18,000	18,000	18,000
Consumables	22,200	11,100	11,100	11,350	11,350	11,600	11,600
Other Administration	94,700	72,000	25,500	75,000	26,000	78,500	26,500
ADMINISTRATION	152,900	101,100	54,600	104,350	55,350	108,100	56,100
SQF Testing	13,200	5,000	5,000	3,000	3,000	2,500	2,500
PCN and Lab Tests	14,400	5,500	5,500	3,500	3,500	3,000	3,000
Variety DNA Study	22,500	0	0	0	0	0	0
ANALYSIS	50,100	10,500	10,500	6,500	6,500	5,500	5,500
TOTAL SERVICES COSTS	2,809,991	1,454,494	1,382,994	1,505,564	1,429,064	1,564,446	1,484,946
Services \$/t	\$60.13	\$61.02	\$58.02	\$61.93	\$58.78	\$61.48	\$58.36
NON OPERATING ACTIVITIES							
Interest Income - General Deposit	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)
QA Funds Recovered	(72,000)	(72,000)	(72,000)	(72,000)	(72,000)	(72,000)	(72,000)
Store Rental	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)	(65,000)
HAL Levy (50c/t)	23,368	11,917	11,917	12,156	12,156	12,723	12,723
Transfer to Reserves (0.5%)	117,013	61,467	61,467	62,696	62,696	65,514	65,514
Transfer ex Reserves							
SURPLUS FOR FINAL PAYMENTS	(1,159,418)	(730,357)	(801,857)	(412,079)	(488,579)	(376,175)	(455,675)
\$/T	(\$24.81)	(\$30.64)	(\$33.64)	(\$16.95)	(\$20.10)	(\$14.78)	(\$17.91)

