



# VATMI Views

## From Greg's Desk



Already we are in to August, and another financial year has passed. To say that the year just ended has been a challenge is an understatement, albeit under the circumstances we have enjoyed some success along the way.

It was probably about this time last year that I was reflecting the fact that VATMI was well placed to generate record profits for the year ahead. The order book in VaTPaK was looking good, and we were enjoying record commodity prices in our recycling businesses. And then the world changed!!

During the year we saw VaTPaK struggle to meet sales / production budgets as our larger customers ran down their inventory levels. We were challenged with periods where the workforce was idle and various strategies including shutdowns and retrenchments were deployed. I would sincerely hope that having made these sorts of workforce decisions, they are behind us as we move into the busiest part of our season. Having said that, they were responsible and equitable at the time, and for having made them the organisation is in much better shape than had they not been made.

In our recycling businesses, more than \$1m in budgeted revenue did not materialise as a consequence of the receipt of lower than budgeted commodity prices (paper / cardboard / plastics / steel / aluminium etc). The impact on cash-flow has been significant in this part of the business, and whilst still profitable it has bought its challenges.

Nonetheless, with challenge comes opportunity. We took the decision late last year to increase production in the recycling business, so that when the cycle turns we will be very well positioned to reap the benefits. In that regard we contracted to process all recyclables from Moira Shire Council for the next 10 years, and only last month we were successful in the tender for the Rural City of Wangaratta for the ensuing 9 years.

From those potential record profits, we will now record a financial loss and whilst not insignificant, does not place the organisation at risk. Vatmi Industries remains in a strong financial position and through prudent management, good governance and board oversight, will remain that way.

In the environment of the past year, some Australian Disability Enterprises (ADE's) have not fared as well. There have been a couple of examples recently of similar organisations being placed into Voluntary Administration by their respective Boards and the jobs of 100's of disabled employees are at risk of disappearing. These organisations were unable to pay their debts as they fell due, and were trading whilst insolvent. Whilst we remain hopeful that job losses will not be the case, there is much we can learn from this. Good corporate governance practices at Board level, strong leadership, management depth, an understanding of business risk, moderate levels of serviceable debt, and cash flow management are all qualities inherent in a sound business and qualities Vatmi works on improving all of the time.

Most economic commentators would suggest that whilst economic conditions in Australia are expected to remain subdued for the next 12 months, we are probably through the worst of it. At VATMI, we are starting to see a gradual increase in the commodity prices we receive in the recycling businesses and the outlook for VaTPaK is better than it has looked for some time.

**Greg Wasmund**  
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