

## **Safe Food Production NSW**

### **Financial Summary 2002/2003**

#### **Safe Food Production NSW and Consolidated Economic Entity Income and Expenditure**

##### **Safe Food Production NSW Income and Expenditure**

Income for the period ended 30 June 2003 was \$10.9 million. Major sources of income included:

- \$4.6 million in grants and contributions from government to assist with recurrent program and transitional costs of Safe Food, and
- \$4.8 million of industry levies and license fees collected by Safe Food.

Operating expenditure for the period was \$16.5 million. Major expenditure items included:

- \$4.9 million consisting of payments made by Safe Food toward superannuation and the changes in its superannuation liability as assessed by the Funds Actuary, and
- other employee related expenses of \$6.3 million.

The operating deficit was \$5.7 million.

##### **Economic Entity Consolidated Income and Expenditure**


The consolidated financial statements comprise the financial statements of Safe Food Production NSW, being the chief entity, and its controlled entities, Milk Marketing (NSW) Pty Limited and Pacific Industry Services Corporation Pty Limited. Safe Food Production NSW owns 100% of the issued share capital of Milk Marketing (NSW) Pty Limited and Pacific Industry Services Corporation Pty Limited.

The consolidated income of the consolidated entity for the period ended 30 June 2003 was \$10.9 million and the consolidated expenditure was \$16.5 million, resulting in an operating deficit of \$5.7 million.

Statement by Chief Executive Officer of Safe Food Production NSW

Pursuant to requirements of the Public Finance and Audit Act 1983, I, George Robert Davey, Chief Executive Officer of Safe Food Production New South Wales as at June 30, 2003 declare that in my opinion:

1. The accompanying Consolidated Financial Statements consisting of the Statements of Financial Position, Statements of Financial Performance, Statements of Cash Flows and the Notes thereto of Safe Food Production New South Wales and its group, consisting of Safe Food Production New South Wales and its controlled entities, Pacific Industry Services Corporation Pty Limited and Milk Marketing (NSW) Pty Limited, for the financial year ended 30 June 2003 exhibit a true and fair view of the financial position and transactions of the economic entity and Safe Food Production New South Wales.
2. The Consolidated Financial Statements have been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Consensus Views; and the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2000, and the Treasurer's Directions.
3. Further, I am not aware of any circumstances which would render any particulars included in the Consolidated Financial Statements to be misleading or inaccurate.



George Davey  
Chief Executive Officer

16 October 2003



GPO BOX 12  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT

### SAFE FOOD PRODUCTION NEW SOUTH WALES

To Members of the New South Wales Parliament

#### Audit Opinion

In my opinion, the financial report of Safe Food Production New South Wales:

- (a) presents fairly Safe Food Production NSW's and the consolidated entity's financial position as at 30 June 2003 and their financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

The opinion should be read in conjunction with the rest of this report.

#### The Chief Executive's Role

The financial report is the responsibility of the Chief Executive Officer. It consists of the statements of financial position, the statements of financial performance, the statements of cash flows and the accompanying notes for Safe Food Production NSW and the consolidated entity. The consolidated entity comprises Safe Food Production NSW and the entities controlled at the year's end or during the financial year.

#### The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Trustees in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Chief Executive had failed in his reporting obligations.

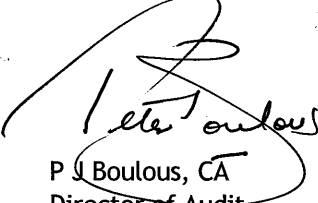
My opinion does *not* provide assurance:

- about the future viability of Safe Food Production NSW or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

### Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



P J Boulous, CA  
Director of Audit

SYDNEY  
17 October 2003

**Safe Food Production NSW  
Start of Audited Financial Statements**

**Statement of Financial Performance for the Year Ended 30 June 2003**

	Notes	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
<b>Income</b>					
Industry levies and license fees	2	4,786	5,075	4,786	5,075
Grants and contributions	3	4,589	6,311	4,589	6,311
Market reporting and project fees		-	750	-	750
Miscellaneous income and fees for service	4	551	720	571	5,327
Interest income	5	949	661	908	614
<b>Total Income</b>		<b>10,875</b>	<b>13,517</b>	<b>10,854</b>	<b>18,077</b>
<b>Expenditure</b>					
Employee related expenses	7	11,220	8,604	11,220	8,604
Other operating expenses	8	4,204	4,473	4,178	4,349
Maintenance		116	58	116	57
Depreciation	9	693	484	693	484
Grants and subsidies		8	9	8	9
Borrowing costs		-	2	-	-
Loss on disposal of non-current assets	6	287	38	287	38
Decrement on revaluation		-	-	6	2,358
<b>Total Expenditure</b>		<b>16,528</b>	<b>13,668</b>	<b>16,508</b>	<b>15,899</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES</b>	18	<b>(5,653)</b>	<b>(151)</b>	<b>(5,654)</b>	<b>2,178</b>
<b>NON-OWNER TRANSACTION CHANGES IN EQUITY</b>					
Net increase / (decrease) in asset revaluation reserve	16	68	-	68	(2,329)
<b>TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY</b>		<b>68</b>	<b>-</b>	<b>68</b>	<b>(2,329)</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>	16	<b>(5,585)</b>	<b>(151)</b>	<b>(5,586)</b>	<b>(151)</b>

The accompanying notes form part of these statements.

## Safe Food Production NSW

### Statement of Financial Position as at 30 June 2003

	Notes	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash	11A	5,426	8,890	5,160	7,909
Other Financial Assets	11B	10,967	10,195	10,236	10,195
Receivables	12	635	1,895	655	1,889
Other	10, 15C	-	2,257	-	2,257
<b>Total Current Assets</b>		<b>17,028</b>	<b>23,237</b>	<b>16,051</b>	<b>22,250</b>
<b>Non-Current Assets</b>					
Property, Plant and Equipment					
- Land and Buildings	13	3,965	380	3,965	380
- Plant and Equipment	13	2,637	2,597	2,637	2,597
Total Property, Plant and Equipment	13	6,602	2,977	6,602	2,977
Other Financial Assets	14	-	-	969	975
<b>Total Non-Current Assets</b>		<b>6,602</b>	<b>2,977</b>	<b>7,571</b>	<b>3,952</b>
<b>TOTAL ASSETS</b>		<b>23,630</b>	<b>26,214</b>	<b>23,622</b>	<b>26,202</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Payables	15A	1,346	1,570	1,341	1,560
Provisions	15B	1,565	992	1,565	992
Other	17	1,935	1,861	1,935	1,861
<b>Total Current Liabilities</b>		<b>4,846</b>	<b>4,423</b>	<b>4,841</b>	<b>4,413</b>
<b>Non-Current Liabilities</b>					
Provisions	15B	4,923	2,345	4,923	2,345
<b>Total Non-Current Liabilities</b>		<b>4,923</b>	<b>2,345</b>	<b>4,923</b>	<b>2,345</b>
<b>TOTAL LIABILITIES</b>		<b>9,769</b>	<b>6,768</b>	<b>9,764</b>	<b>6,758</b>
<b>NET ASSETS</b>		<b>13,861</b>	<b>19,446</b>	<b>13,858</b>	<b>19,444</b>
<b>EQUITY</b>					
Accumulated funds	16A	13,721	19,374	13,718	19,372
Reserves	16B	140	72	140	72
<b>Total Equity</b>		<b>13,861</b>	<b>19,446</b>	<b>13,858</b>	<b>19,444</b>

The accompanying notes form part of these statements.

Safe Food Production NSW

Statement of Cash Flows for the Year Ended 30 June 2003

	Notes	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Payments</b>					
Payments to suppliers and employees		(11,199)	(11,441)	(11,174)	(10,842)
Grants and subsidies		(8)	(9)	(8)	(9)
Interest paid		-	(2)	-	-
Payments for milk supplied		-	(165)	-	(165)
Milk industry scheme payments		(19)	(652)	(19)	(652)
<b>Total Payments</b>		<b>(11,226)</b>	<b>(12,269)</b>	<b>(11,201)</b>	<b>(11,668)</b>
<b>Receipts</b>					
Industry levies and licenses		6,420	4,752	6,420	4,752
Grants and contributions		4,589	6,311	4,589	6,311
Market reporting and project fees		-	750	-	750
Other fees for service		1,069	1,749	1,069	1,281
Interest received		994	661	953	614
<b>Total Receipts</b>		<b>13,072</b>	<b>14,223</b>	<b>13,031</b>	<b>13,708</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	18	<b>1,846</b>	<b>1,954</b>	<b>1,830</b>	<b>2,040</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of :-					
- Land and Buildings		-	4,273	-	-
- Plant and Equipment		565	821	565	821
Purchases of Property, Plant and Equipment		(5,103)	(1,998)	(5,103)	(1,998)
Proceeds from disposal of interest in associated company		-	525	-	-
Proceeds received from subsidiary company		-	-	-	4,597
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(4,538)</b>	<b>3,621</b>	<b>(4,538)</b>	<b>3,420</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of borrowings		-	(100)	-	-
Loan repayment from associated company		-	67	-	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>(33)</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>		<b>(2,692)</b>	<b>5,542</b>	<b>(2,708)</b>	<b>5,460</b>
Opening cash and cash equivalents		19,085	13,543	18,104	12,644
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	11A	<b>16,393</b>	<b>19,085</b>	<b>15,396</b>	<b>18,104</b>

The accompanying notes form part of these statements.

## **1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

### **1A Reporting Entity**

Safe Food Production NSW was established as a result of the proclamation of the Food Production (Safety) Act 1998. SafeFood's responsibility is to ensure that food safety standards are implemented in an integrated and consistent way.

Pacific Analysis Pty Limited was incorporated on 16 December 1994 and commenced operations on 1 March 1995. It changed its name to Pacific Industry Services Corporation Pty Limited on 9 July 1996. The company was established for the purpose of providing laboratory services. These were discontinued in February 2000. On 15 May 2000 all assets except land and buildings were sold to Microtech Laboratories (NSW) Pty Ltd in consideration for a 35% share in that entity. On 1 May 2001, the company's interest in Microtech Laboratories (NSW) Pty Ltd was sold.

Milk Marketing (NSW) Pty Limited was incorporated on 27 June 1989 and began trading at that date. Its principle activity was the promotion of milk and dairy products in NSW on behalf of SafeFood. The company ceased all marketing activities at 30 June 2000 and continues as a subsidiary of SafeFood. All remaining funds continue to be used for the benefit of the NSW dairy industry.

Pacific Industry Services Corporation Pty Limited and Milk Marketing (NSW) Pty Limited are controlled by their respective boards of directors, one of each being a SafeFood representative.

Pacific Industry Services Corporation is likely to be wound up during 2003/2004, pending resolution of an outstanding matter. (Refer note 21 (c)).

### **1B Basis of Accounting**

SafeFood's financial statements are a general purpose financial report which has been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views; and
- the requirements of the Public Finance and Audit Act, Regulations and Treasurers Directions.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered.

Except for certain investments and land and buildings, which are recorded at fair value, the financial statements are prepared in accordance with the historical cost convention.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

## **1C Principles of Consolidation**

The consolidated financial statements comprise the financial statements of Safe Food Production NSW being the chief entity, and its controlled entities, Pacific Industry Services Corporation Pty Limited and Milk Marketing (NSW) Pty Limited.

The consolidated financial statements have been prepared in accordance with Australian Accounting Standard AAS 24 "Consolidated Financial Reports".

All inter-entity balances and transactions have been eliminated.

## **1D Revenue Recognition**

Revenue is recognized when the entity has control of the good or right to receive, it is probable that the economic benefits will flow to SafeFood and the amount of revenue can be measured reliably.

### **(i) Grants and Contributions from Other Bodies**

Grants and contributions from other bodies are generally recognised as revenues when SafeFood obtains control over the asset comprising the contribution. Control over grants and contributions is normally obtained upon receipt of the cash.

### **(ii) Industry Levies and License Fees**

Industry levies payable by producers and license fees are arrived at by recognising amounts due for the period ending 30 June 2003, rather than amounts invoiced by SafeFood for the calendar year ending 31 December 2003, in the case of levies or the respective license fee year. Adjustments are then made for amounts received in advance and amounts owed.

### **(iii) Sale of Goods and Services**

Revenue from the sale of goods and services comprises revenue from the provision of products or services i.e. user charges. User charges are recognised as revenue when the right to receive payment is established.

### **(iv) Investment Income**

Interest revenue is recognised as it accrues. Rent revenue is recognised in accordance with AAS 17 'Accounting for Leases'.

## **1E Provisions**

Liabilities for wages and salaries, annual leave, long service leave, and on-costs are recognised and measured in respect of employee services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

Unused, non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the entitlements accrued in the future.

The outstanding amounts of payroll tax and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee entitlements to which they relate have been recognised.

Long service leave is measured on a nominal basis. The nominal method is based on the remuneration rates at year end for all employees with five or more years of service. It is considered that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Treasury Managed Fund normally calculates hindsight premiums each year for workers' compensation. However the final hindsight adjustment for the 1997/1998 fund year and an interim adjustment for the 1999/2000 fund year has not yet been calculated. The basis for calculating the hindsight premium is currently being reviewed and will not be resolved until next financial year.

## **1F Financial Instruments**

Financial instruments give rise to positions that are financial assets or liabilities. All financial instruments of SafeFood are carried at their net fair value.

### **(i) Cash**

Cash comprises cash on hand and bank balances. Interest is earned on daily bank balances. The average interest rate for the year was 4.25% (4.02% in 2001/2002).

### **(ii) Receivables**

All receivables are recognised at balance date. Collectability of receivables is reviewed on an on-going basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on receivables. All amounts due at 30 June 2003 are considered to be collectable other than the amounts provided at note 12.

**(iii) Payables**

Liabilities are recognised for amounts due to be paid in the future for goods and services received whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or statement is received. No interest for late payment was paid during the year.

**1G Other Financial Assets**

**(i) Current Other Financial Assets**

Current other financial assets comprise short term deposits including Treasury Corporation Hour-glass cash facility, St George Bank and IMB Society Call Account Deposits. Interest on Treasury Corporation deposits is earned on a daily basis at the NSW Treasury Corporation 11am official cash rate. Interest on St George Bank Call Account deposits and IMB Society Call Account deposits is earned on a monthly basis at the 11am official cash rate. The average interest rate for the year ranged from 4.25% to 4.85% (4.02% to 4.62% in 2001/2002).

**(ii) Non-Current Other Financial Assets**

Revaluation increments for non-current other financial assets are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the Statement of Financial Performance, the increment is recognised immediately as revenue in the Statement of Financial Performance.

Revaluation decrements are recognised in the Statement of Financial Performance except to the extent that the decrement reverses an increment previously credited to the asset revaluation reserve, in which case it is debited to the asset revaluation reserve.

**1H Insurance**

SafeFood has arranged insurance to cover all aspects of normal commercial risk over assets and potential liabilities. SafeFood's wholly owned subsidiaries, Pacific Industry Services Corporation Pty Limited and Milk Marketing (NSW) Pty Limited, have made arrangements for insurance cover similar to that of SafeFood.

**1I Accounting For the Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except:

- the amount of GST incurred by the agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

## **1J Acquisitions of Assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by SafeFood. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to acquisition.

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

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing seller in an arm's length transaction.

## **1K Plant and Equipment**

Plant and equipment costing \$5,000 and above individually are capitalised.

## **1L Revaluation of Physical Non-Current Assets**

Buildings are valued at their fair value in accordance with AASB 1041 "Revaluation of Non-Current Assets". Land is valued at fair value in accordance with AASB 1041, having regard to its highest and best use. In both cases the highest and best use is considered to be equal to its existing use, subject to any restrictions or enhancements since acquisition. Plant and equipment are recorded at depreciated historical cost as a surrogate for fair value.

Each class of physical non-current asset is revalued every 5 years and with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The last such valuation was in regard to SafeFood's property at Taree and was at 16 April 2003 by the State Valuers Office.

The recoverable amount test has not been applied as SafeFood is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the Statement of Financial Performance, the increment is recognised immediately as revenue in the Statement of Financial Performance.

Revaluation decrements are recognised immediately as expenses in the Statement of Financial Performance, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

### **1M Depreciation of Non-Current Physical Assets**

Depreciation is provided on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to SafeFood. Land is not a depreciable asset.

All material separately identifiable component assets are recognised and depreciated over their shorter useful lives, including those components that in effect represent periodic maintenance.

The depreciation rates used are:-

Buildings	3.33%
Leasehold Improvements	16.67%
Motor Vehicles	5.00% to 10.00%
Computer Equipment	33.33%
Other Equipment	20.00% to 33.33%
Furniture & Fittings	10.00% to 14.33%

### **1N Maintenance and Repairs**

The costs of maintenance are charged as expenses incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated.

### **1O Leased Assets**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

### **1P Income Tax**

Pacific Industry Services Corporation Pty Limited was, in prior years, the only Corporation in the Economic Entity subject to income tax. It has been ruled to be a State/Territory body (STB) exempt from Commonwealth Income Tax pursuant to section 24AM Income Tax Assessment Act 1936 in Private Ruling Authorisation Number 6968 for the purposes of Part IVAA of the Taxation Administration Act 1953. The ruling was given on 1 October 2001 and has retrospective application from the year ended 30 June 1995 to the year ending 30 June 2004.

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the Year Ended 30 June 2003

**2 INDUSTRY LEVIES AND LICENSES FEES**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Industry Levies	1,173	1,835	1,173	1,835
License Fees	3,613	3,240	3,613	3,240
<b>Total Industry Levies and License Fees</b>	<b>4,786</b>	<b>5,075</b>	<b>4,786</b>	<b>5,075</b>

**3 GRANTS AND CONTRIBUTIONS**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Grants and Contributions received from:				
NSW Department of Agriculture	4,500	6,321	4,500	6,321
Commonwealth Department of Health	-	(15)	-	(15)
Others	89	5	89	5
<b>Total Grants and Contributions</b>	<b>4,589</b>	<b>6,311</b>	<b>4,589</b>	<b>6,311</b>

**4 MISCELLANEOUS INCOME AND FEES FOR SERVICE**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Forgiveness of Debt	-	-	-	4,597
Audit fees	490	535	490	535
Rent and Property Income (from sub-tenants)	44	65	44	65
Other income	17	120	37	130
<b>Total Miscellaneous Income and Fees</b>	<b>551</b>	<b>720</b>	<b>571</b>	<b>5,327</b>

**5 INTEREST INCOME**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Interest Income	994	717	953	670
<b>Less:</b>				
Interest allocation to:-				
- Contingency Fund	44	40	44	40
- Dairy Deregulation Assistance Fund	1	16	1	16
<b>Net Interest Income</b>	<b>949</b>	<b>661</b>	<b>908</b>	<b>614</b>

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the Year Ended 30 June 2003

**6 GAIN / (LOSS) ON DISPOSAL OF NON-CURRENT ASSETS**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Gain / (loss) on disposal of plant & equipment				
Proceeds from disposal	565	821	565	821
Written down value of assets disposed	852	859	852	859
<b>Gain / (loss) on disposal of non-current assets</b>	<b>(287)</b>	<b>(38)</b>	<b>(287)</b>	<b>(38)</b>

**7 EMPLOYEE RELATED EXPENSES**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Salaries and allowances	4,720	4,473	4,720	4,473
Superannuation charges	4,914	2,676	4,914	2,676
Recreation and extended leave	453	656	453	656
Redundancy	490	17	490	17
Payroll tax	266	328	266	328
Other	377	454	377	454
<b>Total Employee Related Expenses</b>	<b>11,220</b>	<b>8,604</b>	<b>11,220</b>	<b>8,604</b>

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the Year Ended 30 June 2003

**8 OTHER OPERATING EXPENSES**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
External Audit Fees - Current year	64	64	60	60
External Audit Fees - Prior years	-	71	-	71
Bad & Doubtful Debts	9	251	9	251
Consultancy	215	260	215	259
Contractors	430	422	430	422
Emergency Management	-	(100)	-	(100)
Information Technology Costs	462	539	462	539
FBT, Financial Duty and Charges	97	110	96	108
Laboratory Services	202	40	202	40
Legal Fees	80	161	80	161
Miscellaneous Expenses	282	319	269	215
Producer levy Administration Fee	82	83	82	83
Public Relations and Advertising	31	46	31	46
Rent	929	774	929	774
Staff Training	62	88	62	88
Stakeholder Liaison	104	138	102	137
Stores, Stationery & Printing	149	210	149	210
Postage & Telephone	331	371	331	370
Travel	675	626	669	615
<b>Total Other Operating Expenses</b>	<b>4,204</b>	<b>4,473</b>	<b>4,178</b>	<b>4,349</b>

**9 DEPRECIATION EXPENSE**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Buildings	9	8	9	8
Leasehold Improvements	8	99	8	99
Equipment	11	17	11	17
Computers	478	154	478	154
Furniture	73	87	73	87
Motor Vehicles	114	119	114	119
<b>Total Depreciation Expense</b>	<b>693</b>	<b>484</b>	<b>693</b>	<b>484</b>

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the Year Ended 30 June 2003

**10 INDIVIDUALLY SIGNIFICANT ITEMS**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Superannuation Provision	(4,914)	(2,676)	(4,914)	(2,676)
Forgiveness of Debt	-	-	-	4,597
Writedown of Investment	-	-	-	(2,358)
<b>Total of Individually Significant Items</b>	<b>(4,914)</b>	<b>(2,676)</b>	<b>(4,914)</b>	<b>(437)</b>

SafeFood has recognised a superannuation expense of \$4,914,000 in its employee related expenses (note 7) for the year ending 30 June 2003. This expense consists of payments made by SafeFood toward superannuation and the changes in the superannuation liability as assessed by the Funds Actuary.

**11 CASH AND CASH EQUIVALENTS**

**11A Cash**

For the purposes of the Statement of Cash Flows, SafeFood considers cash to be cash at bank, cash advances and short term deposits as follows:

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Cash at Bank	5,390	8,849	5,124	7,868
Cash Advances	36	41	36	41
<b>Total Cash</b>	<b>5,426</b>	<b>8,890</b>	<b>5,160</b>	<b>7,909</b>
Short Term Deposits	10,967	10,195	10,236	10,195
<b>Total Cash and Cash Equivalents</b>	<b>16,393</b>	<b>19,085</b>	<b>15,396</b>	<b>18,104</b>

**11B Other Financial Assets**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Short term investments	10,073	9,342	9,342	9,342
T Corp Hour-glass Cash Facility	894	853	894	853
<b>Total Other Financial Assets</b>	<b>10,967</b>	<b>10,195</b>	<b>10,236</b>	<b>10,195</b>

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the Year Ended 30 June 2003

**12 RECEIVABLES**

Receivables are stated after allowing for doubtful debts as follows:

	<b>Consolidated 2003 \$'000</b>	<b>Consolidated 2002 \$'000</b>	<b>SafeFood 2003 \$'000</b>	<b>SafeFood 2002 \$'000</b>
Accounts receivable	883	2,147	903	2,137
Provision for doubtful debts	(248)	(252)	(248)	(248)
<b>Total Receivables</b>	<b>635</b>	<b>1,895</b>	<b>655</b>	<b>1,889</b>

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the Year Ended 30 June 2003

**13 PROPERTY PLANT AND EQUIPMENT**

**13A Fair value, less accumulated depreciation**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
<b>Land:</b>				
At fair value	1,380	130	1,380	130
	1,380	130	1,380	130
<b>Buildings:</b>				
At fair value	527	245	527	245
Accumulated depreciation	(266)	(33)	(266)	(33)
	261	212	261	212
<b>Buildings:</b>				
At fair value - work in progress	2,295	-	2,295	-
	2,295	-	2,295	-
<b>Leasehold improvements:</b>				
At fair value	869	869	869	869
Accumulated depreciation	(840)	(831)	(840)	(831)
	29	38	29	38
<b>Total Land and Buildings:</b>				
At fair value	5,071	1,244	5,071	1,244
Accumulated depreciation	(1,106)	(864)	(1,106)	(864)
	<b>3,965</b>	<b>380</b>	<b>3,965</b>	<b>380</b>
<b>Motor vehicles:</b>				
At fair value	1,219	1,238	1,219	1,238
Accumulated depreciation	(82)	(78)	(82)	(78)
	1,137	1,160	1,137	1,160
<b>Computer equipment:</b>				
At fair value	2,055	1,754	2,055	1,754
Accumulated depreciation	(818)	(639)	(818)	(639)
	1,237	1,115	1,237	1,115
<b>Other equipment:</b>				
At fair value	320	304	320	304
Accumulated depreciation	(276)	(268)	(276)	(268)
	44	36	44	36
<b>Furniture &amp; Fittings:</b>				
At fair value	742	738	742	738
Accumulated depreciation	(523)	(452)	(523)	(452)
	219	286	219	286
<b>Total Plant and Equipment:</b>				
At fair value	4,336	4,034	4,336	4,034
Accumulated depreciation	(1,699)	(1,437)	(1,699)	(1,437)
	<b>2,637</b>	<b>2,597</b>	<b>2,637</b>	<b>2,597</b>
<b>Written Down Value</b>	<b>6,602</b>	<b>2,977</b>	<b>6,602</b>	<b>2,977</b>

Land and buildings were revalued at 16 April 2003 by the State Valuers Office.

Management is of the view that the market value of the remaining assets is assessed as being the written down value at 30 June 2003.

**13 PROPERTY PLANT AND EQUIPMENT**

**13A Fair value, less accumulated depreciation (continued)**

SafeFood has determined that the value of fully depreciated non-current assets still being used is not material. The original value of this equipment was \$1,422,329 (June 2002 - \$1,257,703).

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the Year Ended 30 June 2003

13B Reconciliation of carrying amounts

2003	Consolidated		SafeFood	
	Land and Buildings \$'000	Plant and Equipment \$'000	Land and Buildings \$'000	Plant and Equipment \$'000
Carrying amount at 1 July 2002	380	2,597	380	2,597
Additions	3,534	1,569	3,534	1,569
Disposals	-	(1,267)	-	(1,267)
Revaluation increments	68	-	68	-
Depreciation expense	(17)	(676)	(17)	(676)
Depreciation written back on assets disposed	-	414	-	414
<b>Carrying amount at 30 June 2003</b>	<b>3,965</b>	<b>2,637</b>	<b>3,965</b>	<b>2,637</b>
<b>Total</b>	<b>6,602</b>	<b>6,602</b>	<b>6,602</b>	<b>6,602</b>

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the Year Ended 30 June 2003

**14 OTHER FINANCIAL ASSETS**

**INVESTMENT IN CONTROLLED AND ASSOCIATED COMPANIES**

**14A Non-Current Other Financial Assets**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Controlled companies at fair value	-	-	969	975
<b>Total Non-Current Other Financial Assets</b>	<b>-</b>	<b>-</b>	<b>969</b>	<b>975</b>

**14B Reconciliation of carrying amounts**

2003	<u>Consolidated</u> Total \$'000	Milk Marketing \$'000	<u>SafeFood</u> Pacific Industry Services Corporation \$'000	Total \$'000
Carrying amount at 1 July 2002	-	748	227	975
Operating Deficit	-	(6)	-	(6)
<b>Carrying amount at 30 June 2003</b>	<b>-</b>	<b>742</b>	<b>227</b>	<b>969</b>

**15A PAYABLES**

Payables comprise:

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Accrued salaries, wages and on-costs	134	108	134	108
Creditors	1,212	1,459	1,207	1,449
Other	-	3	-	3
<b>Total Payables</b>	<b>1,346</b>	<b>1,570</b>	<b>1,341</b>	<b>1,560</b>

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the Year Ended 30 June 2003

**15B PROVISIONS**

Employee benefits and related oncosts:

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
<b>Current Provisions</b>				
Recreation leave	555	484	555	484
Extended leave	478	435	478	435
Provision for redundancy	532	73	532	73
<b>Total Current Provisions</b>	<b>1,565</b>	<b>992</b>	<b>1,565</b>	<b>992</b>
<b>Non-Current Provisions</b>				
Superannuation	2,670	301	2,670	301
Recreation leave	185	161	185	161
Extended Leave	2,068	1,883	2,068	1,883
<b>Total Non-Current Provisions</b>	<b>4,923</b>	<b>2,345</b>	<b>4,923</b>	<b>2,345</b>
<b>Total Provisions</b>	<b>6,488</b>	<b>3,337</b>	<b>6,488</b>	<b>3,337</b>
<b>Aggregate Employee Benefits and Related On-Costs:</b>				
Provisions - Current	1,565	992	1,565	992
Provisions - Non-Current	4,923	2,345	4,923	2,345
Accrued salaries, wages and on-costs	15A 134	108	134	108
<b>Aggregate Employee Benefits Liability</b>	<b>6,622</b>	<b>3,445</b>	<b>6,622</b>	<b>3,445</b>

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the Year Ended 30 June 2003

**15C SUPERANNUATION**

SafeFood operates a number of employee superannuation plans administered by Pillar Administration on behalf of State Super, as follows:

- (i) SASS State Authorities Superannuation Scheme,
- (ii) SSS State Superannuation Scheme, and
- (iii) SANCS State Authorities Non-Contributory Superannuation Scheme.

The assessment of SafeFood's gross superannuation liabilities at 30 June 2003, for the defined benefit schemes administered by Pillar Administration is based on the standard economic assumptions adopted by the Funds Actuary from the valuations carried out at 30 June 2003 as follows:

	2003/04	2004/05	2005/06
	%pa	%pa	%pa
Investment return	7.0	7.0	7.0
Salary growth rate	4.0	4.0	4.0
Consumer Price Index	2.5	2.5	2.5

Movements in balances relating to the superannuation schemes in operation are as follows:

	Consol.		SafeFood			SafeFood	
	2003	2002	2003	SASS	SSS	SANCS	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance 1 July 2002	1,956	4,148	1,956	(161)	2,257	(140)	4,148
Superannuation charges for the year	(4,626)	(2,192)	(4,626)	(75)	(4,574)	23	(2,192)
<b>Balance 30 June 2003</b>	<b>(2,670)</b>	<b>1,956</b>	<b>(2,670)</b>	<b>(236)</b>	<b>(2,317)</b>	<b>(117)</b>	<b>1,956</b>
Liability assessed by Pillar Administration at 30 June 2003	(28,517)	(26,160)	(28,517)	(526)	(27,439)	(552)	(26,160)
Less: Employer's superannuation investment	25,847	28,116	25,847	290	25,122	435	28,116
<b>Balance 30 June 2003</b>	<b>(2,670)</b>	<b>1,956</b>	<b>(2,670)</b>	<b>(236)</b>	<b>(2,317)</b>	<b>(117)</b>	<b>1,956</b>

SafeFood's superannuation position has been disclosed as part of Other Assets and Non-Current Provisions in the Statement of Financial Position.

16 EQUITY

16A Changes in Equity

	Consolidated						SafeFood					
	Accumulated Funds		Asset Revaluation Reserve		Total Equity		Accumulated Funds		Asset Revaluation Reserve		Total Equity	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	19,374	19,525	72	72	19,446	19,597	19,372	17,194	72	2,401	19,444	19,595
<b>Changes in Equity - Other Than Transactions With Owners As Owners</b>												
Surplus / (Deficit) for the Year	(5,653)	(151)	-	-	(5,653)	(151)	(5,654)	2,178	-	-	(5,654)	2,178
Increment / (Decrement) on Revaluation of:												
Investments in Controlled Companies	-	-	-	-	-	-	-	-	-	(2,329)	-	(2,329)
Land and Buildings	-	-	68	-	68	-	-	-	68	-	68	-
<b>Total</b>	<b>(5,653)</b>	<b>(151)</b>	<b>68</b>	<b>-</b>	<b>(5,585)</b>	<b>(151)</b>	<b>(5,654)</b>	<b>2,178</b>	<b>68</b>	<b>(2,329)</b>	<b>(5,586)</b>	<b>(151)</b>
<b>Closing Balance</b>	<b>13,721</b>	<b>19,374</b>	<b>140</b>	<b>72</b>	<b>13,861</b>	<b>19,446</b>	<b>13,718</b>	<b>19,372</b>	<b>140</b>	<b>72</b>	<b>13,858</b>	<b>19,444</b>

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the Year Ended 30 June 2003

**16B Reserves**

	<b>Consolidated 2003 \$'000</b>	<b>Consolidated 2002 \$'000</b>	<b>SafeFood 2003 \$'000</b>	<b>SafeFood 2002 \$'000</b>
Revaluation increment on land and buildings	140	72	140	72
<b>Total Asset Revaluation Reserve</b>	<b>140</b>	<b>72</b>	<b>140</b>	<b>72</b>

Safe Food Production NSW Notes to and Forming Part of the Financial Statements  
For the Year Ended 30 June 2003

**17 OTHER CURRENT LIABILITIES**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Milk Industry Funds	1,090	1,064	1,090	1,064
Income Received in Advance	845	797	845	797
<b>Total Other Current Liabilities</b>	<b>1,935</b>	<b>1,861</b>	<b>1,935</b>	<b>1,861</b>

**17A MILK INDUSTRY FUNDS**

There were two funds in operation during the period:

CF: The Contingency Fund allows SafeFood to pay abnormal industry costs which have ministerial approval for payment.

DAF: The Deregulation Assistance Fund established to assist the dairy industry in paying costs associated with Farm Gate Deregulation.

Balances and movements on these funds during the period were as follows:

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	CF \$'000	DAF \$'000	SafeFood 2002 \$'000
Balance at 1 July 2002	1,064	1,657	1,064	1,048	16	1,657
Add:						
Interest received	45	56	45	44	1	56
	1,109	1,713	1,109	1,092	17	1,713
Less:						
(Payments)/transfers between funds	(19)	(649)	(19)	(22)	3	(649)
<b>Milk Industry Funds Balance at 30 June 2003</b>	<b>1,090</b>	<b>1,064</b>	<b>1,090</b>	<b>1,070</b>	<b>20</b>	<b>1,064</b>

**17B INCOME RECEIVED IN ADVANCE**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Producer Levy	257	491	257	491
License Fees	588	306	588	306
<b>Total Income Received in Advance</b>	<b>845</b>	<b>797</b>	<b>845</b>	<b>797</b>

**18 RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) FOR THE YEAR FROM ORDINARY  
ACTIVITIES TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Surplus / (Deficit) For The Year From Ordinary Activities	(5,653)	(151)	(5,654)	2,178
Forgiveness of Debt	-	-	-	(4,597)
Decrement on Revaluation of Non-Current Investments	-	-	6	2,358
Depreciation	693	484	693	484
Loss on Sale of Non-Current Assets	287	38	287	38
Doubtful Debts Written Off	9	130	9	130
Superannuation Provision	4,626	1,891	4,626	1,891
(Increase) / Decrease in Receivables	1,256	42	1,230	(422)
(Decrease) / Increase in Milk Payables	-	(165)	-	(165)
(Decrease) / Increase in Other Payables	(228)	624	(223)	1,084
(Decrease) / Increase in Industry Funds	26	(593)	26	(593)
(Decrease) / Increase in Provisions	782	(229)	782	(229)
(Decrease) / Increase in Income Received in Advance	48	(117)	48	(117)
<b>Net Cash Flows From Operating Activities</b>	<b>1,846</b>	<b>1,954</b>	<b>1,830</b>	<b>2,040</b>

## 19 RELATED PARTIES

### (a) Wholly-Owned Group

Details of wholly-owned controlled entities are set out at notes 1A and 14A. Details of dealings with these entities are set out below:

### (b) Consolidation Summary

2003	Total margin	Operating result	Total assets
	\$'000	\$'000	\$'000
Safe Food Production NSW	10,854	(5,654)	23,622
Pacific Industry Services Corporation Pty Limited	9	-	229
Milk Marketing (NSW) Pty Limited	31	(6)	775
Consolidation eliminations	(19)	7	(996)
<b>Total</b>	<b>10,875</b>	<b>(5,653)</b>	<b>23,630</b>

2002	Total margin	Operating result	Total assets
	\$'000	\$'000	\$'000
Safe Food Production NSW	18,077	2,178	26,202
Pacific Industry Services Corporation Pty Limited	19	(4,698)	229
Milk Marketing (NSW) Pty Limited	29	11	758
Consolidation eliminations	(4,608)	2,358	(975)
<b>Total</b>	<b>13,517</b>	<b>(151)</b>	<b>26,214</b>

### (c) Balances with Entities within the Wholly-Owned Group

At 30 June 2003 no amounts were owed by SafeFood to Pacific Industry Services Corporation Pty Limited (nil in 2001/2002) or to Milk Marketing (NSW) Pty Limited (nil in 2001/2002).

At 30 June 2003 no amounts were due to SafeFood from Pacific Industry Services Corporation Pty Limited (\$nil in 2001/2002). An amount of \$28,865 was due to SafeFood from Milk Marketing (NSW) Pty Limited (\$2,561 in 2001/2002).

### (d) Other Transactions

The terms and conditions of the transactions with wholly-owned entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to entities on an arm's length basis.

**20 EXPENDITURE COMMITMENTS**

**20A Operating Lease Commitments**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Not later than one year	371	637	371	637
Later than one year and not later than 5 years	25	32	25	32
<b>Total (including GST)</b>	<b>396</b>	<b>669</b>	<b>396</b>	<b>669</b>

Representing non cancellable leases:

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Computer Equipment	27	48	27	48
Premises	337	621	337	621
Motor Vehicles	32	-	32	-
<b>Total (including GST)</b>	<b>396</b>	<b>669</b>	<b>396</b>	<b>669</b>

**20B Contractual Commitments**

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Not later than one year	2,785	476	2,785	476
Later than one year and not later than 5 years	56	112	56	112
<b>Total (including GST)</b>	<b>2,841</b>	<b>588</b>	<b>2,841</b>	<b>588</b>

Representing non cancellable contracts:

	Consolidated 2003 \$'000	Consolidated 2002 \$'000	SafeFood 2003 \$'000	SafeFood 2002 \$'000
Land and Building	2,559	-	2,559	-
Office Repairs	135	-	135	-
Client Management System Development	-	210	-	210
Computer Systems Maintenance	142	230	142	230
Computer Systems Upgrade	-	39	-	39
Human Resources	5	109	5	109
<b>Total (including GST)</b>	<b>2,841</b>	<b>588</b>	<b>2,841</b>	<b>588</b>

The total expenditure commitments above include input tax credits of \$294,000 (\$114,000 in 2001/2002) that are expected to be recoverable from the Australian Taxation Office.

## 21 CONTINGENT ASSETS AND LIABILITIES

### (a) SafeFood

At balance date there are no material contingent liabilities or assets that need to be included in the financial report.

### (b) Milk Marketing

Milk Marketing has no contingent liabilities or assets at 30 June 2003 ( 2001/2002 nil).

### (c) Pacific Industry Services Corporation

There is one matter in existence at 30 June 2003 relating to the recovery of an amount of \$427,000 GST paid to the Australian Taxation Office out of the proceeds from the sale of the company's land and building.

SafeFood is seeking recovery of the amount from the Crown Solicitor's Office who acted for Pacific Industry Services Corporation Pty Limited with regard to the sale of its property.

## 22 DISCONTINUING OPERATIONS

### (a) National Livestock Reporting Service

The National Livestock Reporting Service (NLRS) is a unit that was part of the former NSW Meat Industry Authority, which amalgamated with SafeFood in August 2000. SafeFood entered into an agreement on 30 June 2002 to sell the National Livestock Reporting Service on 1 July 2002 for a sum of \$5.00, to Meat and Livestock Australia. The functions performed by the NLRS are non-food safety functions, and are considered to fall outside of SafeFood's core business activities. Its main function is the provision of market intelligence on livestock sale prices to the meat industry on a national basis.

### (b) National Livestock Reporting Service Operating Results

	SafeFood 2003 \$'000	SafeFood 2002 \$'000
<b>Income</b>		
Industry levies and license fees	-	704
Market reporting and project fees	(13)	750
<b>Total Income</b>	<u>(13)</u>	<u>1,454</u>
<b>Expenditure</b>		
Employee related expenses	63	554
Other Operating expenses	6	922
Maintenance	-	6
Loss on Sale of Assets	207	-
Depreciation and amortisation	-	40
<b>Total Expenditure</b>	<u>276</u>	<u>1,522</u>
<b>Deficit for the year</b>		
<b>From ordinary activities</b>	<u>(289)</u>	<u>(68)</u>

**22 DISCONTINUING OPERATIONS**

**(c) National Livestock Reporting Service Assets and Liabilities To Be Settled**

The carrying amounts of the assets and liabilities of the National Livestock Reporting Service to be settled at 30 June 2003 and 30 June 2002 were:

	<b>SafeFood 2003 \$'000</b>	<b>SafeFood 2002 \$'000</b>
Total Assets	-	197
Total Liabilities	-	-
<b>Net Assets</b>	<b>-</b>	<b>197</b>

**(d) National Livestock Reporting Service Cash Flow Information**

	<b>SafeFood 2003 \$'000</b>	<b>SafeFood 2002 \$'000</b>
Cash inflow / (outflow) from operating activities	117	(102)
Cash inflow / (outflow) from investing activities	-	(78)
<b>Total cash inflow / (outflow)</b>	<b>117</b>	<b>(180)</b>

**23 SEGMENT INFORMATION**

SafeFood operates predominantly in one industry being the food safety industry and in one geographical location being New South Wales.

**24 EVENTS SUBSEQUENT TO BALANCE DATE**

There were no events occurring after reporting date that would significantly affect the status of these financial statements.

**END OF AUDITED FINANCIAL STATEMENTS**

## Safe Food Production NSW

### Supplementary Financial Information

#### 1. SAFE FOOD PRODUCTION NSW PERFORMANCE AGAINST BUDGET

	Budget	Actual	Budget
	2003	2003	2004
	\$'000	\$'000	\$'000
<b>Income</b>			
Industry levies	969	1,173	615
License fees	3,385	3,613	4,121
Grants and contributions	4,584	4,589	4,500
Audit fees	449	490	988
Rent and property income	21	44	21
Interest income	450	908	232
Miscellaneous	20	37	17
<b>Total Income</b>	<b>9,878</b>	<b>10,854</b>	<b>10,494</b>
<b>Expenditure</b>			
Salaries and allowances	5,014	4,720	4,983
Superannuation charges	440	4,914	588
Recreation and extended leave	551	453	553
Redundancy	190	490	-
Payroll tax	294	266	298
Miscellaneous employee related	242	377	239
Bad & doubtful debts	-	9	-
Consultancy	501	215	274
Contractors	884	430	848
External audit fees	60	60	75
FBT, financial duty and charges	120	96	119
Grants and subsidies	7	8	2
HACCP initiative	68	-	48
Information technology costs	585	462	544
Laboratory services	628	202	581
Legal fees	156	80	122
Loss on disposal of non-current assets	-	287	-
Maintenance	41	116	46
Miscellaneous expenses	355	269	372
Postage & telephone	377	331	376
Producer levy administration fee	77	82	77
Public relations and advertising	18	31	9
Rent	869	929	456
Staff training	125	62	121
Stakeholder Liaison	177	102	139
Stores, stationery & printing	104	149	147
Travel	587	669	583
Decrement on revaluation	-	6	-
Depreciation	706	693	809
<b>Total Expenditure</b>	<b>13,176</b>	<b>16,508</b>	<b>12,409</b>
<b>DEFICIT FOR THE YEAR</b>	<b>(3,298)</b>	<b>(5,654)</b>	<b>(1,915)</b>

## Safe Food Production NSW

### Supplementary Financial Information

#### 2. 2002/2003 INCOME AND EXPENDITURE BUDGET

The 2002/2003 budget information represents the final operating budget for Safe Food Production NSW for the period, depicting a budgeted operating deficit of \$3,298,000.

The budgeted and the actual operating results differ chiefly for two reasons. During the year interest income totaling \$908,000 was received, however interest was budgeted at \$449,000 for the year. The increase in interest received over that budgeted was as a due to the postponement of expenditure on SafeFood's new head office building.

SafeFood also recognised a superannuation expense of \$4,914,000 in its employee related expenses for the year ending 30 June 2003. The expense consists of payments made by SafeFood toward superannuation and the changes in the superannuation liability as assessed by the Funds Actuary. Safe Food's budget included an estimate of payments to be made for superannuation during the period. SafeFood was not able to estimate the actuarial assessment of the change in superannuation liability. This was the main reason for the resultant operating deficit being significantly greater than budgeted.

#### 3. ACCOUNTS PAYABLE

Safe Food Production NSW payment performance indicators.

	1st Quarter 30 Sep 02 \$	2nd Quarter 31 Dec 02 \$	3rd Quarter 31 Mar 03 \$	4th Quarter 30 Jun 03 \$
Current ie. Within due date	1,978,475	3,277,698	3,027,698	2,913,129
Less than 30 days overdue	-	-	-	-
Between 30 and 60 days overdue	-	-	-	-
<b>Total dollar amount of accounts paid</b>	<b>1,978,475</b>	<b>3,277,698</b>	<b>3,027,698</b>	<b>2,913,129</b>
<b>Percentage of accounts paid on time</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

#### 4. MAJOR ASSETS

Property held by Safe Food Production NSW

	At Cost 2003 \$'000	At Valuation 2003 \$'000	WDV 2003 \$'000	WDV 2002 \$'000
Taree Office	-	667	401	342
Sydney Office	-	3,535	3,535	-
Leasehold improvements	869	-	29	38
<b>Total property held</b>	<b>869</b>	<b>4,202</b>	<b>3,965</b>	<b>380</b>