



NSW Food Authority **Annual Report 2005/2006**

## Part 2

# Controlled Entities of the NSW Food Authority



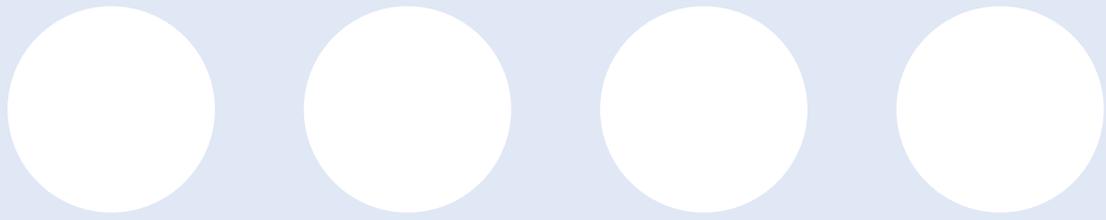


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# Financial Report of the Office of the NSW Food Authority



## Statement by Acting Director-General of the Office of the NSW Food Authority

Pursuant to requirements of the Public Finance and Audit Act 1983, I, Craig Lewis Sahlin, Acting Director-General of the Office of the NSW Food Authority declare that in my opinion:

1. The accompanying Financial Report consisting of the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement and the Notes thereto of the Office of the NSW Food Authority for the financial year ended 30 June 2006 exhibit a true and fair view of the financial position and transactions of the Office of the NSW Food Authority.
2. The Financial Report has been prepared in accordance with applicable Australian Accounting Standards which include the Australian equivalents to International Financial Reporting 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 2005, and the Treasurer's Directions. The financial report also complies with International Financial Reporting Standards.
3. Further, I am not aware of any circumstances which would render any particulars included in the Financial Report to be misleading or inaccurate.

Craig Sahlin  
Acting Director-General

20 October 2006



GPO BOX 12  
Sydney NSW 2001

**INDEPENDENT AUDIT REPORT**  
**OFFICE OF THE NSW FOOD AUTHORITY**

To Members of the New South Wales Parliament

**Audit Opinion**

In my opinion, the financial report of the Office of the NSW Food Authority (the Office):

- presents fairly the Office's financial position as at 30 June 2006 and its performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

**Scope**

***The Financial Report and Director-General's Responsibility***

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the Office, for the year ended 30 June 2006.

The Director-General of the Office is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

***Audit Approach***

I conducted an independent audit in order 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 Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Director-General in preparing the financial report, and
- examined a sample of evidence that supports the amounts and 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 Director-General had not fulfilled his reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Office,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its 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.

David Jones  
Director, Financial Audit Services

SYDNEY  
20 October 2006

**BEGINNING OF AUDITED FINANCIAL REPORT  
OFFICE OF THE NSW FOOD AUTHORITY  
ABN 53 410 560 411**

**Income Statement for the Year Ended 30 June 2006**

	Notes	2006 \$'000	2005 \$'000
<b>Revenue</b>			
Personnel services income	4	10,718	13,575
<b>Total Income</b>		<b>10,718</b>	<b>13,575</b>
<b>Expenditure</b>			
Employee related expenses	6	10,718	13,575
<b>Total Expenditure</b>		<b>10,718</b>	<b>13,575</b>
<b>OPERATING RESULT</b>		<b>-</b>	<b>-</b>

*The above income statement should be read in conjunction with the accompanying notes*

OFFICE OF THE NSW FOOD AUTHORITY  
ABN 53 410 560 411

Balance Sheet as at 30 June 2006

	Notes	2006 \$'000	2005 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	7	-	-
Receivables	8	20,447	26,563
<b>Total Current Assets</b>		<b>20,447</b>	<b>26,563</b>
<b>Non-Current Assets</b>			
Superannuation Prepaid	10(c)	1,047	-
<b>Total Non-Current Assets</b>		<b>1,047</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>21,494</b>	<b>26,563</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	9	16,590	13,575
Provisions	10	4,904	5,665
<b>Total Current Liabilities</b>		<b>21,494</b>	<b>19,240</b>
<b>Non-Current Liabilities</b>			
Superannuation Provision	10	-	7,323
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>7,323</b>
<b>TOTAL LIABILITIES</b>		<b>21,494</b>	<b>26,563</b>
<b>NET ASSETS</b>		<b>-</b>	<b>-</b>
<b>EQUITY</b>			
Reserves		-	-
Accumulated funds		-	-
<b>Total Equity</b>		<b>-</b>	<b>-</b>

*The above balance sheet should be read in conjunction with the accompanying notes*

**OFFICE OF THE NSW FOOD AUTHORITY**  
**ABN 53 410 560 411**

**Statement of Changes in Equity for the Year Ended 30 June 2006**

	Notes	2006 \$'000	2005 \$'000
Net decrease in property, plant and equipment asset revaluation reserve		-	-
<b>TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY</b>		-	-
Surplus for the year		-	-
<b>TOTAL INCOME AND EXPENSE RECOGNIZED FOR THE YEAR</b>		-	-

*The above statement of changes in equity should be read in conjunction with the accompanying notes*



OFFICE OF THE NSW FOOD AUTHORITY  
ABN 53 410 560 411

Cash Flow Statement for the Year Ended 30 June 2006

	Notes	2006 \$'000	2005 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Payments to suppliers and employees		-	-
		-	-
<b>Total Payments</b>		<u>-</u>	<u>-</u>
<b>Receipts</b>			
Income from personnel services		-	-
		-	-
<b>Total Receipts</b>		<u>-</u>	<u>-</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	11	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<u>-</u>	<u>-</u>
<b>NET INCREASE / (DECREASE) IN CASH</b>		-	-
Opening cash and cash equivalents		-	-
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	4	<u>-</u>	<u>-</u>

*The above cash flow statement should be read in conjunction with the accompanying notes*

**OFFICE OF THE NSW FOOD AUTHORITY**  
**ABN 53 410 560 411**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Reporting entity**

The Office of the NSW Food Authority is a Division of the Government Service, established pursuant to Part 1 of Schedule 1 to the *Public Sector Employment and Management Act 2002*. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in Australia and its principal office is at 6 Avenue of the Americas, Newington, 2127, New South Wales.

The Office of the NSW Food Authority's objective is to provide personnel services to the parent entity, the NSW Food Authority.

The Office of the NSW Food Authority assumes all responsibility for the employees and employee-related liabilities of the NSW Food Authority. All liabilities are recognised together with an offsetting receivable representing the related funding due from the NSW Food Authority.

The financial report has been authorised for issue by Craig Sahlin, Acting Director-General of the New South Wales Food Authority.

**(b) Statement of preparation**

The Office of the NSW Food Authority prepares its financial report as a general purpose financial report on an accrual basis to comply with:

- applicable Australian Accounting Standards (which includes Australian Equivalents to International Financial Reporting Standards (AEIFRS));
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- the requirements of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005 and Treasurer's Directions.

Generally, the historical cost basis of accounting has been adopted and the financial report does not take into account changing money values or current valuations.

Where these requirements are inconsistent, we apply the legislative provisions. There were no inconsistencies in the years covered in this financial report.

Where there was no specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Interpretations, we considered the hierarchy of other pronouncements as outlined in AASB 108 – *Accounting Policies, Changes in Accounting Estimates and Errors*.

Judgements, key assumptions and estimations that management have made are disclosed in the relevant notes to the financial reports.

We rounded all amounts to the nearest one thousand dollars and expressed them in Australian Currency.

**(c) Statement of compliance**

The financial statements and notes comply with Australian Accounting Standards, which include AEIFRS. This is the first financial report prepared based on AEIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly, except as stated below.

In accordance with AASB 1 – *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* and Treasury Mandates, the date of transition to AASB 132 – *Financial Instruments: Disclosure and Presentation* and AASB 139 – *Financial Instruments: Recognition and Measurement* was deferred to 1 July 2005 and, as a result, the comparative information for 2004-05 for financial instruments has not been restated and is presented in accordance with previous AGAAP.



**OFFICE OF THE NSW FOOD AUTHORITY**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**(d) Segment reporting**

The Office of the NSW Food Authority operates in one geographical segment (New South Wales) and in one industry. Our principal activity is to supply personnel services to our parent entity, the NSW Food Authority.

**(e) Revenue recognition**

Revenue is measured at fair value of the consideration or contribution received or receivable and represents amounts receivable for services rendered in the normal course of our operations, net of GST. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised

**(f) Employee benefits**

**(i) Salaries and wages, annual leave and sick leave**

Liabilities for salaries and wages including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised as short term employee benefits and measured at undiscounted amounts expected to be paid when the liabilities are settled.

We do not recognise a liability for unused non-vested sick leave entitlement because we estimate that, on average, the sick leave taken each year is less than the entitlement accrued.

**(ii) Long service leave**

We recognise our long service leave liability as a long-term employee benefit. However, the provision for long service leave is measured on a nominal basis, as an undiscounted amount. We use this method as the result does not differ materially than if we were to use the short-hand method (which is based on year-end remuneration rates for all employees with five or more years of service) or the present value method to approximate the present value. When calculating the liability, we applied oncosts.

**(iii) Superannuation**

The Superannuation Schemes for the Office of the NSW Food Authority are:

- the State Superannuation Scheme (SSS)
- the State Authorities Superannuation Scheme (SASS)
- the State Authorities Non Contributory Superannuation Scheme (SANCS – Basic Benefits Scheme)
- the First State Super Scheme (FSS) and other schemes to receive Superannuation Guarantee Contributions.

The first three benefits are defined benefit schemes, which are closed to new entrants. AASB 119 – *Employee Benefits* requires the defined benefit obligation to be discounted using the government bond rate at each reporting date. Note 10(c) details the reserves, overfundings, provisions and other disclosures provided by the scheme actuary.

The Office of the NSW Food Authority has an ongoing liability for the First State Superannuation (FSS) and the other SGC schemes because they are accumulation schemes.

**OFFICE OF THE NSW FOOD AUTHORITY**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**(g) Accounting for the Goods and Services Tax (GST)**

We recognise revenues, expenses and assets net of GST, except for:

- the GST the Office of the NSW Food Authority incurs as a purchaser that we cannot recover from the Australian Tax Office, which is recognised as part of the cost of buying an asset or as part of an item of expense.
- receivables and payables, which include GST.

Cash flows are included in the Statement of Cash Flows on a gross basis. We classify the GST component of cash flows from investing and financing activities which is recoverable from, or payable to, the taxation authority as operating cash flows.

**(h) Receivables**

The Office of the NSW Food Authority recognises receivables initially at fair value, based on the invoice amount. Because our receivables are due for settlement within 30 days from the date of the issue of the invoice, we are not required to amortise or discount their value.

These receivables are reviewed on an ongoing basis. When there is objective evidence that the Office of the NSW Food Authority will not be able to collect all amounts due, an allowance for doubtful debts is established. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective rate. Bad debts are written off.

**(i) Payables**

The Office of the NSW Food Authority carries liabilities for trade creditors and other payables, which are initially recognised at fair value, usually based on the transaction cost or face value. These payables are subsequently measured at an amortised cost using the effective interest rate method.

Trade payables with no stated interest rate are measured at the original invoice amount where the effect of the discounting is immaterial. 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.

**(j) Provisions**

The Office of the NSW Food Authority recognises provisions when there are legal or constructive obligations as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Office of the NSW Food Authority recognise provisions for employee benefits.

**(k) Comparatives**

Where necessary, we have reclassified and repositioned comparatives to be consistent with current year disclosures except when an Australian Accounting Standard permits or requires otherwise.

Comparative figures have been restated based on AEIFRS with the exception of financial instruments information, which has been prepared under the previous AGAAP Standard (AAS 33) as permitted by AASB 1. The transition to AEIFRS for financial instruments was 1 July 2005.



**OFFICE OF THE NSW FOOD AUTHORITY**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**(l) Accounting standards issued but not yet operative**

At the reporting date, a number of Accounting Standards adopted by the AASB had been issued but not yet operative and have not been early adopted by the Office of the NSW Food Authority. The following is a list of these standards:

- AASB 7 – *Financial Instruments: Disclosure* (issued August 2005)
- AASB 119 – *Employee Benefits* (issued December 2004)
- AASB 2004-3 – *Amendments to Australian Accounting Standards* (issued December 2004)
- AASB 2005-1 – *Amendments to Australian Accounting Standards* (issued May 2005)
- AASB 2005-5 – *Amendments to Australian Accounting Standards* (issued June 2005)
- AASB 2005-9 – *Amendments to Australian Accounting Standards* (issued September 2005)
- AASB 2005-10 – *Amendments to Australian Accounting Standards* (issued September 2005)
- AASB 2006-1 – *Amendments to Australian Accounting Standards* (issued January 2006)

The initial application of these standards will have no impact on the financial results of the Office of the NSW Food Authority. The standards are operative for annual reporting periods beginning on or after 1 January 2006.

**OFFICE OF THE NSW FOOD AUTHORITY**  
**ABN 53 410 560 411**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$'000	\$'000

**Note 2. General**

The Office of the NSW Food Authority is a special purpose services entity controlled by the parent entity, NSW Food Authority.

**Note 3. Remuneration of auditors**

Fees for the audit of the Office of the NSW Food Authority's 2006 financial report were included as part of total audit fees paid to *The Audit Office of New South Wales* by the parent entity, NSW Food Authority.

**Note 4. Personnel Services Income**

	2006	2005
	\$'000	\$'000
Personnel Services provided to NSW Food Authority	10,718	13,575
<b>Total Personnel Services Income</b>	<b>10,718</b>	<b>13,575</b>

**Note 5. Superannuation**

	2006	2005
	\$'000	\$'000
Increase in prepaid contributions for state superannuation schemes	7,637	-
<b>Total Superannuation</b>	<b>7,637</b>	<b>-</b>

The total of net superannuation revenue for the year, \$7,637,401 is the difference between the opening and closing balances of the net defined benefit schemes plus the contributions paid to the schemes of \$934,808.

**Note 6. Employee Related Expenses**

	2006	2005
	\$'000	\$'000
Salaries and Allowances	8,452	8,891
Superannuation	-	2,994
Workers Compensation	46	43
Fringe Benefits Tax	37	89
Other Employee Related Expenses	217	266
Annual and Long Service Leave	1,359	809
Payroll Tax	607	483
<b>Total Employee Related Expenses</b>	<b>10,718</b>	<b>13,575</b>

**Note 7. Cash and cash equivalents**

For the purposes of the Statement of Cash Flows, the Office of the NSW Food Authority considers cash to be Cash at Bank

	2006	2005
	\$'000	\$'000
Cash at Bank	-	-
<b>Total Cash</b>	<b>-</b>	<b>-</b>
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>

OFFICE OF THE NSW FOOD AUTHORITY  
 ABN 53 410 560 411  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2006

**Note 8. Receivables**

	2006	2005
	\$'000	\$'000
Accounts Receivable (receivable from NSW Food Authority)	20,447	26,563
<b>Total Receivables</b>	<b>20,447</b>	<b>26,563</b>

**Note 9. Related party information**

**Related party 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. The following disclosures are made in respect of related parties:

**Outstanding balances**

Aggregate amounts receivable from, and payable to related parties at balance date are as follows:

	2006	2005
	\$'000	\$'000
<i>Current Receivables</i>		
Parent entity (NSW Food Authority)	20,447	26,563
<i>Current Payables</i>		
Parent entity (NSW Food Authority)	16,590	13,575
The total \$16,590,527 payable to the parent entity (NSW Food Authority) in 2006 is comprised of the following:		
Personnel Services supplied by the Office of the NSW Food Authority in 2005	13,575	
Personnel Services supplied by the Office of the NSW Food Authority in 2006	3,015	
	<b>16,590</b>	

**Note 10. Provisions**

Employee benefits and related oncosts:

	2006	2005
	\$'000	\$'000
<b>Current Provisions</b>		
Annual Leave (a)	1,594	1,353
Long Service Leave (b)	3,145	3,198
Provision for Redundancy	165	1,114
<b>Total Current Provisions</b>	<b>4,904</b>	<b>5,665</b>
<b>Non-Current Provisions</b>		
Superannuation Provision (c)	-	7,323
<b>Total Non-current Provisions</b>	<b>-</b>	<b>7,323</b>
<b>Total Provisions</b>	<b>4,904</b>	<b>12,988</b>

**OFFICE OF THE NSW FOOD AUTHORITY**  
**ABN 53 410 560 411**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**(a) Annual leave**

The liability at 30 June 2006 was \$1,594,307 ( 2005 - \$1,352,969). This is based on leave entitlements at 30 June 2006 and presented at year-end remuneration rates at nominal value given there is no material difference from the present value.

The value of annual leave expected to be taken within twelve months is \$1,195,730 and \$398,577 after twelve months.

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Leave taken and entitlement for the year are as follows:		
Balance at beginning of the financial year	1,353	1,020
Less: Value of leave taken during the year	675	755
	<u>678</u>	<u>265</u>
Add: Value of increased entitlement during the year	916	1,088
Balance at the end of the financial year	<u><u>1,594</u></u>	<u><u>1,353</u></u>

The total amount of the annual leave provision as disclosed above includes oncosts.

**(b) Long Service Leave**

The total liability at 30 June 2006 was \$3,144,551 (2005 - \$3,197,049) which we show as:

	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Short term - expected to be settled within 12 months	164	738
Long term - not expected to be settled within 12 months	2,981	2,460
Balance at the end of the financial year	<u><u>3,145</u></u>	<u><u>3,198</u></u>

The total amount of the long service leave provision as disclosed above includes oncosts.

**OFFICE OF THE NSW FOOD AUTHORITY**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**Note 10 (c) Superannuation**

**Accounting policy for recognising actuarial gains/ losses**

Actuarial gains and losses are recognised in profit or loss in the year they occur.

**General description of the type of plan**

The Pooled Fund holds in the trust the investments of the closed NSW public sector superannuation schemes:

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

These schemes are all defined benefit schemes - at least a component of the final benefit is derived from a multiple of member salary and years of membership

All the schemes are closed to new members.

**Reconciliation of the Pooled Fund's assets and liabilities recognised in NSW Food Authority's consolidated balanced sheet**

	SASS		SANCS		SSS	
	30-Jun-06	30-Jun-05	30-Jun-06	30-Jun-05	30-Jun-06	30-Jun-05
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligations	2,400	3,140	845	1,066	39,121	42,567
Fair value of plan assets	(2,059)	(2,672)	(785)	(914)	(40,569)	(35,865)
	341	468	60	152	(1,448)	6,703
Surplus in excess of recovery available from schemes	0	0	0	0	0	0
Unrecognised past service cost	0	0	0	0	0	0
Net (asset) / liability to be disclosed in balance sheet	341	468	60	152	(1,448)	6,703

**Assets invested in entity or in property occupied by the entity**

All Fund assets are invested by STC at arm's length through independent fund managers.

**Movement in net liability / asset recognised in NSW Food Authority's consolidated Balance Sheet**

	SASS		SANCS		SSS	
	30-Jun-06	30-Jun-05	30-Jun-06	30-Jun-05	30-Jun-06	30-Jun-05
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net (asset) / liability at start of year	468	202	152	175	6,703	4,747
Net expense recognised in the income statement	(26)	388	(31)	30	(7,820)	2,155
Contributions	(101)	(122)	(62)	(53)	(331)	(200)
Net (asset) / liability to be disclosed in balance sheet	341	468	60	152	(1,448)	6,703

**Total expense/(income) recognised in NSW Food Authority's consolidated Income Statement**

	SASS		SANCS		SSS	
	30-Jun-06	30-Jun-05	30-Jun-06	30-Jun-05	30-Jun-06	30-Jun-05
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current service cost	139	70	62	40	243	189
Interest on obligation	185	79	52	36	2,249	2,118
Expected return on plan assets	(202)	(75)	(67)	(31)	(2,664)	(2,190)
Net actuarial losses (gains) recognised in year	(149)	314	(78)	(14)	(7,648)	2,038
Change in surplus in excess of recovery available from scheme	0	0	0	0	0	0
Past service cost	0	0	0	0	0	0
Losses (gains) on curtailments and settlements	0	0	0	0	0	0
Total included in 'employee benefits expense'	(26)	388	(31)	30	(7,820)	2,155

**Actual return on superannuation plan assets**

	SASS		SANCS		SSS	
	30-Jun-06	30-Jun-05	30-Jun-06	30-Jun-05	30-Jun-06	30-Jun-05
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Actual return on assets	330	246	116	113	5,697	4,139

**Valuation method and principal actuarial assumptions at the reporting date 30 June 2006**

*a) Valuation method*

The projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

*b) Economic Assumptions*

	30-Jun-06	30-Jun-05
Discount rate at 30 June	5.9% pa	5.2% pa
Expected return on plan assets at 30 June	7.6%	7.3%
Expected salary increases	4.0% pa to 2008 3.5% pa thereafter	4.0% pa
Expected rate of CPI increase	2.5% pa	2.5% pa

**OFFICE OF THE NSW FOOD AUTHORITY**  
**ABN 53 410 560 411**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

Note 10 (c) cont.

**Arrangements for employer contributions for funding**

The following is a summary of the 30 June 2006 and the 30 June 2005 financial position of the Fund calculated in accordance with AAS 25 - Financial Reporting by Superannuation Plans.

	SASS		SANCS		SSS	
	30-Jun-06	30-Jun-05	30-Jun-06	30-Jun-05	30-Jun-06	30-Jun-05
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued benefits	2,297	2,834	802	946	33,122	34,250
Net market value of Fund assets	(2,059)	(2,672)	(785)	(914)	(40,569)	(35,865)
Net (surplus)/deficit	238	162	18	32	(7,447)	(1,614)

Recommended contribution rates for the entity are:

SASS	SANCS	SSS
multiple of member contributions	% member salary	multiple of member contributions
1.90	2.50	1.60

The method used to determine the employer contribution recommendations at the last actuarial review was the *Aggregate Funding* method. The method adopted affects the timing of the cost to the employer.

Under the *Aggregate Funding* method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account of the current value of assets and future contributions.

The economic assumptions adopted for the current actuarial review of the Fund in 2005 & 2006 are:

Weighted-Average Assumptions		
	30-Jun-06	30-Jun-05
Expected rate of return on Fund Assets	7.3% pa	7.0% pa
Expected salary increase rate	4.0% pa	4.0% pa
Expected rate of CPI increase	2.5% pa	2.5% pa

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.



**OFFICE OF THE NSW FOOD AUTHORITY**  
**ABN 53 410 560 411**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**Note 11. Reconciliation of net cash provided by operating activities to operating result**

	2006 \$'000	2005 \$'000
Surplus / (Deficit) For The Year From Ordinary Activities	-	-
(Decrease) / Increase in Superannuation	(1,047)	-
(Increase) / Decrease in Receivables	6,116	26,563
(Decrease) / Increase in Payables	3,015	(13,575)
(Decrease) / Increase in Provisions	(8,084)	(12,988)
<b>Net Cash Flows From Operating Activities</b>	<b>-</b>	<b>-</b>

**Note 12. Commitments for expenditure**

**(a) Capital expenditure commitments**

There were no commitments for capital expenditure as at 30 June 2006.

**(b) Other expenditure commitments**

There were no material expenditure commitments as at 30 June 2006.

**Note 13. Contingent liabilities and contingent assets**

The Office of the NSW Food Authority currently has no legal matters outstanding which are expected to result in material claims for or against it.

During the year, the Office of the NSW Food Authority recognised that the accounting treatment of "Personnel Services Income" may have resulted in this revenue being incorrectly classified as "Employee Related Expenses" during the 2001 to 2006 financial years. As GST would be applicable to such revenue, this gives rise to a contingent liability. We estimate the total amount of this contingent liability to be \$4,958,921. As at 30 June 2006, we are awaiting further advice from various statutory bodies to assess the entity's position.

**Note 14. Subsequent events**

There have been no events subsequent to balance sheet date.

**Note 15. Segment Information**

The company operates in Australia.

**OFFICE OF THE NSW FOOD AUTHORITY**  
**ABN 53 410 560 411**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**Note 16. Financial instruments**

**(a) Financial risk management**

Financial instruments give rise to positions that are a financial asset of either the company or its counterparty and a financial liability (or equity instrument) of the other party. For the company these include cash at bank and payables.

The following is the companies accounting policies and terms and conditions for each class of financial asset, financial liability and equity instruments:

Recognised financial instruments	Notes	Accounting policies	Terms and conditions
<b>Financial assets</b>			
Cash	7	All instruments are recorded at cost.	Interest is paid on maturity or regular intervals.
Receivables	8	All are carried in the accounts at net fair value unless otherwise stated.	Normal business trading terms are payment in 30 days.
<b>Financial liabilities</b>			
Payables	N / A	All are carried in the accounts at net fair value unless otherwise stated.	Normal business trading terms apply to the payment of suppliers accounts.

**(b) Interest rate risk exposures**

The company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements. Interest rate risk, is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

	Weighted Average Interest Rate		Floating Interest Rate		Fixed Interest Rate		Non-interest Bearing		Total	
	2006 %	2005 %	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$
<b>Financial assets</b>									0	0
Cash	4.13%	3.98%	-	-	-	-	-	-	-	-
Receivables	N/A	N/A	-	-	-	-	20,447	26,563	20,447	26,563
			-	-	-	-	20,447	26,563	20,447	26,563
<b>Financial liabilities</b>										
Payables	N/A	N/A	-	-	-	-	16,590	13,575	16,590	13,575
			-	-	-	-	16,590	13,575	16,590	13,575

**(c) Credit risk by classification of counterparty**

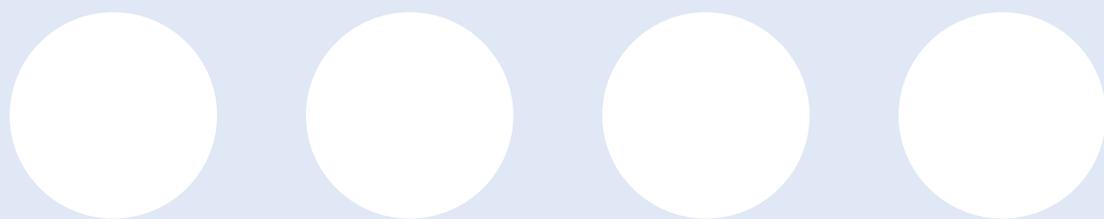
Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation thereunder. The company's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the balance sheet.

Credit Risk by Classification	Governments \$	Banks \$	Other \$	Total \$
Cash	-	-	-	-
Receivables	-	-	20,447	20,447
	-	-	20,447	20,447

**(d) Fair value of financial assets and liabilities**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

END OF AUDITED FINANCIAL REPORT



# Financial Report of Milk Marketing (NSW) Pty Limited



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDIT REPORT MILK MARKETING (NSW) PTY LIMITED

To Members of the New South Wales Parliament

### Audit Opinion

In my opinion, the financial report of Milk Marketing (NSW) Pty Limited (the Company) is in accordance with:

- the *Corporations Act 2001*, including:
  - giving a true and fair view of the Company's financial position as at 30 June 2006 and its performance for the year ended on that date, and
  - complying with Accounting Standards in Australia and the *Corporations Regulations 2001*,
- other mandatory financial reporting requirements in Australia, and
- section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the *Public Finance and Audit Regulation 2005*.

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

### Scope

#### ***The Financial Report and Directors' Responsibility***

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and directors' declaration for the Company, for the year ended 30 June 2006.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with both the PF&A Act and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### ***Audit Approach***

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament and the directors of the Company that the financial report is free of *material* misstatement.

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

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors in preparing the financial report, and
- examined a sample of evidence that supports the amounts and 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 Company’s directors had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Company,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

#### **Audit Independence**

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. The PF&A 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.

My Declaration of Independence dated 10 October 2006 would have been made on the same terms if it had been made at the date of this report.

David Jones, FCA  
Director, Financial Audit Services

SYDNEY  
12 October 2006

## **MILK MARKETING (NSW) PTY LIMITED**

**ABN 36 066 872 302**

### **DIRECTORS' REPORT**

The directors of the company present their report on the company for the financial year ended 30 June 2006:

#### **DIRECTORS**

The directors in office during or since the end of the year are:

G R Davey (Chairman)

R G Grey

The directors have been in office since the start of the financial year unless otherwise stated.

#### **PRINCIPAL ACTIVITIES**

The Principal activity of the company is to promote and encourage the production, supply, use, sale and consumption of milk and dairy products in New South Wales. Milk Marketing (NSW) Pty Limited ceased all marketing activities as at 30 June 2000. The company will continue in the foreseeable future as a subsidiary of NSW Food Authority and surplus funds will be utilised for the benefit of promoting the NSW dairy industry.

#### **OPERATING RESULTS**

The operating profit for the financial year ended 30 June 2006 was \$5,578 (prior year profit \$3,097).

#### **DIVIDENDS PAID OR RECOMMENDED**

No dividends were paid or recommended during the year.

#### **SIGNIFICANT CHANGES**

No matters or circumstances have arisen since the end of the financial year and at the date of this report, that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

#### **FUTURE DEVELOPMENTS**

Likely developments in the operations of the company and the expected results of those operations have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the economic entity.

#### **ENVIRONMENTAL REGULATION AND PERFORMANCE**

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or a State or Territory.

#### **PROCEEDINGS ON BEHALF OF COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of these proceedings.

The company was not a party to any such proceedings during the year.

MILK MARKETING (NSW) PTY LIMITED

ABN 36 066 872 302

**DIRECTORS' REPORT**

**DIRECTORS' BENEFITS**

No director has, during and since the end of the financial year, received or become entitled to receive a benefit by reason of a contract made by the company or related corporation with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial financial interest.

During or since the financial year the parent entity has insured all of the directors previously listed against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

**INDEMNIFYING OFFICERS OR AUDITOR**

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or related corporate:

- (a) indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceeding; or
- (b) paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration is included on page 4 of this financial report.

Signed in accordance with a resolution of the directors made pursuant to S298(2) of the Corporations Act 2001.

On behalf of the directors:



Director

R G Grey



Director

G R Davey

Dated this 10<sup>th</sup> day of October 2006

Dated this 10<sup>th</sup> day of October 2006

**MILK MARKETING (NSW) PTY LIMITED**

**ABN 36 066 872 302**

**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Milk Marketing (NSW) Pty Limited and pursuant to Section 41C (1B) and (1C) of the Public Finance and Audit Act 1983, we state:

1. The attached is a general purpose financial report and presents a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended 30 June 2006;
2. The financial report has been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2005, Corporations Act 2001, Corporation Regulations 2001 and Treasurer's Directions.
3. The financial report has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations and authoritative pronouncements of the Australian Accounting Standards Board.
4. We are not aware of any circumstances which would render any particulars included in the financial reports to be misleading or inaccurate; and,
5. There are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

Signed this 10<sup>th</sup> day of October, 2006 in accordance with a resolution of the directors, made pursuant to S295(5) of the Corporations Act 2001.

On behalf of the directors:

  
\_\_\_\_\_  
Director  
R G Grey

  
\_\_\_\_\_  
Director  
G R Davey

Dated this 10<sup>th</sup> day of October 2006

Dated this 10<sup>th</sup> day of October 2006



GPO BOX 12  
Sydney NSW 2001

To the Directors  
Milk Marketing (NSW) Pty Ltd

### Auditor's Independence Declaration

As auditor for the audit of Milk Marketing (NSW) Pty Ltd for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The independence requirements of the *Corporations Act 2001* in relation to the audit, and
- Any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads "David Jones".

David Jones  
Director, Financial Audit Services

10 October 2006  
SYDNEY

**BEGINNING OF AUDITED FINANCIAL REPORT  
MILK MARKETING (NSW) PTY LIMITED  
ABN 67 003 830 902**

**Income statement  
for the year ended 30 June 2006**

	Notes	2006 \$	2005 \$
<b>Revenue from continuing operations</b>			
Interest Income		51,320	38,916
Other Income		-	24
<b>Total revenue from continuing operations</b>		<b>51,320</b>	<b>38,940</b>
<b>Expenses from continuing operations</b>			
Contractors		21,098	21,098
External Audit Fees	3	2,000	2,000
Miscellaneous Expenses		6,505	7,449
Stakeholder Liaison		12,623	3,136
Stores, Stationery & Printing		1,253	64
Postage & Telephone		28	-
Travel		2,235	2,096
<b>Total expenses from continuing operations</b>		<b>45,742</b>	<b>35,843</b>
<b>Operating result before income tax expense</b>		<b>5,578</b>	<b>3,097</b>
Income tax expense	1(g)	-	-
<b>Operating result from continuing operations</b>		<b>5,578</b>	<b>3,097</b>
<b>Net operating result for the year</b>		<b>5,578</b>	<b>3,097</b>
<b>Profit attributable to the members of Milk Marketing (NSW) Pty Limited</b>		<b>5,578</b>	<b>3,097</b>

*The above income statement should be read in conjunction with the accompanying notes.*



MILK MARKETING (NSW) PTY LIMITED  
ABN 67 003 830 902

**Balance sheet  
as at 30 June 2006**

	Notes	2006 \$	2005 \$
<b>Current assets</b>			
Cash and cash equivalents	4	1,000,343	981,354
Receivables	5	7,034	13,901
<b>Total current assets</b>		<u>1,007,377</u>	<u>995,255</u>
<b>Total assets</b>		<u>1,007,377</u>	<u>995,255</u>
<b>Current liabilities</b>			
Payables	6	33,010	26,467
<b>Total current liabilities</b>		<u>33,010</u>	<u>26,467</u>
<b>Total liabilities</b>		<u>33,010</u>	<u>26,467</u>
<b>Net assets</b>		<u>974,367</u>	<u>968,788</u>
<b>Equity</b>			
Contributed equity	14	2	2
Retaining earnings/(Accumulated losses)	7	974,365	968,786
<b>Total equity</b>		<u>974,367</u>	<u>968,788</u>

*The above balance sheet should be read in conjunction with the accompanying notes.*

**MILK MARKETING (NSW) PTY LIMITED**  
**ABN 67 003 830 902**

**Statement of changes in equity  
for the year ended 30 June 2006**

	Notes	2006 \$	2005 \$
<b>Total equity at the beginning of the financial year</b>		<u>968,788</u>	<u>965,691</u>
<b>Profit/(Loss) for the year</b>		5,578	3,097
<b>Total recognised income and expense for the year</b>		<u>5,578</u>	<u>3,097</u>
<b>Total equity at the end of the financial year</b>		<u>974,366</u>	<u>968,788</u>
Total recognised income and expense for the year is attributable to: members of Milk Marketing (NSW) Pty Limited		<u>5,578</u>	<u>3,097</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*



MILK MARKETING (NSW) PTY LIMITED  
ABN 67 003 830 902

**Cash flow statement  
for the year ended 30 June 2006**

	Notes	2006 \$	2005 \$
<b>Cash flows from operating activities</b>			
Interest received		56,128	38,916
Payments to suppliers and employees		(40,957)	(60,380)
Receipts from activities		3,818	255,219
<b>Net cash provided by/(used in) operating activities</b>		<u>18,989</u>	<u>233,755</u>
<b>Net Cash flows from Operating Activities</b>	15	<u>18,989</u>	<u>233,755</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		18,989	233,755
<b>Cash and cash equivalents at the beginning of the financial year</b>		<u>981,354</u>	<u>747,599</u>
<b>Cash and cash equivalents at the end of the financial year</b>	4	<u><u>1,000,343</u></u>	<u><u>981,354</u></u>

*The above cash flow statement should be read in conjunction with the accompanying notes.*

**MILK MARKETING (NSW) PTY LIMITED**  
**ABN 67 003 830 902**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**Note 1. Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the financial statements for Milk Marketing (NSW) Pty Limited as an individual entity.

**Basis of preparation**

The general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2005, Corporations Act 2001, Corporation Regulations 2001 and Treasurer's Directions.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report and notes comply with the Australian Accounting Standards some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements

This financial report is the first financial report to be prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing this financial report.

The financial reports of the company until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the 2005 financial report, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial report to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The company has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 January 2005.

As the introduction of AIFRS has not had a material impact on the financial reporting of Milk Marketing (NSW) Pty Limited, reconciliations and descriptions of the effect of the transition from the previous AGAAP to AIFRSs on the consolidated entity's equity and its net income are not required.

The preparation of financial reports in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

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**MILK MARKETING (NSW) PTY LIMITED**  
**ABN 67 003 830 902**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**Note 1. Summary of significant accounting policies (cont.)**

The financial report has been prepared on an accruals basis and is based on historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

**Significant accounting policies**

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report.

**a) Significant revenues & expenses**

Where an item of revenue or expense from ordinary activities is of such a size, nature or incidence, that its disclosure is relevant in explaining the financial performance of the entity, its nature and amount have been disclosed separately in the notes.

**b) Revenue recognition**

***Interest***

Interest revenue is recognised as it accrues.

***Dividends***

Revenue from dividends is recognised when the shareholders' right to receive a dividend is established.

**c) Cash assets**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**d) Receivables**

Receivables are recognised and carried at the original invoice amount less a provision for any doubtful debts.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A year end review of outstanding debtors was performed and a provision for doubtful debts has been raised for those debts where some doubt as to collection exists. The amount of the provision for doubtful debts is recognised as a deduction to the carrying value of receivables in the balance sheet.

**MILK MARKETING (NSW) PTY LIMITED**  
**ABN 67 003 830 902**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**Note 1. Summary of significant accounting policies (cont.)**

**e) Payables**

Accounts payable represent goods and services provided to the company prior to balance date. The accounts are usually settled on the creditors trading terms.

**f) Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in the income statement.

**g) Income tax**

Milk Marketing (NSW) Pty Limited is exempt from Commonwealth income tax pursuant to section 24AO of the Income Tax Assessment Act 1936. Under this exemption, the company is classified as a State / Territory Body.



**MILK MARKETING (NSW) PTY LIMITED**  
**ABN 67 003 830 902**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**Note 1. Summary of significant accounting policies (cont.)**

**h) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables in the statement of financial position and commitments are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Tax Office is included as part of receivables or payables.

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 are recoverable from, or payable to, the Australian Tax Office are classified as operating cash flows.

**MILK MARKETING (NSW) PTY LIMITED**  
**ABN 67 003 830 902**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

2006  
\$

2005  
\$

**Note 2. General**

The company is administered by staff employed by the Office of the NSW Food Authority, a special purpose services entity controlled by the parent entity, NSW Food Authority.

**Note 3. Remuneration of auditors**

Fees paid to *The Audit Office of New South Wales*  
 Audit of financial reports

2,000                      2,000

**Note 4. Cash and cash equivalents**

Cash at bank and cash equivalents

1,000,343                      981,354

**Reconciliation to cash at the end of the year**

The above figures are reconciled to cash at the end of the year as shown in the statement of cash flows as follows:

Balances as above

1,000,343                      981,354

**Balances per statement of cash flows**

1,000,343                      981,354

**Note 5. Receivables**

Net goods & services receivable

3,908                      5,966

Interest Receivable

3,126                      7,935

Amounts receivable from parent entity

-                              -

7,034                              13,901



**MILK MARKETING (NSW) PTY LIMITED**  
**ABN 67 003 830 902**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	2006 \$	2005 \$
<b>Note 6. Payables</b>		
Amounts payable to parent entity (NSW Food Authority)	23,208	23,208
Payables and accrued expenses	<u>9,803</u>	<u>3,259</u>
	<u><u>33,010</u></u>	<u><u>26,467</u></u>
<b>Note 7. Retained Earnings</b>		
Balance at beginning of financial year	968,788	965,691
Profit / (Loss) for the year	<u>5,578</u>	<u>3,097</u>
Balance at end of financial year	<u><u>974,366</u></u>	<u><u>968,788</u></u>
<b>Note 8. Related party information</b>		
<b>Share transactions of directors</b>		
Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in the company	<u>-</u>	<u>-</u>
<b>Related party transactions</b>		
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated		
<b>Outstanding balances</b>		
Aggregate amounts receivable from, and payable to related parties at balance date are as follows:		
<i>Current Receivables</i>		
Parent entity (NSW Food Authority)	<u>-</u>	<u>-</u>
<i>Current Payables</i>		
Parent entity (NSW Food Authority)	<u><u>23,208</u></u>	<u><u>23,208</u></u>

**MILK MARKETING (NSW) PTY LIMITED**  
**ABN 67 003 830 902**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	\$	\$

**Note 9. Responsible persons and executive officers**

**Directors**

The names of directors who have held office during the financial year were:

G R Davey  
R G Grey

The above persons have been in office since the start of the financial year unless otherwise stated

The company is a wholly owned subsidiary of NSW Food Authority. During the year there was one director who was an employee of NSW Food Authority. This director was paid as the Director General of NSW Food Authority.

**Directors' remuneration**

Income paid or payable or otherwise made available, to all directors from the company and any related parties

	-	-
	-----	-----
	<b>Number</b>	<b>Number</b>
Number of directors whose income was within the following bands:		
Nil to \$9,999	<b>2</b>	<b>2</b>

The company does not employ any executive personnel.

**Note 10. Commitments for expenditure**

**(a) Capital expenditure commitments**

There were no commitments for capital expenditure as at 30 June 2006.

**(b) Other expenditure commitments**

There were no material expenditure commitments as at 30 June 2006.



**MILK MARKETING (NSW) PTY LIMITED**  
**ABN 67 003 830 902**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$	\$

**Note 11. Contingent liabilities and contingent assets**

Pacific Industry Services Corporation Pty Limited currently has no legal matters outstanding which are expected to result in material claims for or against it.

**Note 12. Subsequent events**

There have been no events subsequent to balance sheet date.

**Note 13. Segment Information**

In 2001, the company predominately operated as a landlord and rented office space mainly to related parties. Following the sale of the company's land and buildings in May 2001, this activity ceased and the company exists in name only.

The company operates in Australia.

**Note 14. Contributed equity**

	2006	2005
	\$	\$
<b>Authorised:</b>		
100,000 Ordinary shares of \$1.00 each	<u>100,000</u>	<u>100,000</u>
<b>Issued and Fully Paid:</b>		
2 ordinary shares of \$1.00 each	<u>2</u>	<u>2</u>

**Note 15. Reconciliation of net operating result for the year after income tax to net cash flows from operations**

Profit/(Loss) for the year	5,578	3,097
<i>Change in operating assets and liabilities</i>		
(Increase)/Decrease in receivables	6,867	255,195
Increase/(Decrease) in payables and other liabilities	<u>6,544</u>	<u>(24,537)</u>
<b>Net cash provided by/(used in) operating activities</b>	<u>18,989</u>	<u>233,755</u>

**MILK MARKETING (NSW) PTY LIMITED**  
**ABN 67 003 830 902**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**Note 16. Financial instruments**

**(A) Financial risk management**

Financial instruments give rise to positions that are a financial asset of either the company or its counterparty and a financial liability (or equity instrument) of the other party. For the company these include cash at bank and payables.

The following is the companies accounting policies and terms and conditions for each class of financial asset, financial liability and equity instruments:

Recognised financial instruments	Notes	Accounting policies	Terms and conditions
<b>Financial assets</b>			
Cash	4	All instruments are recorded at cost.	Interest is paid on maturity or regular intervals.
Receivables	5	All are carried in the accounts at net fair value unless otherwise stated.	Normal business trading terms are payment in 30 days.
<b>Financial liabilities</b>			
Payables	6	All are carried in the accounts at net fair value unless otherwise stated.	Normal business trading terms apply to the payment of suppliers accounts.

**(B) Interest rate risk exposures**

The company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements. Interest rate risk, is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

	Weighted Average Interest Rate		Floating Interest Rate		Fixed Interest Rate		Non-interest Bearing		Total	
	2006 %	2005 %	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$
<b>Financial assets</b>									0	0
Cash	4.58%	4.37%	1,000,343	981,354	-	-	-	-	1,000,343	981,354
Receivables	N/A	N/A	-	-	-	-	7,034	13,901	7,034	13,901
			1,000,343	981,354	-	-	7,034	13,901	1,007,377	995,255
<b>Financial liabilities</b>										
Payables	N/A	N/A	-	-	-	-	33,010	26,467	33,010	26,467
			-	-	-	-	33,010	26,467	33,010	26,467

**(C) Credit risk by classification of counterparty**

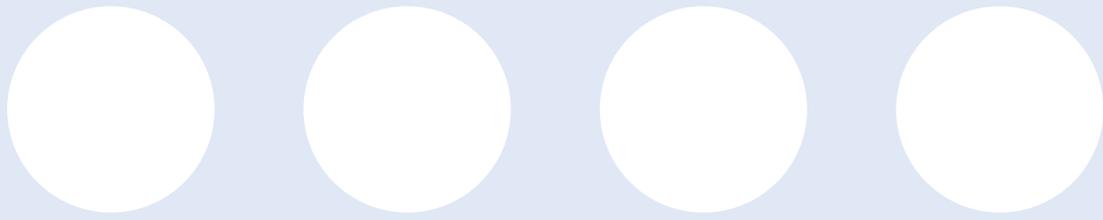
Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation thereunder. The company's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the balance sheet.

Credit Risk by Classification	Governments \$	Banks \$	Other \$	Total \$
Cash	-	1,000,343	-	1,000,343
Receivables	-	-	7,034	7,034
	-	1,000,343	7,034	1,007,377

**(D) Fair value of financial assets and liabilities**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

"End of Audited Accounts"



# Financial Report of Pacific Industry Services Corporation Pty Limited



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDIT REPORT

### PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED

To Members of the New South Wales Parliament

#### Audit Opinion

In my opinion, the financial report of Pacific Industry Services Corporation Pty Limited (the Company) is in accordance with:

- the *Corporations Act 2001*, including:
  - giving a true and fair view of the Company's financial position as at 30 June 2006 and its performance for the year ended on that date, and
  - complying with Accounting Standards in Australia and the *Corporations Regulations 2001*,
- other mandatory financial reporting requirements in Australia, and
- section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the *Public Finance and Audit Regulation 2005*.

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

#### Scope

##### *The Financial Report and Directors' Responsibility*

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and directors' declaration for the Company, for the year ended 30 June 2006.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with both the PF&A Act and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

##### *Audit Approach*

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament and the directors of the Company that the financial report is free of *material* misstatement.

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

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors in preparing the financial report, and
- examined a sample of evidence that supports the amounts and 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 Company's directors had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

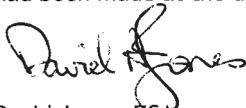
- about the future viability of the Company,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

#### **Audit Independence**

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. The PF&A 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.

My Declaration of Independence dated 10 October 2006 would have been made on the same terms if it had been made at the date of this report.



David Jones, FCA  
Director, Financial Audit Services

SYDNEY  
16 October 2006

## **PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED**

**ABN 36 066 872 302**

### **DIRECTORS' REPORT**

The directors of the company present their report on the company for the financial year ended 30 June 2006:

#### **DIRECTORS**

The directors in office during or since the end of the year are:

Jim Richmond Forsyth (Chairman)

Frances Edwina Mulhearn

The directors have been in office since the start of the financial year unless otherwise stated.

#### **PRINCIPAL ACTIVITIES**

The company's revenue stream consists of bank interest and dividends. It is expected that this entity will be fully wound up during 2006/2007. The winding up process was commenced during 2005/2006. As at 30 June 2006, this process was not yet completed.

#### **OPERATING RESULTS**

The operating profit for the financial year ended 30 June 2006 was \$2,911 (prior year profit \$4,094).

#### **DIVIDENDS PAID OR RECOMMENDED**

No dividends were paid or recommended during the year.

#### **SIGNIFICANT CHANGES**

No matters or circumstances have arisen since the end of the financial year and at the date of this report, that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

#### **FUTURE DEVELOPMENTS**

Likely developments in the operations of the company and the expected results of those operations have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the economic entity.

#### **ENVIRONMENTAL REGULATION AND PERFORMANCE**

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or a State or Territory.

#### **PROCEEDINGS ON BEHALF OF COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of these proceedings.

The company was not a party to any such proceedings during the year.

PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED

ABN 36 066 872 302

DIRECTORS' REPORT

**DIRECTORS' BENEFITS**

No director has, during and since the end of the financial year, received or become entitled to receive a benefit by reason of a contract made by the company or related corporation with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial financial interest.

During or since the financial year the parent entity has insured all of the directors previously listed against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

**INDEMNIFYING OFFICERS OR AUDITOR**

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or related corporate:

- (a) indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceeding; or
- (b) paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration is included on page 4 of this financial report.

Signed in accordance with a resolution of the directors made pursuant to S298(2) of the Corporations Act 2001.

On behalf of the directors:



Director

James Richmond Forsyth

Director

Frances Edwina Mulhearn

Dated this 10<sup>th</sup> day of October 2006

Dated this 10<sup>th</sup> day of October 2006

**PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED**

**ABN 36 066 872 302**

**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Pacific Industry Services Corporation Pty Limited and pursuant to Section 41C (1B) and (1C) of the Public Finance and Audit Act 1983, we state:

1. The attached is a general purpose financial report and presents a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended 30 June 2006;
2. The financial report has been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2005, the Corporations Act 2001, Corporation Regulations 2001 and Treasurer's Directions.
3. The financial report has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations and authoritative pronouncements of the Australian Accounting Standards Board.
4. We are not aware of any circumstances which would render any particulars included in the financial reports to be misleading or inaccurate; and,
5. There are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

Signed this 10<sup>th</sup> day of October, 2006 in accordance with a resolution of the directors, made pursuant to S295(5) of the Corporations Act 2001.

On behalf of the directors:

  
\_\_\_\_\_  
Director

James Richmond Forsyth

\_\_\_\_\_  
Director

Frances Edwina Mulhearn

Dated this 10<sup>th</sup> day of October 2006

Dated this 10<sup>th</sup> day of October 2006



## PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED

ABN 36 066 872 302

### DIRECTORS' REPORT

The directors of the company present their report on the company for the financial year ended 30 June 2006:

#### DIRECTORS

The directors in office during or since the end of the year are:

Jim Richmond Forsyth (Chairman)

Frances Edwina Mulhearn

The directors have been in office since the start of the financial year unless otherwise stated.

#### PRINCIPAL ACTIVITIES

The company's revenue stream consists of bank interest and dividends. It is expected that this entity will be fully wound up during 2006/2007. The winding up process was commenced during 2005/2006. As at 30 June 2006, this process was not yet completed.

#### OPERATING RESULTS

The operating profit for the financial year ended 30 June 2006 was \$2,911 (prior year profit \$4,094).

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No dividends were paid or recommended during the year.

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No matters or circumstances have arisen since the end of the financial year and at the date of this report, that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

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Likely developments in the operations of the company and the expected results of those operations have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the economic entity.

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The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or a State or Territory.

#### PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of these proceedings.

The company was not a party to any such proceedings during the year.

**PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED**

**ABN 36 066 872 302**

**DIRECTORS' REPORT**

**DIRECTORS' BENEFITS**

No director has, during and since the end of the financial year, received or become entitled to receive a benefit by reason of a contract made by the company or related corporation with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial financial interest.

During or since the financial year the parent entity has insured all of the directors previously listed against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

**INDEMNIFYING OFFICERS OR AUDITOR**

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or related corporate:

- (a) indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceeding; or
- (b) paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration is included on page 4 of this financial report.

Signed in accordance with a resolution of the directors made pursuant to S298(2) of the Corporations Act 2001.

On behalf of the directors:

\_\_\_\_\_  
Director

James Richmond Forsyth

Dated this 10<sup>th</sup> day of October 2006

  
\_\_\_\_\_  
Director

Frances Edwina Mulhearn

Dated this 10<sup>th</sup> day of October 2006



**PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED**

**ABN 36 066 872 302**

**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Pacific Industry Services Corporation Pty Limited and pursuant to Section 41C (1B) and (1C) of the Public Finance and Audit Act 1983, we state:

1. The attached is a general purpose financial report and presents a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended 30 June 2006;
2. The financial report has been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2005, the Corporations Act 2001, Corporation Regulations 2001 and Treasurer's Directions.
3. The financial report has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations and authoritative pronouncements of the Australian Accounting Standards Board.
4. We are not aware of any circumstances which would render any particulars included in the financial reports to be misleading or inaccurate; and,
5. There are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

Signed this 10<sup>th</sup> day of October, 2006 in accordance with a resolution of the directors, made pursuant to S295(5) of the Corporations Act 2001.

On behalf of the directors:

\_\_\_\_\_  
Director

James Richmond Forsyth

Dated this 10<sup>th</sup> day of October 2006

  
\_\_\_\_\_  
Director

Frances Edwina Mulhearn

Dated this 10<sup>th</sup> day of October 2006



GPO BOX 12  
Sydney NSW 2001

To the Directors  
Pacific Industry Services Corporation Pty Ltd

### Auditor's Independence Declaration

As auditor for the audit of Pacific Industry Services Corporation Pty Ltd for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The independence requirements of the *Corporations Act 2001* in relation to the audit, and
- Any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads "David Jones". The signature is written in a cursive style with a large, looped 'D' and 'J'.

David Jones  
Director, Financial Audit Services

10 October 2006  
SYDNEY

BEGINNING OF AUDITED FINANCIAL REPORT  
 PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED  
 ABN 36 066 872 302

**Income statement  
 for the year ended 30 June 2006**

	Notes	2006 \$	2005 \$
<b>Revenue from continuing operations</b>			
Interest Income		11,617	10,921
Other income		49	11
<b>Total revenue from continuing operations</b>		<u>11,666</u>	<u>10,932</u>
<b>Expenses from continuing operations</b>			
Annual Report		569	-
Bank Charges		64	52
Contractors		4,786	4,786
Audit Fees	3	2,000	2,000
Miscellaneous Expenses		1,336	-
<b>Total expenses from continuing operations</b>		<u>8,756</u>	<u>6,838</u>
<b>Operating result before income tax expense</b>	7	2,911	4,094
Income Tax expense	1(g)	-	-
<b>Operating result from continuing operations</b>		<u>2,911</u>	<u>4,094</u>
<b>Net operating result for the year</b>		<u>2,911</u>	<u>4,094</u>
<b>Profit attributable to the members of Pacific              Industry Services Corporation Pty Limited</b>	7	<u>2,911</u>	<u>4,094</u>

*The above income statement should be read in conjunction with the accompanying notes.*

**PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED**  
**ABN 36 066 872 302**

**Balance sheet**  
**as at 30 June 2006**

	Notes	2006 \$	2005 \$
<b>Current Assets</b>			
Cash and cash equivalents	4	230,599	225,820
Receivables	5	2,037	3,904
<b>Total Current Assets</b>		<u>232,636</u>	<u>229,724</u>
<b>Total Assets</b>		<u>232,636</u>	<u>229,724</u>
<b>Current Liabilities</b>			
Payables	6	7,470	7,469
<b>Total Current Liabilities</b>		<u>7,470</u>	<u>7,469</u>
<b>Total Liabilities</b>		<u>7,470</u>	<u>7,469</u>
<b>Net Assets</b>		<u>225,166</u>	<u>222,255</u>
<b>Equity</b>			
Contributed equity	14	2,875,267	2,875,267
Retained Earnings / (Accumulated losses)	7	(2,650,101)	(2,653,012)
<b>Total Equity</b>		<u>225,166</u>	<u>222,255</u>

*The above balance sheet should be read in conjunction with the accompanying notes.*



PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED  
ABN 36 066 872 302

**Statement of changes in equity  
for the year ended 30 June 2006**

	Notes	2006 \$	2005 \$
Total equity at the beginning of the financial year		<u>222,255</u>	<u>218,161</u>
Profit (Loss) for the year		2,911	4,094
Total recognised income and expense for the year		<u>2,911</u>	<u>4,094</u>
Total Equity at the end of the financial year		<u>225,166</u>	<u>222,255</u>
Total recognised income and expense for the year is attributable to:			
Members of Pacific Industry Services Corporation Pty Limited		<u>2,911</u>	<u>4,094</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

**PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED**  
**ABN 36 066 872 302**

**Cash flow statement**  
**for the year ended 30 June 2006**

	Notes	2006 \$	2005 \$
<b>Cash flows from Operating Activities</b>			
Interest received		11,484	10,954
Payments to suppliers and employees		(7,433)	(19,601)
Interest expense and other costs of finance paid		-	(48)
Other receipts		728	11
<b>Net cash provided by/(used in) operating activities</b>	15	<b>4,779</b>	<b>(8,684)</b>
<b>Net Increase/ (Decrease) in Cash</b>		<b>4,779</b>	<b>(8,684)</b>
<b>Cash at the beginning of the financial year</b>		<b>225,820</b>	<b>234,504</b>
<b>Cash at the end of the financial year</b>	4	<b>230,599</b>	<b>225,820</b>

*The above cash flow statement should be read in conjunction with the accompanying notes.*



**PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED**  
**ABN 36 066 872 302**  
**NOTES TO THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**Note 1. Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the financial statements for Pacific Industry Services Corporation Pty Limited as an individual entity.

**Basis of preparation**

The general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2005, Corporations Act 2001, Corporation Regulations 2001 and Treasurer's Directions.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report and notes comply with the Australian Accounting Standards some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements

This financial report is the first financial report to be prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing this financial report.

The financial reports of the company until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the 2005 financial report, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial report to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The company has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 January 2005.

As the introduction of AIFRS has not had a material impact on the financial reporting of Pacific Industry Services Corporation Pty Limited, reconciliations and descriptions of the effect of the transition from the previous AGAAP to AIFRSs on the consolidated entity's equity and its net income are not required.

The preparation of financial reports in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

**PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED**  
**ABN 36 066 872 302**  
**NOTES TO THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**Note 1. Summary of significant accounting policies (cont.)**

The financial report has been prepared on an accruals basis and is based on historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

**Significant accounting policies**

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report.

**a) Significant revenues & expenses**

Where an item of revenue or expense from ordinary activities is of such a size, nature or incidence, that its disclosure is relevant in explaining the financial performance of the entity, its nature and amount have been disclosed separately in the notes.

**b) Revenue recognition**

***Interest***

Interest revenue is recognised as it accrues.

***Dividends***

Revenue from dividends is recognised when the shareholders' right to receive a dividend is established.

**c) Cash assets**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**d) Receivables**

Receivables are recognised and carried at the original invoice amount less a provision for any doubtful debts.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A year end review of outstanding debtors was performed and a provision for doubtful debts has been raised for those debts where some doubt as to collection exists. The amount of the provision for doubtful debts is recognised as a deduction to the carrying value of receivables in the balance sheet.



**PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED**  
**ABN 36 066 872 302**  
**NOTES TO THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**Note 1. Summary of significant accounting policies (contd.)**

**e) Payables**

Accounts payable represent goods and services provided to the company prior to balance date. The accounts are usually settled on the creditors trading terms.

**f) Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the rises specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in the income statement.

**g) Income tax**

Pacific Industry Services Corporation Pty Limited has been ruled to be a State / Territory body ("STB") exempt from Commonwealth income tax pursuant to section 24AM of the 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 had retrospective application from the year ended 30 June 1995 to the year ending 30 June 2004.

An application for an additional Private Ruling for exemption from Commonwealth income tax for the years ending 30 June 2005 to 30 June 2007 has been lodged with the Australian Taxation Office. Given that there has been no change in the circumstances of the company, it is expected that a further exemption from Commonwealth income tax will be granted.

**PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED**  
**ABN 36 066 872 302**  
**NOTES TO THE FINANCIAL REPORT**  
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**Note 1. Summary of significant accounting policies (cont.)**

**h) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables in the statement of financial position and commitments are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Tax Office is included as part of receivables or payables.

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 are recoverable from, or payable to, the Australian Tax Office are classified as operating cash flows.



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	2006	2005
	\$	\$
<b>Note 2. General</b>		
The company is administered by staff employed by the Office of the NSW Food Authority, a special purpose services entity controlled by the parent entity, NSW Food Authority.		
<b>Note 3. Remuneration of auditors</b>		
Fees paid to <i>The Audit Office of New South Wales</i> Audit of financial reports	<u>2,000</u>	<u>2,000</u>
<b>Note 4. Cash and cash equivalents</b>		
Cash at bank and on hand	<u>230,599</u>	<u>225,820</u>
<b>Reconciliation to cash at the end of the year</b>		
The above figures are reconciled to cash at the end of the year as shown in the statement of cash flows as follows:		
Balances as above	<u>230,599</u>	<u>225,820</u>
<b>Balances per statement of cash flows</b>	<u>230,599</u>	<u>225,820</u>
<b>Note 5. Receivables</b>		
Net goods & services receivable	975	2,977
Interest Receivable	1,062	927
Amounts receivable from parent entity	-	-
	<u>2,037</u>	<u>3,904</u>

**PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED**  
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	2006	2005
	\$	\$
<b>Note 6. Payables</b>		
Amounts payable to parent entity (NSW Food Authority)	5,265	5,265
Payables and accrued expenses	2,205	2,204
	7,470	7,469

**Note 7. Retained Earnings**

Balance at beginning of financial year	(2,653,012)	(2,657,106)
Profit / (Loss) for the year	2,911	4,094
Balance at end of financial year	(2,650,101)	(2,653,012)

**Note 8. Related party information**

**Share transactions of directors**

Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in the company

	-	-
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**Related party transactions**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated

**Outstanding balances**

Aggregate amounts receivable from, and payable to related parties at balance date are as follows:

*Current Receivables*

Parent entity (NSW Food Authority)

	-	-
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*Current Payables*

Parent entity (NSW Food Authority)

	5,265	5,265
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**PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED**  
**ABN 36 066 872 302**  
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<b>2006</b>	<b>2005</b>
\$	\$

**Note 9. Responsible persons and executive officers**

**Directors**

The names of directors who have held office during the financial year were:

Mr James Richmond Forsyth  
 Ms Frances Edwina Mulhearn

The above persons have been in office since the start of the financial year unless otherwise stated

The company is a wholly owned subsidiary of NSW Food Authority. During the year there was one director who was an employee of NSW Food Authority. This director was a member of the Board as a representative of NSW Food Authority. Accordingly, this director does not receive directors' fees from the company

**Directors' remuneration**

Income paid or payable or otherwise made available, to all directors from the company and any related parties

	-		-
	<hr style="border-top: 1px solid black; border-bottom: 1px solid black;"/>		<hr style="border-top: 1px solid black; border-bottom: 1px solid black;"/>
	<b>Number</b>		<b>Number</b>
Number of directors whose income was within the following bands:			
Nil to \$9,999	<b>2</b>		<b>2</b>

The company does not employ any executive personnel.

**Note 10. Commitments for expenditure**

**(a) Capital expenditure commitments**

There were no commitments for capital expenditure as at 30 June 2006.

**( b) Other expenditure commitments**

There were no material expenditure commitments as at 30 June 2006.

**Note 11. Contingent liabilities and contingent assets**

Pacific Industry Services Corporation Pty Limited currently has no legal matters outstanding which are expected to result in material claims for or against it.

**PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED**  
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**NOTES TO THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$	\$
<b>Note 12. Subsequent events</b>		
There have been no events subsequent to balance sheet date.		
<b>Note 13. Segment Information</b>		
In 2001, the company predominately operated as a landlord and rented office space mainly to related parties. Following the sale of the company's land and buildings in May 2001, this activity ceased and the company exists in name only.		
The company operates in Australia.		
<b>Note 14. Contributed equity</b>		
	2006	2005
	\$	\$
<b>Authorised:</b>		
5,000,000 Ordinary shares of \$1.00 each	5,000,000	5,000,000
<b>Issued and Fully Paid:</b>		
each	2,875,267	2,875,267
<b>Note 15. Reconciliation of net operating result for the year after income tax to net cash flows from operations</b>		
Operating result for the year	2,911	4,094
<i>Change in operating assets and liabilities</i>		
(Increase)/Decrease in receivables	1,868	(645)
Increase/(Decrease) in payables and other liabilities	-	(12,133)
<b>Net cash provided by/(used in) operating activities</b>	<b>4,779</b>	<b>(8,684)</b>

**PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED**  
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**Note 16. Financial instruments**

**(A) Financial risk management**

Financial instruments give rise to positions that are a financial asset of either the company or its counterparty and a financial liability (or equity instrument) of the other party. For the company these include cash at bank and payables.

The following is the companies accounting policies and terms and conditions for each class of financial asset, financial liability and equity instruments:

Recognised financial instruments	Notes	Accounting policies	Terms and conditions
<b>Financial assets</b>			
Cash	4	All instruments are recorded at cost.	Interest is paid on maturity or regular intervals.
Receivables	5	All are carried in the accounts at net fair value unless otherwise	Normal business trading terms are payment in 30 days.
<b>Financial liabilities</b>			
Payables	6	All are carried in the accounts at net fair value unless otherwise stated.	Normal business trading terms apply to the payment of suppliers

**(B) Interest rate risk exposures**

The company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements. Interest rate risk, is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

	Weighted Average Interest Rate		Floating Interest Rate		Fixed Interest Rate		Non-interest Bearing		Total	
	2006 %	2005 %	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$
<b>Financial assets</b>									0	0
Cash	5.02%	4.83%	230,599	225,820	-	-	-	-	230,599	225,820
Receivables	N/A	N/A	-	-	-	-	2,037	3,904	2,037	3,904
			230,599	225,820	-	-	2,037	3,904	232,636	229,724
<b>Financial liabilities</b>										
Payables	N/A	N/A	-	-	-	-	7,470	7,469	7,470	7,469
			-	-	-	-	7,470	7,469	7,470	7,469

**(C) Credit risk by classification of counterparty**

Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation thereunder. The company's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the balance sheet.

Credit Risk by Classification	Governments \$	Banks \$	Other \$	Total \$
Cash	-	230,599	-	230,599
Receivables	-	-	2,037	2,037
	-	230,599	2,037	232,636

**(D) Fair value of financial assets and liabilities**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

"End of Audited Accounts"





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