

NSW Food Authority Annual Report 2006-07  
Part 2: Subsidiary Entities of  
the NSW Food Authority



NSW Food Authority

safer food, clearer choices



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# Financial Report of the Office of the NSW Food Authority

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

Pursuant to requirements of the *Public Finance and Audit Act 1983*, I, George Robert Davey, 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 2007 exhibit a true and fair view of the financial position and transactions of the entity.
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), Australian Accounting Interpretations; 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.



George Davey  
Director-General

18 October 2007



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### Office of the NSW Food Authority

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Office of the NSW Food Authority (the Office), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### ***Auditor's Opinion***

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Office as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

#### ***Director-General's Responsibility for the Financial Report***

The Director-General is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### ***Auditor's Responsibility***

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director-General, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Office,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

***Independence***

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. 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.



A Oyetunji  
Director, Financial Audit Services

22 October 2007  
SYDNEY

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

**Income Statement for the Year Ended 30 June 2007**

	Notes	2007 \$'000	2006 \$'000
<b>Revenue</b>			
Personnel services income	4	11,499	10,718
Movement in state superannuation schemes		684	-
<b>Total Revenue</b>		<b>12,183</b>	<b>10,718</b>
<b>Expenditure</b>			
Employee related expenses	6	11,499	10,718
<b>Total Expenditure</b>		<b>11,499</b>	<b>10,718</b>
<b>OPERATING RESULT</b>		<b>684</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 2007

	Notes	2007 \$'000	2006 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	7	3,160	-
Receivables	8	-	20,447
<b>Total Current Assets</b>		<b>3,160</b>	<b>20,447</b>
<b>Non-Current Assets</b>			
Superannuation Prepaid	10	1,731	1,047
<b>Total Non-Current Assets</b>		<b>1,731</b>	<b>1,047</b>
<b>TOTAL ASSETS</b>		<b>4,891</b>	<b>21,494</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	9	-	16,590
Provisions	10	4,207	4,904
<b>Total Current Liabilities</b>		<b>4,207</b>	<b>21,494</b>
<b>Non-Current Liabilities</b>			
Superannuation Prepaid	10	-	-
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>4,207</b>	<b>21,494</b>
<b>NET ASSETS</b>		<b>684</b>	<b>-</b>
<b>EQUITY</b>			
Reserves		-	-
Accumulated funds		684	-
<b>Total Equity</b>		<b>684</b>	<b>-</b>

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

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Statement of Changes in Equity for the Year Ended 30 June 2007

	Notes	2007 \$'000	2006 \$'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>684</b>	-
<b>TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR</b>		<b>684</b>	-

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

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Cash Flow Statement for the Year Ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Payments to suppliers and employees		28,102	-
		<u>28,102</u>	<u>-</u>
<b>Total Payments</b>		<b>28,102</b>	<b>-</b>
<b>Receipts</b>			
Income from personnel services		31,262	-
		<u>31,262</u>	<u>-</u>
<b>Total Receipts</b>		<b>31,262</b>	<b>-</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	11	<u><b>3,160</b></u>	<u><b>-</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<u><b>-</b></u>	<u><b>-</b></u>
<b>NET INCREASE / (DECREASE) IN CASH</b>		<b>3,160</b>	<b>-</b>
Opening cash and cash equivalents		<u>-</u>	<u>-</u>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	7	<u><b>3,160</b></u>	<u><b>-</b></u>

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

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**ABN 53 410 560 411**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**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.

**(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 (AIFRS));
- 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 Australian Accounting 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.

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

**(c) Statement of compliance**

The financial statements and notes comply with Australian Accounting Standards, which include AIFRS. The comparative financial reports for the years ended 30 June 2006 and 30 June 2007 were based on AIFRS.

**(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.

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**(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 which receive Superannuation Guarantee Contributions (SGC).

The first three schemes 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, overfunding, 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.

**(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

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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 recognises 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.

OFFICE OF THE NSW FOOD AUTHORITY  
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 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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**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 2007 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**

	2007 \$'000	2006 \$'000
Personnel Services provided to NSW Food Authority	11,499	10,718
<b>Total Personnel Services Income</b>	<b>11,499</b>	<b>10,718</b>

**Note 5. Superannuation**

	2007 \$'000	2006 \$'000
Increase/(decrease) in prepaid contributions for state superannuation schemes	(502)	7,637
<b>Total Superannuation</b>	<b>(502)</b>	<b>7,637</b>

The total net superannuation expense for 2006/2007 of \$501,588 (net revenue for 2005/2006 of \$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 \$1,185,878 (2005/2006 - \$934,808).

**Note 6. Employee Related Expenses**

	2007 \$'000	2006 \$'000
Salaries and Allowances	8,406	8,452
Superannuation	1,186	-
Workers Compensation	88	46
Fringe Benefits Tax	33	37
Other Employee Related Expenses	183	217
Annual and Long Service Leave	974	1,359
Payroll Tax	629	607
<b>Total Employee Related Expenses</b>	<b>11,499</b>	<b>10,718</b>

**Note 7. Cash**

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

	2007 \$'000	2006 \$'000
Cash at Bank	3,160	-
<b>Total Cash</b>	<b>3,160</b>	<b>-</b>

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**Note 8. Receivables**

	2007	2006
	\$'000	\$'000
Accounts Receivable (receivable from NSW Food Authority)	-	20,447
<b>Total Receivables</b>	-	<b>20,447</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:

	2007	2006
	\$'000	\$'000
<i>Current Receivables</i>		
Parent entity (NSW Food Authority)	-	20,447
<i>Current Payables</i>		
Parent entity (NSW Food Authority)	-	16,590

**Note 10. Provisions**

Employee benefits and related oncosts:

	2007	2006
	\$'000	\$'000
<b>Current Provisions</b>		
Annual Leave (a)	1,270	1,594
Long Service Leave (b)	2,918	3,145
Provision for Redundancy	19	165
<b>Total Current Provisions</b>	<b>4,207</b>	<b>4,904</b>
<b>Non-Current Provisions</b>		
Superannuation Prepaid (c)	-	-
<b>Total Non-current Provisions</b>	-	-
<b>Total Provisions</b>	<b>4,207</b>	<b>4,904</b>

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**Note 10. (a) Annual leave**

The liability at 30 June 2007 was \$1,270,347 (2006 - \$1,594,307). This is based on leave entitlements at 30 June 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 \$952,760 (2006 - \$1,195,730) and \$317,587 (2006 - \$398,577) after twelve months.

	2007 \$'000	2006 \$'000
Leave taken and entitlement for the year are as follows:		
Balance at beginning of the financial year	1,594	1,353
Less: Value of leave taken during the year	945	675
	649	678
Add: Value of increased entitlement during the year	621	916
Balance at the end of the financial year	1,270	1,594

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

**Note 10. (b) Long Service Leave**

The total liability at 30 June 2007 was \$2,918,234 (2006 - \$3,144,552).

The value of long service leave expected to be taken within twelve months is \$152,058 (2006 - \$163,851) and \$2,766,176 (2006 - \$2,980,701) after twelve months.

This liability comprises:

	2007 \$'000	2006 \$'000
Short term - expected to be settled within 12 months	152	164
Long term - not expected to be settled within 12 months	2,766	2,981
Balance at the end of the financial year	2,918	3,145

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

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**Note 10 (c) Superannuation**

**Accounting policy**

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

**Fund information**

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

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- Police Superannuation Scheme (PSS)
- 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 present value of the defined benefit obligation**

	SASS		SANCS		SSS	
	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of partly funded defined benefit obligations at beginning of the year	2,400	3,140	845	1,066	39,121	42,567
Current service cost	102	139	49	62	159	242
Interest cost	141	185	48	52	2,249	2,249
Contributions by fund participants	51	64	0	0	182	209
Actuarial (gains) / losses	87	(363)	28	(29)	(3,602)	(5,314)
Benefits paid	(41)	(765)	(126)	(306)	(1,144)	(832)
Past service cost	0	0	0	0	0	0
Curtailments	0	0	0	0	0	0
Settlements	0	0	0	0	0	0
Business Combinations	0	0	0	0	0	0
Exchange rate changes	0	0	0	0	0	0
Present value of partly funded defined benefit obligations at end of the year	2,740	2,400	844	845	36,965	39,121

**Reconciliation of the fair value of fund assets**

	SASS		SANCS		SSS	
	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fair value of fund assets at beginning of the year	2,059	2,672	785	914	40,569	35,864
Expected return on fund assets	159	202	59	67	3,018	2,664
Actuarial gains/(losses)	171	(214)	46	48	2,632	2,333
Employer contributions	95	101	48	62	264	331
Contributions by Fund participants	51	64	0	0	182	209
Benefits paid	(41)	(766)	(125)	(306)	(1,145)	(832)
Settlements	0	0	0	0	0	0
Business Combinations	0	0	0	0	0	0
Exchange rate changes	0	0	0	0	0	0
Fair value of Fund assets at end of the year	2,494	2,059	813	785	45,520	40,569

**Reconciliation of the assets and liabilities recognised in the balance sheet**

	SASS		SANCS		SSS	
	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of partly funded defined benefit obligations at end of year	2,740	2,400	844	845	36,965	39,121
Fair value of fund assets at end of year	(2,494)	(2,059)	(813)	(785)	(45,520)	(40,569)
Subtotal	246	341	31	60	(8,555)	(1,448)
Unrecognised past service cost	0	0	0	0	0	0
Unrecognised gain/(loss)	0	0	0	0	0	0
Adjustment for limitation on net asset	0	0	0	0	6,547	0
Net Liability/(Asset) recognised in balance sheet at end of year	246	341	31	60	(2,008)	(1,448)

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Expense recognised in income statement

Components Recognised in Income Statements	SASS		SANCS		SSS	
	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current service cost	102	140	49	62	159	243
Interest cost	141	185	48	52	2,249	2,249
Expected return on Fund assets (net of expenses)	(159)	(202)	(59)	(67)	(3,018)	(2,664)
Actuarial losses/(gains) recognised in year	(84)	(149)	(18)	(78)	(6,234)	(7,648)
Past service cost	0	0	0	0	0	0
Movement in adjustment for limitation on net assets	0	0	0	0	6,547	0
Curtailements on settlement (gain)/loss	0	0	0	0	0	0
Expense/(income) recognised	0	(26)	20	(31)	(297)	(7,820)

Amounts recognised in the statement of recognised income and expense

	SASS		SANCS		SSS	
	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Actuarial (gains)/losses	0	0	0	0	0	0
Adjustment for limit on net asset	0	0	0	0	0	0

Cumulative amount recognised in the statement of recognised income and expense

	SASS		SANCS		SSS	
	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cumulative amount of actuarial (gains)/losses	0	0	0	0	0	0
Cumulative adjustment for limitation on net asset	0	0	0	0	0	0

Fund assets

The percentage invested in each asset class at the balance sheet date:

	30-Jun-07	30-Jun-06
Australian equities	33.6%	37.4%
Overseas equities	26.5%	27.9%
Australian fixed interest securities	6.8%	9.9%
Overseas fixed interest securities	6.4%	6.8%
Property	10.1%	8.6%
Cash	9.8%	5.0%
Other	6.8%	4.4%

Fair value of Fund assets

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

Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual return on Fund assets

	SASS		SANCS		SSS	
	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Actual return on assets	304	330	105	116	5,650	5,697

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Valuation method and principal actuarial assumptions at the balance sheet date

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-07	30-Jun-06
Salary increase rate (excluding promotional increases)	4.0 % pa to June 2008; 3.5% pa thereafter	4.0 % pa to June 2008; 3.5% pa thereafter
Rate of CPI increase	2.5% pa	2.5% pa
Expected rate of return on assets backing current pension liabilities	7.6%	7.6%
Expected rate of return on assets backing other liabilities	7.6%	7.6%
Discount rate	6.4% pa	5.9% pa

c) Demographic Assumptions

The demographic assumptions at 30 June 2007 are those used in the 2006 triennial actuarial valuation. A selection of the most financially significant assumptions is shown below:

(i) SASS Contributors - the number of SASS contributors expected in any one year (out of 10,000 members), at the ages shown, to leave the fund as a result of death, disability, resignation, retirement and redundancy. Promotional salary increase rates are also shown.

Age nearest Birthday	Number of members expected in any one year, out of 10,000 members at the age shown, to leave the fund as a result of:								Additional promotional salary increase rate %
	Death	Total & Permanent Disability	Retirement		Resignation		Redundancy		
			Part 1	Part 3	Part 1	Part 3	Part 1	Part 3	
<b>Males</b>									
30	4	8	-	-	280	395	150	-	2.90
40	6	10	-	-	150	285	150	-	1.80
50	11	30	-	-	112	172	150	-	0.00
60	30	-	1400	950	-	-	150	-	0.00
<b>Females</b>									
30	2	2	-	-	372	700	150	-	2.90
40	3	6	-	-	175	320	150	-	1.80
50	7	28	-	-	144	270	150	-	0.00
60	18	-	1500	1500	-	-	150	-	0.00

(ii) SSS Contributors - the number of SSS contributors expected in any one year (out of 10,000 members), at the ages shown, to leave the fund as a result of death, disability, resignation, retirement and preservation. Promotional salary increase rates are also shown.

Age nearest Birthday	Number of members expected in any one year, out of 10,000 members at the age shown, to leave the fund as a result of:					Additional promotional salary increase rate %
	Death	Ill-health Retirement	Retirement (R60 for females)	Cash Resignation (R60 for females)	Preservation (R60 for females)	
<b>Males</b>						
30	4	42	-	178	95	2.90
40	6	54	-	80	140	1.80
50	11	144	-	20	50	0.00
60	30	-	6500	-	-	0.00
<b>Females</b>						
30	2	6	-	204	124	2.90
40	3	21	-	72	105	1.80
50	7	103	-	30	90	0.00
60	18	-	6300	-	-	0.00

OFFICE OF THE NSW FOOD AUTHORITY  
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 FOR THE YEAR ENDED 30 JUNE 2007

(iii) SSS Commutation - the proportion of SSS members assumed to commute their pension to a lump sum in any one year.

Age	Proportion of pension commuted	
	Retirement	Breakdown
Later of commencement or age 55	0.15	0.20
	Widow	Widower
55	0.2500	0.2500
65	0.5380	0.5800
75	0.4825	0.5160
85	0.3928	0.3728

(iv) SSS Pensioner Mortality - assumed mortality rates (in 2006/2007) for SSS pensioners (separately for normal retirement/spouses and invalidity)

Age	Retirement Pensioners and Spouses and Widows		Invalidity Pensioners	
	Males	Females	Males	Females
55	0.0025	0.0014	0.0081	0.0066
65	0.0070	0.0055	0.0112	0.0125
75	0.0194	0.0157	0.0505	0.0314
85	0.0945	0.0634	0.1134	0.1268

(v) SSS Pensioner Mortality Improvements - per annum assumed rates of mortality improvement for SSS pensioners

Age	Improvement rates- (for years post 2006)	
	Males	Females
55	0.0152	0.0113
65	0.0101	0.0065
75	0.0087	0.0068
85	0.0052	0.0080

Historical information

	SASS		SANCS		SSS	
	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	2,740	2,400	844	845	36,965	39,121
Fair value of Fund assets	(2,494)	(2,059)	(813)	(785)	(45,520)	(40,569)
(Surplus)/Deficit in Fund	246	341	31	60	(8,555)	(1,448)
Experience adjustments – Fund liabilities	87	(363)	28	(29)	(3,602)	(5,314)
Experience adjustments – Fund assets	(171)	214	(46)	(49)	(2,632)	(2,334)

Expected contributions

	SASS		SANCS		SSS	
	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected employer contributions	97	121	54	64	291	334

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**Funding arrangements for employer contributions**

(a) Surplus/deficit

The following is a summary of the 30 June 2007 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

	SASS		SANCS		SSS	
	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued benefits	2,712	2,297	836	802	33,210	33,122
Net market value of Fund assets	(2,494)	(2,059)	(812)	(785)	(45,520)	(40,569)
Net (surplus)/deficit	218	238	24	17	(12,310)	(7,447)

(b) Contribution recommendations

Recommended contribution rates for the entity are:

SASS		SANCS		SSS	
30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06
multiple of member contributions		% member salary		multiple of member contributions	
1.90	1.90	2.50	2.50	1.60	1.60

(c) Funding method

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 the current value of assets and future contributions.

(d) Economic assumptions

The economic assumptions adopted for the last actuarial review of the Fund were:

Weighted-Average Assumptions		
	30-Jun-07	30-Jun-06
Expected rate of return on Fund assets backing current pension liabilities	7.7% pa	7.7% pa
Expected rate of return on Fund assets backing other liabilities	7.0% 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

**Nature of asset/liability**

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 53 410 460 411  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2007

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

	2007 \$'000	2006 \$'000
Operating Result	684	-
Decrease /( Increase) in Superannuation Prepaid	(684)	(1,047)
(Increase) / Decrease in Receivables	20,447	6,116
(Decrease) / Increase in Payables	(16,590)	3,015
(Decrease) / Increase in Provisions	(697)	(8,084)
<b>Net Cash Flows From Operating Activities</b>	<b>3,160</b>	<b>-</b>

**Note 12. Commitments for expenditure**

**(a) Capital expenditure commitments**

There were no commitments for capital expenditure as at 30 June 2007 (2005/6 nil).

**(b) Other expenditure commitments**

There were no material expenditure commitments as at 30 June 2007 (2005/6 nil).

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

The Office of the NSW Food Authority has no material contingent asset at 30 June 2007 (2005/6 nil).

At balance date 30 June 2007, the Office of the NSW Food Authority has the following material contingent liabilities:

- (i) 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 \$4,580,670. As at 30 June 2007, the Office of the NSW Food Authority has determined to seek professional advice to assess the entity's position (2005/6 - \$4,958,921).
- (ii) An Administrative Law claim has been brought against the NSW Food Authority. Advice from legal counsel indicates that the maximum exposure that may arise is \$350,000. The matter is being strongly defended.

**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 53 410 460 411  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2007

**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 are the company's 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 at 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	9	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	
	2007 %	2006 %	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$
<b>Financial assets</b>										
Cash	4.18%	N/A	3,160	-	-	-	-	-	3,160	-
Receivables	N/A	N/A	-	-	-	-	-	20,447	-	20,447
			3,160	-	-	-	-	20,447	3,160	20,447
<b>Financial liabilities</b>										
Payables	N/A	N/A	-	-	-	-	-	16,590	-	16,590
			-	-	-	-	-	16,590	-	16,590

**(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	-	3,160	-	3,160
Receivables	-	-	-	-
	-	3,160	-	3,160

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

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

End of Audited Accounts

# Financial Report of Milk Marketing (NSW) Pty Limited



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### Milk Marketing (NSW) Pty Limited

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Milk Marketing (NSW) Pty Limited (the Company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

#### *Auditor's Opinion*

In my opinion the financial report of Milk Marketing (NSW) Pty Limited:

- 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 2007 and of its performance for the year ended on that date; and
  - complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

#### *Directors' Responsibility for the Financial Report*

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the PF&A Act and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does not provide assurance:

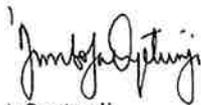
- about the future viability of the Company,
- about the effectiveness of its internal controls, or
- that it has carried out its activities effectively, efficiently and economically.

#### *Independence*

In conducting this audit, the Audit Office has complied with the independence requirements of 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.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Milk Marketing (NSW) Pty Limited on 16 October 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.



A Oyetunji  
Director, Financial Audit Services

22 October 2007  
SYDNEY

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

**ABN 67 003 830 902**

### **DIRECTORS' REPORT**

The directors of the company present their report on the company for the financial year ended 30 June 2007:

#### **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 loss for the financial year ended 30 June 2007 was \$10,007 (prior year profit was \$5,578).

#### **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 67 003 830 902

### 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 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 entity:

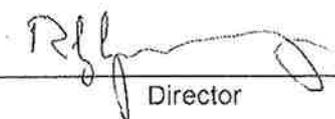
- (a) indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceeding; or
- (b) paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer 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 16 day of October 2007

Dated this 16 day of October 2007

## MILK MARKETING (NSW) PTY LIMITED

ABN 67 003 830 902

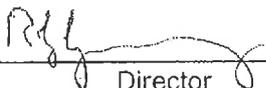
### DIRECTORS' DECLARATION

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 2007 and of the performance for the year ended 30 June 2007;
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, Australian Accounting 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.

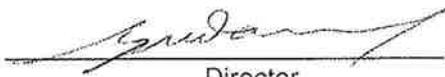
Signed this \_\_\_ day of October 2007 in accordance with a resolution of the directors, made pursuant to S295(5) of the Corporations Act 2001.

On behalf of the directors:



Director

R G Grey



Director

G R Davey

Dated this 16 day of October 2007

Dated this 16 day of October 2007



GPO BOX 12  
Sydney NSW 2001

To the Directors  
Milk Marketing (NSW) Pty Limited

#### Auditor's Independence Declaration

As auditor for the audit of Milk Marketing (NSW) Pty Limited for the year ended 30 June 2007, 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 Oyetunji  
Director of Audit

16 October 2007  
SYDNEY

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

**Income statement**  
**for the year ended 30 June 2007**

	Notes	2007	2006
		\$	\$
<b>Revenue from continuing operations</b>			
Investment Revenue		52,187	51,320
Other Revenue		-	-
<b>Total revenue from continuing operations</b>		<b>52,187</b>	<b>51,320</b>
<b>Expenses from continuing operations</b>			
Contractors		24,684	21,098
External Audit Fees	3	2,000	2,000
Miscellaneous Expenses		1,124	919
Storage & Retrieval		3,848	3,522
Subscriptions		3,132	2,064
Stakeholder Liaison		5,468	10,023
Grants & Sponsorship		3,637	2,600
Stores, Stationery & Printing		514	1,253
Postage & Telephone		-	28
Travel		17,787	2,235
<b>Total expenses from continuing operations</b>		<b>62,194</b>	<b>45,742</b>
<b>Operating result before income tax expense</b>		<b>(10,007)</b>	<b>5,578</b>
Income tax expense	1(g)	-	-
<b>Operating result from continuing operations</b>		<b>(10,007)</b>	<b>5,578</b>
<b>Net operating result for the year</b>		<b>(10,007)</b>	<b>5,578</b>
<b>Profit / (loss) attributable to the members of Milk Marketing (NSW) Pty Limited</b>	7	<b>(10,007)</b>	<b>5,578</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 2007**

	Notes	2007 \$	2006 \$
<b>Current assets</b>			
Cash	4	1,004,456	1,000,343
Receivables	5	4,375	7,034
<b>Total current assets</b>		<u>1,008,831</u>	<u>1,007,377</u>
<b>Total assets</b>		<u>1,008,831</u>	<u>1,007,377</u>
<b>Current liabilities</b>			
Payables	6	44,471	33,010
<b>Total current liabilities</b>		<u>44,471</u>	<u>33,010</u>
<b>Total liabilities</b>		<u>44,471</u>	<u>33,010</u>
<b>Net assets</b>		<u>964,360</u>	<u>974,367</u>
<b>Equity</b>			
Contributed equity	14	2	2
Accumulated Funds	7	964,358	974,365
<b>Total equity</b>		<u>964,360</u>	<u>974,367</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 2007**

	<b>Notes</b>	<b>2007</b>	<b>2006</b>
		<b>\$</b>	<b>\$</b>
<b>Total equity at the beginning of the financial year</b>		<b>974,367</b>	<b>968,789</b>
<b>Profit / (Loss) for the year</b>		<b>(10,007)</b>	<b>5,578</b>
<b>Total recognised income and expense for the year</b>		<b>(10,007)</b>	<b>5,578</b>
<b>Total equity at the end of the financial year</b>		<b>964,360</b>	<b>974,367</b>
<b>Total recognised income and expense for the year attributable to members of Milk Marketing (NSW) Pty Limited</b>		<b>(10,007)</b>	<b>5,578</b>

*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 2007

	Notes	2007 \$	2006 \$
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Payments to suppliers and employees		54,596	40,957
<b>Total Payments</b>		<u>54,596</u>	<u>40,957</u>
<b>Receipts</b>			
Interest received		54,826	56,128
Receipts from activities		3,883	3,818
<b>Total Receipts</b>		<u>58,709</u>	<u>59,946</u>
<b>Net Cash flows from operating activities</b>	15	<u>4,113</u>	<u>18,989</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		4,113	18,989
<b>Cash and cash equivalents at the beginning of the financial year</b>		<u>1,000,343</u>	<u>981,354</u>
<b>Cash and cash equivalents at the end of the financial year</b>	4	<u>1,004,456</u>	<u>1,000,343</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 THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2007

**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, Australian Accounting 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.

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.

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 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.

**c) Cash assets**

Cash includes 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.

**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 THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2007

**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.

**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 Balance Sheet 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 THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**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.

2007	2006
\$	\$

**Note 3. Remuneration of auditors**

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

<u>2,000</u>	<u>2,000</u>
--------------	--------------

**Note 4. Cash**

Cash at bank

<u>1,004,456</u>	<u>1,000,343</u>
------------------	------------------

**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:

Balance per Balance Sheet (as above)

<u>1,004,456</u>	<u>1,000,343</u>
------------------	------------------

Balance per statement of cash flows

<u>1,004,456</u>	<u>1,000,343</u>
------------------	------------------

**Note 5. Receivables**

GST receivable

3,888	3,908
-------	-------

Interest receivable

487	3,126
-----	-------

Amounts receivable from parent entity

-	-
<u>4,375</u>	<u>7,034</u>

**MILK MARKETING (NSW) PTY LIMITED**  
**ABN 67 003 830 902**  
**NOTES TO THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	\$	\$
<b>Note 6. Payables</b>		
Amounts payable to parent entity (NSW Food Authority)	38,096	23,208
Payables and accrued expenses	<u>6,375</u>	<u>9,802</u>
	<u>44,471</u>	<u>33,010</u>
<b>Note 7. Accumulated Funds</b>		
Balance at beginning of financial year	974,365	968,787
Profit / (Loss) for the year	<u>(10,007)</u>	<u>5,578</u>
Balance at end of financial year	<u>964,358</u>	<u>974,365</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>38,096</u>	<u>23,208</u>

**MILK MARKETING (NSW) PTY LIMITED**  
**ABN 67 003 830 902**  
**NOTES TO THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**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.

	2007	2006
	\$	\$
<b>Directors' remuneration</b>		
Income paid or payable or otherwise made available, to all directors from the company and any related parties	<u>-</u>	<u>-</u>
	Number	Number
Number of directors whose income was within the following bands:		
Nil to \$9,999	2	2

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 2007 (2005/6 nil).

**( b) Other expenditure commitments**

There were no material expenditure commitments as at 30 June 2007 (2005/6 nil).

**MILK MARKETING (NSW) PTY LIMITED**  
**ABN 67 003 830 902**  
**NOTES TO THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2007**

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

As at balance date 30 June 2007, Milk Marketing (NSW) Pty Limited has no legal matters outstanding which are expected to result in material claims for or against it (2005/6 nil).

**Note 12. Subsequent events**

There have been no events subsequent to balance sheet date.

**Note 13. Segment Information**

The company operates in one industry, being the dairy industry and in one geographical location, being New South Wales.

**Note 14. Contributed equity**

	2007	2006
	\$	\$
<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	(10,007)	5,578
<i>Change in operating assets and liabilities</i>		
(Increase)/Decrease in receivables	2,659	6,867
Increase/(Decrease) in payables and other liabilities	<u>11,461</u>	<u>6,544</u>
<b>Net cash provided by/(used in) operating activities</b>	<u>4,113</u>	<u>18,989</u>

MILK MARKETING (NSW) PTY LIMITED  
 ABN 67 003 830 902  
 NOTES TO THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2007

**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 are the company's 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 at 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	
	2007 %	2006 %	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$
<b>Financial assets</b>										
Cash	5.66%	4.58%	1,004,456	1,000,343	-	-	-	-	1,004,456	1,000,343
Receivables	N/A	N/A	-	-	-	-	4,375	7,034	4,375	7,034
			1,004,456	1,000,343	-	-	4,375	7,034	1,008,831	1,007,377
<b>Financial liabilities</b>										
Payables	N/A	N/A	-	-	-	-	44,471	33,010	44,471	33,010
			-	-	-	-	44,471	33,010	44,471	33,010

**(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	-	1,004,456	-	1,004,456
Receivables	-	-	4,375	4,375
	-	1,004,456	4,375	1,008,831

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

The net fair value of cash 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 AUDITOR'S REPORT

### Pacific Industry Services Corporation Pty Limited

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Pacific Industry Services Corporation Pty Limited (the Company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

#### **Auditor's Opinion**

In my opinion the financial report of Pacific Industry Services Corporation Pty Limited:

- 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 2007 and of its performance for the year ended on that date; and
  - complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

#### **Directors' Responsibility for the Financial Report**

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the PF&A Act and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

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

#### ***Independence***

In conducting this audit, the Audit Office has complied with the independence requirements of 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.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Pacific Industry Services Corporation Pty Limited on 16 October 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.



A Oyetunji  
Director, Financial Audit Services

22 October 2007  
SYDNEY

## **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 2007:

#### **DIRECTORS**

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

James 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 2007/2008. The winding up process was commenced during 2005/2006. As at 30 June 2007, this process was not yet completed.

#### **OPERATING RESULTS**

The operating profit for the financial year ended 30 June 2007 was \$4,799 (prior year profit \$2,911).

#### **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 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 entity:

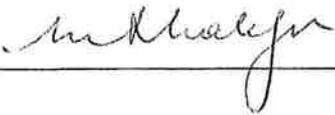
- (a) indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceeding; or
- (b) paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer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



---

Margaret Sian Malyn



---

Director

Frances Edwina Mulhearn

Dated this 18 day of October 2007

Dated this 18 day of October 2007

**PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED**

**ABN 36 066 872 302**

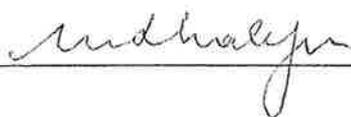
**DIRECTORS' DECLARATION**

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 2007 and of the performance for the year ended 30 June 2007;
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, Australian Accounting 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 \_\_\_ day of October 2007 in accordance with a resolution of the directors, made pursuant to *S295(5) of the Corporations Act 2001*.

On behalf of the directors:



---

Margaret Sian Malyn



---

Director

Frances Edwina Mulhearn

Dated this 18 day of October 2007

Dated this 18 day of October 2007



GPO BOX 12  
Sydney NSW 2001

To the Directors  
Pacific Industry Services Corporation Pty Limited

#### Auditor's Independence Declaration

As auditor for the audit of Pacific Industry Services Corporation Pty Limited for the year ended 30 June 2007, 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, appearing to read 'A Oyetunji'.

A Oyetunji  
Director of Audit

16 October 2007  
SYDNEY

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

**Income statement**  
**for the year ended 30 June 2007**

	Notes	2007 \$	2006 \$
<b>Revenue from continuing operations</b>			
Investment Revenue		12,886	11,617
Other Revenue		-	49
<b>Total revenue from continuing operations</b>		<u>12,886</u>	<u>11,666</u>
<b>Expenses from continuing operations</b>			
Annual Report		482	569
Bank Charges		62	64
Contractors		5,543	4,786
Audit Fees	3	2,000	2,000
Miscellaneous Expenses		-	1,336
<b>Total expenses from continuing operations</b>		<u>8,087</u>	<u>8,755</u>
<b>Operating result before income tax expense</b>		4,799	2,911
Income Tax expense	1(g)	-	-
<b>Operating result from continuing operations</b>		<u>4,799</u>	<u>2,911</u>
<b>Net operating result for the year</b>		<u>4,799</u>	<u>2,911</u>
<b>Profit attributable to the members of Pacific</b>			
<b>Industry Services Corporation Pty Limited</b>	7	<u>4,799</u>	<u>2,911</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 2007

	Notes	2007 \$	2006 \$
<b>Current Assets</b>			
Cash	4	236,140	230,599
Receivables	5	2,399	2,037
<b>Total Current Assets</b>		<u>238,539</u>	<u>232,636</u>
<b>Total Assets</b>		<u>238,539</u>	<u>232,636</u>
<b>Current Liabilities</b>			
Payables	6	8,574	7,470
<b>Total Current Liabilities</b>		<u>8,574</u>	<u>7,470</u>
<b>Total Liabilities</b>		<u>8,574</u>	<u>7,470</u>
<b>Net Assets</b>		<u>229,965</u>	<u>225,166</u>
<b>Equity</b>			
Contributed equity	14	2,875,267	2,875,267
Accumulated Funds	7	(2,645,302)	(2,650,101)
<b>Total Equity</b>		<u>229,965</u>	<u>225,166</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

Cash flow statement  
for the year ended 30 June 2007

	Notes	2007 \$	2006 \$
<b>Cash flows from Operating Activities</b>			
<b>Payments</b>			
Payments to suppliers and employees		8,012	7,433
<b>Total Payments</b>		<u>8,012</u>	<u>7,433</u>
<b>Receipts</b>			
Interest received		12,799	11,484
Other receipts		754	728
<b>Total Receipts</b>		<u>13,553</u>	<u>12,212</u>
<b>Net cash flow from operating activities</b>	15	<u>5,541</u>	<u>4,779</u>
<b>Net Increase / (Decrease) in Cash</b>		5,541	4,779
<b>Cash at the beginning of the financial year</b>		<u>230,599</u>	<u>225,820</u>
<b>Cash at the end of the financial year</b>	4	<u><u>236,140</u></u>	<u><u>230,599</u></u>

*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

Statement of changes in equity  
for the year ended 30 June 2007

Notes	2007 \$	2006 \$
Total equity at the beginning of the financial year	<u>225,166</u>	<u>222,255</u>
Profit / (Loss) for the year	4,799	2,911
Total recognised income and expense for the year	<u>4,799</u>	<u>2,911</u>
Total equity at the end of the financial year	<u>229,965</u>	<u>225,166</u>
Total recognised income and expense for the year attributable to Members of Pacific Industry Services Corporation Pty Limited	<u>4,799</u>	<u>2,911</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

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2007

**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, Australian Accounting 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.

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.

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 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 includes deposits held at call with financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**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

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NOTES TO THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2007

**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**

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 was lodged with the Australian Taxation Office and has been granted.

**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 Balance Sheet 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.

PACIFIC INDUSTRY SERVICES CORPORATION PTY LIMITED  
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**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.

2007	2006
\$	\$

**Note 3. Remuneration of auditors**

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

<u>2,000</u>	<u>2,000</u>
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**Note 4. Cash**

Cash at bank

<u>236,140</u>	<u>230,599</u>
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**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:

Balance per Balance Sheet (as above)

<u>236,140</u>	<u>230,599</u>
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Balance per statement of cash flows

<u>236,140</u>	<u>230,599</u>
----------------	----------------

**Note 5. Receivables**

Net goods & services receivable  
 Interest Receivable

1,250	975
<u>1,149</u>	<u>1,062</u>
<u>2,399</u>	<u>2,037</u>

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	2007	2006
	\$	\$
<b>Note 6. Payables</b>		
Amounts payable to parent entity (NSW Food Authority)	6,097	5,265
Payables and accrued expenses	<u>2,477</u>	<u>2,205</u>
	<u><u>8,574</u></u>	<u><u>7,470</u></u>
<b>Note 7. Accumulated Funds</b>		
Balance at beginning of financial year	(2,650,101)	(2,653,012)
Profit / (Loss) for the year	<u>4,799</u>	<u>2,911</u>
Balance at end of financial year	<u><u>(2,645,302)</u></u>	<u><u>(2,650,101)</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>	<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>	<u><u>-</u></u>
<i>Current Payables</i>		
Parent entity (NSW Food Authority)	<u><u>6,097</u></u>	<u><u>5,265</u></u>

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**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.

**Directors' remuneration**

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

	2007	2006
	\$	\$
	-	-
	<u>          </u>	<u>          </u>
	<b>Number</b>	<b>Number</b>
Number of directors whose income was within the following bands:		
Nil to \$9,999	2	2

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 2007 (2005/6 nil).

**( b) Other expenditure commitments**

There were no material expenditure commitments as at 30 June 2007 (2005/6 nil).

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

As at balance date 30 June 2007, Pacific Industry Services Corporation Pty Limited has no legal matters outstanding which are expected to result in material claims for or against it (2005/6 nil).

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**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**

	2007	2006
	\$	\$
<b>Authorised:</b>		
5,000,000 Ordinary shares of \$1.00 each	<u>5,000,000</u>	<u>5,000,000</u>
<b>Issued and Fully Paid:</b>		
2,875,267 Ordinary shares of \$1.00 each	<u>2,875,267</u>	<u>2,875,267</u>

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

Operating result for the year	4,799	2,911
<i>Change in operating assets and liabilities</i>		
(Increase)/Decrease in receivables	(362)	1,868
Increase/(Decrease) in payables and other liabilities	<u>1,104</u>	<u>-</u>
<b>Net cash provided by/(used in) operating activities</b>	<u>5,541</u>	<u>4,779</u>

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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 are the company's 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 at 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	
	2007 %	2006 %	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$
<b>Financial assets</b>										
Cash	5.65%	5.02%	236,140	230,599	-	-	-	-	236,140	230,599
Receivables	N/A	N/A	-	-	-	-	2,399	2,037	2,399	2,037
			236,140	230,599	-	-	2,399	2,037	238,539	232,636
<b>Financial liabilities</b>										
Payables	N/A	N/A	-	-	-	-	8,574	7,470	8,574	7,470
			-	-	-	-	8,574	7,470	8,574	7,470

**(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	-	236,140	-	236,140
Receivables	-	-	2,399	2,399
	-	236,140	2,399	238,539

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

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

End of Audited Accounts







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**Report design**

Johnston Design



6 Avenue of the Americas, Newington NSW 2127  
PO Box 6682, Silverwater NSW 1811  
Tel: 02 9741 4777 Fax: 02 9741 4888  
[www.foodauthority.nsw.gov.au](http://www.foodauthority.nsw.gov.au)

Consumer and Industry Helpline  
Tel: 1300 552 406 Fax: 02 9647 0026  
Email: [contact@foodauthority.nsw.gov.au](mailto:contact@foodauthority.nsw.gov.au)

Office hours 8.30am to 5.30pm Monday to Friday