

DFSV: annual report 2002/03

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11 September 2003

The Honourable Bob Cameron
Minister for Agriculture
PO Box 500
East Melbourne VIC 3002

Dear Minister,

In accordance with the Financial Management Act 1994, I have pleasure in submitting to you the Annual Report & Financial Statements for Dairy Food Safety Victoria for the period 1 July 2002 to 30 June 2003.

Yours sincerely,

A handwritten signature in blue ink that reads "D. E. Hore". The signature is written in a cursive style with a long horizontal stroke at the end.

Dr Desmond E. Hore
CHAIRMAN

A large, leafless tree stands in a field. In the background, a cow is visible near a fence. The sky is a pale, hazy color.

Vision:

the Victorian dairy industry's reputation for food safety and integrity of production makes our products internationally preferred

I am pleased to present the Annual Report from Dairy Food Safety Victoria (DFSV) for 2002-03.

The impact of serious drought across the State's dairying regions during the past year was made worse by price pressure on export markets from the appreciating Australian dollar. Yet once again, the Victorian dairy industry performed to the highest standards of food safety and I can report that only one recall of Victorian dairy food was required during the year.

There has been a positive response from all parts of industry to the new Code of Practice for Dairy Food Safety, launched in October by the Minister for Agriculture. The Code is the centrepiece of Victoria's dairy food safety system and the foundation for a profitable future for the industry.

I recognise however, that we still have much to do to ensure that the Code is fully explained and demystified for all dairy licence holders. This will be a priority for DFSV in 2003-04.

During the year DFSV's funding model was further reviewed with some variations made to the method of calculating licence fees. These changes were proposed by an industry steering committee and have been approved by the Board to become operative over the next six months. The changes will provide greater equity for industry participants and more certainty for DFSV.

During the year, we also undertook a follow-up survey of the views held by customers and stakeholders about DFSV. It is pleasing to report a significant improvement in perceptions since the previous survey two years ago. In particular, there is growing industry understanding and satisfaction with the new dairy food safety system and of the work done by DFSV.

Progress towards a national framework for dairy food safety is continuing and positive. Arrangements are being worked through with all other States and should result in a high degree of uniformity of standards in the next twelve months. I realise that industry wants the national framework to be finalised and the Board is working with all parties to reach agreement as quickly as possible.

The Board recently completed a review of its corporate governance responsibilities. The review emphasised that the start-up phase for DFSV is finished and the organisation should now adopt a more strategic view of the future.

The current Board's term of office expires in October 2003 and the Minister will appoint a new Board. It is with a sense of pride that I look back at what has been achieved by DFSV over the past three years. Victoria has an enhanced dairy food safety scheme administered by an organisation that is now fully financed by the dairy industry.

I sincerely thank the Board for its commitment and effort in guiding DFSV successfully for the past three years and wish the incoming Board every success. I acknowledge also the assistance of all sectors of the dairy industry including the United Dairyfarmers of Victoria and the dairy companies in dealing with a range of important matters for the organisation. I am also grateful for active support from the Minister for Agriculture, the Department of Primary Industries and the peak industry organisations that is enabling DFSV to move forward with confidence.

To Dr Anne Astin and her staff, I extend my gratitude for their contribution to the Board and DFSV throughout the year.



Dr Desmond E. Hore CHAIRMAN





Mission:

the independent
Authority to regulate
dairy food safety

The past year for Dairy Food Safety Victoria (DFSV) has seen us focus on the next stage of implementation of the Victorian Dairy Food Safety Scheme. The Scheme, referred to throughout this Report, is the critical tool to deliver food safety standards that will protect the health of consumers both domestically and overseas and assure markets about the integrity of our food safety systems in the dairy industry.

Victorian Dairy Food Safety Scheme

DFSV is responsible for planning and delivering the range of services that will make the Scheme a reality. The future of the scheme lies in the development, validation and approval of dairy food safety programs consistent with the Code of Practice for Dairy Food Safety. The verification of these programs through audit will provide confidence that the holder of a Victorian dairy licence is operating to the highest standards in food safety. This approach replaces the traditional regulator's role of inspection and enforcement and reflects the partnership that is emerging between industry and Dairy Food Safety Victoria.



Implementation of the Scheme is on schedule with all licensed dairy operators, including farmers, having access to a food safety program. To verify implementation of dairy farm food safety programs, a new auditing framework has been developed by DFSV in consultation with industry.

Our experience to date is that the industry's existing HACCP- based approach to quality assurance is meeting the requirements contained in the Code of Practice. This has given industry confidence to plan for its future in the knowledge that compliance with the Scheme should not, in most cases, be excessive. At the same time, DFSV is reassured that it remains in a position of regulatory certainty during this period of major change.

Further work is needed to ensure that the full range of services to support the scheme is delivered consistently to the standard required and that high levels of understanding and commitment to the Scheme by all partners are achieved.

The approach that is being taken by DFSV to all of its responsibilities is one of facilitation and prevention rather than prosecution. However, we remain committed to taking strict action against any businesses that repeatedly demonstrate poor performance. This ensures equity for all licensees.

Scanning the Horizon

Another key role for DFSV is to closely monitor emerging issues, both nationally and internationally, for their possible impact on dairy food safety in Victoria. These world trends remind us that we must be constantly aware of the need to view the Dairy Food Safety Scheme as an evolutionary process. It can be anticipated for example, that the next

Dr Anne M Astin CHIEF EXECUTIVE OFFICER



CEO's report cont.

generation of dairy food safety programs for manufacturers may need to take greater account of on-farm animal health management issues. Assurances about the management of diseases such as Bovine Johnes Disease, Foot and Mouth Disease and Anthrax will be needed to satisfy world markets.

A second area that is emerging is the issue of farm inputs. The safety of animal feeds, water and pastures will be of greater concern in future as will the integrity of production and processing systems for new products.

Communication and Listening

The second major survey of stakeholder views and perceptions about DFSV's strategy, progress and performance was undertaken this year. I am grateful to the industry representatives who gave generously of their time to provide feedback for the survey.

A key finding is that in the two years since the previous survey, there has been increasing confidence by external stakeholders in DFSV's Board and senior management. The organisation is better understood and valued by industry, and increasingly regarded as a partner. Industry recognises that Victoria's reputation on world markets is critically important and has expressed strong support for DFSV's actions to protect it.

One concern noted in the survey relates to DFSV's critical capacity in technical skills. We shall continue to address this matter through our human resources plan for organisational development.

Organisational development

During the year, all staff completed a program in leadership development that emphasised excellence in customer service and taking leadership roles in the industry. Our training and development plan also included staff attendance at several national and international dairy safety conferences and a strengthening of our relationship with academic institutions through a collaborative project on emerging food safety risks funded by the Geoffrey Gardiner Dairy Foundation.

DFSV had a staff turnover of 30% for the year that allowed further changes to our mix of skills and experience. Recently recruited staff have brought with them expertise in quality systems management from the food retail sector as well as the meat and wine industries.

At the end of the year, we recognised Reg Hassett as he celebrated his retirement after 50 years working in the dairy industry. His half-century of service is a significant achievement and a rare occurrence in the contemporary working environment.

National framework

DFSV has continued to work to make the Code of Practice relevant to systems operating in other States. Adoption of a standardised and national Code will reduce duplication of regulatory requirements and simplify compliance arrangements for manufacturing companies.



Bradley Smith, Dairy Food Safety Officer - Melbourne
responsible for verification and validation of food safety programs

Since signing a Memorandum of Understanding with Tasmania last year, our staff have attended several meetings with the Tasmanian industry to clarify details of the Code. We are also making steady progress towards a national framework in current discussions with Queensland, New South Wales and Western Australia. South Australia will adopt the Victorian Code from 1 July 2003 after making some minor amendments to meet local legislative requirements.

DFSV has also engaged with the national food standards body, Food Standards, Australia and New Zealand (FSANZ), to review the adequacy of national standards for specialist sectors of the dairy industry including very hard grating cheeses produced from raw milk. Future discussions will relate to the development of a national dairy standard.

Funding Arrangements

The recent review of the model used to calculate licence fees has confirmed the sustainability of the funding base for the organisation and fulfilled the Board's commitment to industry to review the model after its first two years of operation.

Both the Chairman and I intend to undertake a further round of visits to major manufacturers to explain the new model and to hear their suggestions for further improvement.

The change to an output basis for calculating licence fees for farmers has been accepted on the grounds that it is clearly more equitable. Questions continue to be raised however, about the fairness of the collection of farmer licence fees based on historical production volumes. DFSV is examining an option for licence fee collection through factories based on contemporary production figures. If adopted, this refinement to our model will align DFSV with the current practices in South Australia and Tasmania.

The Board

Recognising that the term of the current Board expires shortly, I would like to thank the Chairman and Directors for their generous guidance and support in establishing DFSV over the past three years.

I also acknowledge with appreciation the efforts of all staff who have worked with DFSV over the past year. As we move beyond the establishment phase for DFSV, I am confident that we have a strong base on which we can continue to build Victoria's reputation for dairy food safety and integrity.



Highlights of th

Industry

- The Victorian dairy industry's reputation for food safety and the integrity of its production systems has remained fully intact despite the challenges of debilitating drought and a markedly appreciating dollar.
- Victoria's food safety record was maintained in 2002-03 with only one recall of Victorian dairy product.
- The dairy industry is actively working to implement the Dairy Food Safety Scheme. Dairy farms have already been incorporated into the Scheme and the manufacturing sector is currently taking key steps.
- All farmers now have access to an approved dairy food safety program. This figure has risen from zero a year ago.
- Dairy companies are now recognising the food safety scheme as an essential pre-requisite for international trade for the whole industry. It is not seen simply as a competitive advantage for individual companies.
- The Victorian dairy industry was favourably reviewed by a delegation from the Hong Kong Government.



e year 2002/03

Dairy Food Safety Victoria

- The Code of Practice for Dairy Food Safety was launched by the Minister for Agriculture in October 2002.
- Representation and facilitation by DFSV was pivotal to new agreements allowing some Victorian companies to export frozen cream to the US without on-site inspection.
- DFSV participated in 'Exercise Minotaur', the national foot and mouth disease simulation exercise. Analysis of the outcomes from the simulation is providing key recommendations for enhancing the Australian dairy industry's preparedness.
- Significant progress was made toward a national dairy food safety framework.
- Staff turnover and recruitment policy enabled acquisition of staff with expertise in key areas.
- All staff successfully completed a leadership development training program.
- Attendance at key conferences allowed interaction and exchange of views with parallel organisations interstate and in important trading nations.



DFSV: The Year in Review

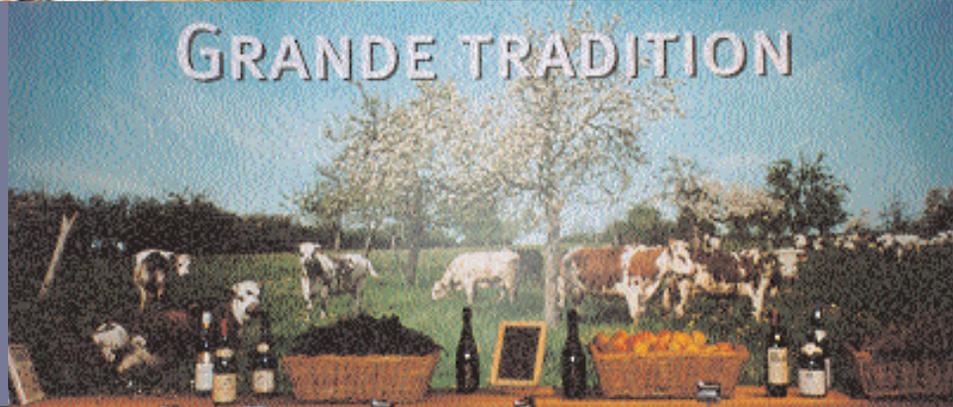


"DFSV has done well, tried hard, met with people, asked for constructive feed back. If they continue on those lines all is well."

Stakeholder

"A key role for DFSV is to closely monitor emerging issues, both nationally and internationally, for their possible impact on dairy food safety in Victoria."

CEO Anne Astin



"DFSV's corporate plans and strategic objectives show the organisation is keen to move forward."

Stakeholder



"DFSV have a good profile with industry... but need to heighten it in the consumer area".

Stakeholder



"Every link in the industry chain must be world class or we will have barriers imposed that restrict us from competing."

Stakeholder



"The cost of regulation used to be hidden; now it is transparent".

Stakeholder



"The Code of Practice is the centrepiece of Victoria's dairy food safety system and the foundation for a profitable future for the industry."

Chairman D E Hore

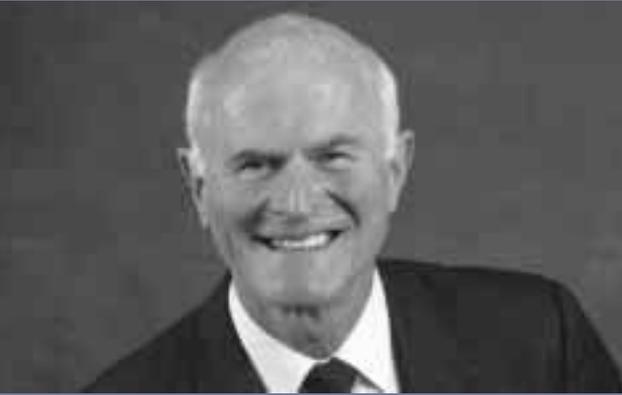


"The most important part of food safety is the milk. If the milk starts off poor, we cannot improve it once it leaves the farm."

Stakeholder



The board of directors



Dr Desmond Hore *PhD BV Sc*
CHAIRMAN

Previously held positions as Chairman, Member or CEO of a wide range of Commonwealth, State, industry and academic bodies and Councils. Held positions as a field veterinarian and researcher for more than two decades. Currently, a member of the Victorian Casino and Gaming Authority and an advisor on livestock and related services.



Chris Nixon *BEng (Melbourne) BEco (La Trobe) GradExecMgt (Stanford)*
INDEPENDENT STRATEGIC ADVISOR

Chairman, Geoffrey Gardiner Dairy Foundation Ltd. Has over 30 years experience in various engineering, manufacturing and senior management roles. Currently advisor to various private and publicly listed companies. Former Managing Director, Containers Packaging, past Chairman of Bayside Trains.



Prof. Vivian Lin *BA (Yale) MPubHealth & DrPubHealth (UC Berkeley)*
PROFESSOR AND HEAD OF SCHOOL OF PUBLIC HEALTH AT LA TROBE UNIVERSITY

President of the Chinese Medicine Registration Board. Previously held positions with the National Public Health Partnership and in the NSW Health Department, National Occupational Health and Safety Commission and the Victorian Health Department. Consults for the World Bank and AusAID on Health Sector Projects to China and for the World Health Organisation.



Paul Ford *Dip Dairy Technology Fellow Australian Rural Leadership Program*
GENERAL MANAGER INNOVATION
NATIONAL FOOD INDUSTRY STRATEGY LIMITED

Thirty years commercial experience in dairy processing. Founder Director Australian Starter Culture Research Centre. Past Director, Dairy Research and Development Corporation. Past Director Murray Dairy. Previously held senior management positions with the Commonwealth Department of Primary Industry, Bonlac Foods and the Australian Ingredient Centre.

Anne Adams *MAICD*
DEPUTY CHAIRMAN

A dairy farmer from Wangoom. Currently a member of the Boards of Warrnambool Cooperative Society Ltd, Institute of Land and Water Resources and South West Water Authority. Previously held position as Deputy Chair on the Board of the Victorian Dairy Industry Authority and a member of the Australian Dairy Corporation. Churchill Fellow in 2002 and a member of the Australian Institute of Company Directors.



Margaret Darton *BAppSci DipAppChem GradDipLib*
PRINCIPAL ANALYST FOOD SAFETY,
DEPARTMENT OF PRIMARY INDUSTRIES

A member of the Dairy Food Safety Working Group to establish Dairy Food Safety Victoria. Has responsibility for the implementation of the Victorian Government's food safety policy for primary industries. Member of the National Working Group for development of Primary Production and Processing Standards, OzFoodNet Management Committee and the Victorian Food Safety Council.



Dr Richard Welton *BSc(Hons) PhD (Microbiol) DipEd (Tert)*
INDEPENDENT BUSINESS COACH AND CONSULTANT

An experienced manager, strategist and scientist. Has over 30 years experience in senior management, dairy food safety regulation, business development, commercialisation of public sector resources, corporate and strategic planning, consulting, university teaching and international scientific research.



...During the year, the Board invited key industry stakeholders to present their views on a range of issues, analysed the information and established guidelines for the future...



Values:

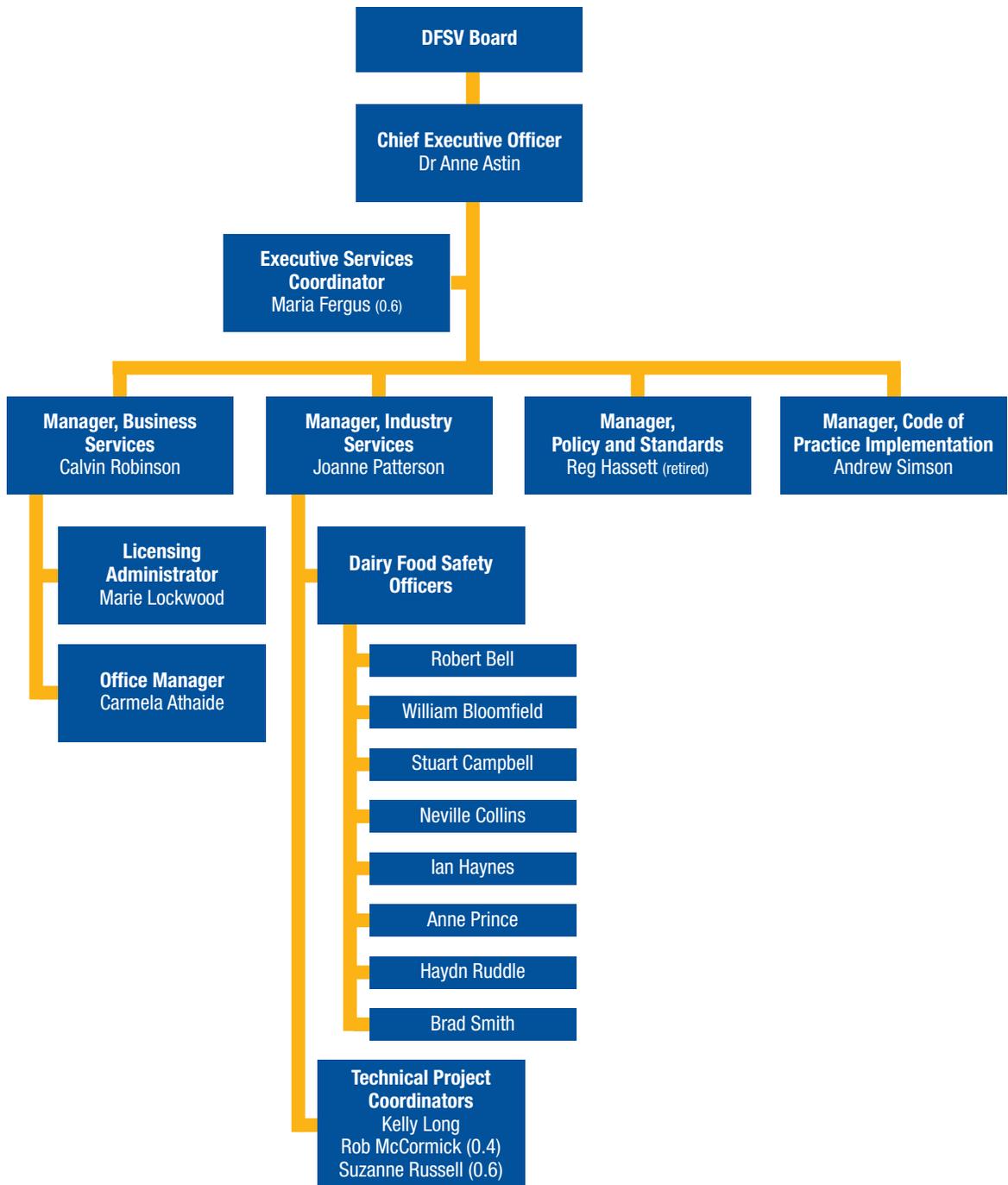
transparency

integrity

knowledge

responsiveness

Organisation-June 2003 15



Reg Hassett, Policy & Standards Manager
responsible for the development of food safety standards and systems





DFSV:

fosters strong
industry
partnerships

Leadership

Our aim is to provide leadership that enables existing high standards of industry performance to continue to rise. We are also taking a lead role in the establishment of a national safety framework for dairy foods based on international best principles

Our key achievement was the approval of the Code of Practice for Dairy Food Safety and its launch by the Minister for Agriculture in October 2002. Since the launch, the first stage of implementation has proceeded and all dairy farms now have access to a dairy food safety program enabling their compliance with the Code.

During the year, DFSV also:

- Consulted with industry to establish a framework for contract auditing of dairy farm food safety programs.
- Strengthened our working relationships with industry and built an appreciation of strategic technical issues including Mycobacterium paratuberculosis, safe manufacture of unpasteurised cheeses and the minimisation of antibiotic residues in dairy products.
- Actively supported and sponsored key industry workshops and conferences including the UDV annual conference.
- Contributed expertise and knowledge to industry forums including the Australian Dairy Authorities Standards Committee, National Auditor Competency Working Group and others dealing with animal health issues of concern such as Johne's Disease.
- Supported the forum of Chief Executives of State dairy regulators to provide a key conduit for the achievement of a national agenda for dairy food safety.
- Underpinned the Memorandum of Understanding signed with Tasmania a year ago with meetings and working groups to achieve consistency in the implementation of the Code of Practice in Tasmania and Victoria.
- Secured an agreement whereby South Australia will adopt the Code of Practice on 1 July 2003 with small amendments to meet local legislative requirements.
- Worked towards agreement by all other States to develop a national framework based on common principles.

2003-2004

Our focus will be on the continual improvement of industry performance through initiatives to identify and respond to emerging issues of concern in Australia and abroad.

Key steps include establishment of a national framework for dairy food safety and the harmonisation of the Code of Practice with Commonwealth export standards.

Joanne Patterson, Industry Service Manager
responsible for managing the industry services group which provides scientific and technical support to the dairy industry and DFSV's field service staff and operations





DFSV:

clearly defines its
products and
services

Services

DFSV's products and services are designed to maintain standards for dairy food safety as established by the Victorian Dairy Act 2000. We have a strong commitment to working in partnership with industry to achieve our goals.

During the year, DFSV continued with the implementation of the Pathogen Prevention Policy for all manufacturing businesses. The policy enables manufacturers to employ maximum flexibility in their operations while effectively preventing contamination of dairy foods with pathogenic microorganisms. Four workshops were held to explain the policy to industry representatives.

DFSV also:

- Implemented its regulatory powers when there was a clear threat to the dairy industry's reputation. DFSV destroyed dairy food and launched a prosecution for failure to comply with the licensing requirements of the Dairy Act 2000.
- Undertook a strategic review and co-ordination of the Australian Milk Residue Analysis Survey to add further credibility to Australia's reputation for safe dairy food products.
- Entered a partnership with the University of Melbourne to jointly undertake a project funded by the Geoffrey Gardiner Dairy Foundation. The project will develop better detection methods and an increased understanding of factors involved in the survival and persistence of indigenous microflora in milk products.
- Engaged a technical expert to develop a framework for a strategic review of the Listeria and Salmonella manuals to complement the Code of Practice.
- Established contract auditing for domestic manufacturing premises.
- Completed the implementation of the Review of Regional Operations by closure of the Colac office with services to the Colac region now delivered from the Warrnambool and Abbotsford offices.

2003-2004

The emphasis will be the refinement of services to ensure that they fully support the integrity of food safety systems in Victoria and harmonisation with the emerging national framework.

DFSV will continue to employ innovative methods to ensure that its services are consistent and effectively target the important issues.

During the year, we will also implement the contract-auditing framework for dairy farm food safety programs.





DFSV:

promotes integrity
and excellence in
all its operations

People

Dairy Food Safety Victoria wants its people to understand and be responsive to genuine industry needs. Its staff seek to be recognised and valued for their expertise and knowledge and for the delivery of services that provide true customer satisfaction.

During 2002-03, the competencies and expertise of staff were fostered through attendance at national and international conferences of relevance to dairy food safety.

DFSV also:

- Recruited staff with particular skills in food industry production systems, quality management systems, accounting and commercial quality assurance programs.
- Implemented leadership development training for all staff through the Australian Institute of Management Frontline Management Development Program.
- Raised the standard of internal communication skills and processes through staff and management attendance at a communication training workshop.
- Undertook a remuneration review to ensure equity with terms and conditions offered to staff in the external market place.
- Provided developmental opportunities for tertiary students to undertake technical projects to support the Code of Practice.
- Enabled senior staff to undertake training and post-graduate study to enhance the strategic capability of the organisation.
- Achieved certification for two staff for risk management planning associated with the operation of cooling towers on farms. This will enable DFSV to offer greater value to dairy farmers as part of the audit process.

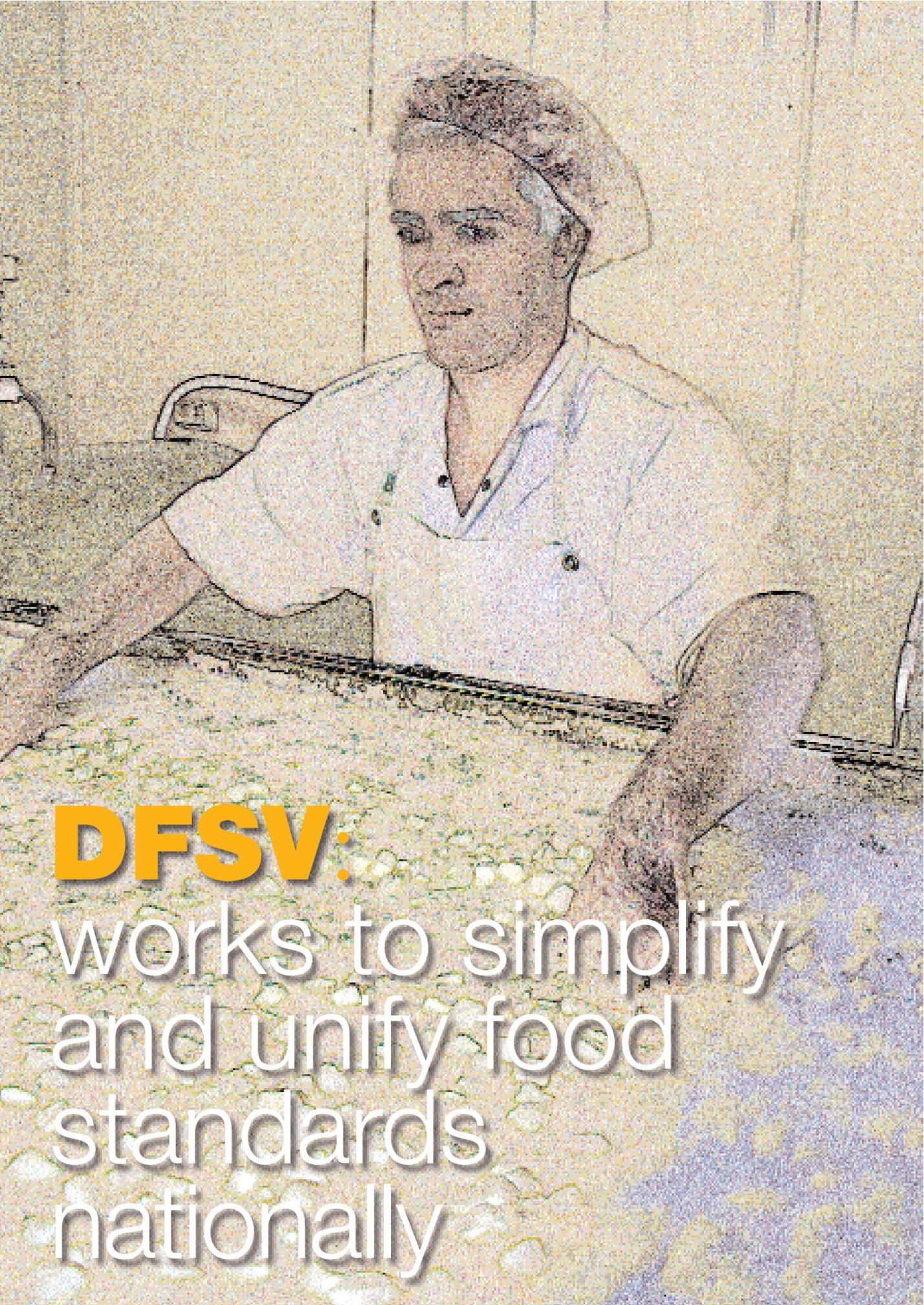
2003-2004

DFSV will further implement its policy to develop a flexible and skilled workforce that understands and is responsive to industry needs. As was the case in 2002-03, our recruitment policies and development programs will be driven by the need for a greater strategic approach to dairy food safety. Specifically, DFSV will recruit a technical specialist to expand its capability and to provide development for other staff. Opportunities will be taken for staff to attend conferences and workshops that improve our consistency of approach and development of 'smart' skills for early detection of potential issues beyond the limits of an audit.

DFSV will also continue to focus on upgrading its communication skills and capabilities.

Kelly Long, Technical Projects Coordinator
responsible for co-ordinating the Australian Milk Residue Analysis (AMRA) Survey.
Provides technical advice, monitoring dairy food safety issues, input into the development of standards and guidelines related to dairy food safety, and project work





DFSV:

works to simplify
and unify food
standards
nationally

Communication

Our aim is to develop increased public confidence in dairy food safety systems through effective, targeted and timely communications

During 2002-03, DFSV worked to gain industry commitment to Victoria's dairy food safety scheme.

Specifically, DFSV:

- Presented a series of seminars for manufacturers on key technical issues including chemical residues, the Australian Milk Residue Analysis Survey, changes to the Food Standards Code and DFSV's Pathogen Prevention Policy.
- Promoted dairy food safety programs through attendance at manufacturers' farm supplier meetings and authorship of articles for publication in factory newsletters.
- Undertook extensive consultation with industry to develop the framework for auditing dairy food safety programs on farms.
- Continued the series of joint Chairman and Chief Executive Officer visits to key industry organisations and manufacturing plants for discussions and feedback.
- Maintained a current website providing information about the organisation.
- Responded to enquiries from industry for advice and assistance.
- Conducted three joint meetings of industry and the DFSV Board in regional Victoria.

2003-2004

We will give particular emphasis in the coming year to 'demystifying' the dairy food safety scheme for all industry participants.

A targeted communication strategy will aim to make all participants aware of their responsibilities through approved food safety programs and other provisions of the Code of Practice.

DFSV will also work to expand active intelligence networks among stakeholders as part of a proactive defence against emerging threats to the industry.

We will also make further improvements to the DFSV website.





DFSV:

focuses on
commercial
realities and the
value of the dairy
licence

Finance

DFSV seeks to provide value and effective corporate governance for the industry investment in dairy food safety

DFSV's operational performance in the past year was in line with budget.

Also during the year:

- The new output based funding model for dairy farms was implemented to improve the farm sector equity of contributions to the running of DFSV.
- The review of the funding model was completed in consultation with industry.
- The DFSV financial statements received an unqualified audit.
- Directors and Officers insurance cover was reviewed and revisions were negotiated with the underwriter.
- Corporate Governance and Board Performance reviews were completed.
- Operating cost efficiencies were achieved in line with Board expectations and environment friendly practices were initiated.
- Action was undertaken to address the expiry of the lease on DFSV's premises in Victoria Street Abbotsford. A new lease has been negotiated for premises in nearby Hawthorn and physical relocation of all management and administrative operations should occur before the end of 2003.

2003-2004

The priority for 2003-04 is to implement the remaining recommendations of the Funding Model Review Steering Committee as they apply to industry.

We will also initiate a review of fee-for- service charges to identify additional opportunities to increase equity in funding.

Action is planned to implement agreed recommendations from the Corporate Governance and Board Performance reviews.





DFS:

delivers
independence,
tempered with
fairness and
common sense

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Charter and Purpose Establishment of the Authority

Dairy Food Safety Victoria is established under the Dairy Act 2000. The organisation is a statutory authority that reports to the Minister for Agriculture.

Objectives of the Authority

The objectives of the Authority as outlined in Section 5 of the Dairy Act 2000 are to:

- a. Ensure that standards, which safeguard public health, are maintained in the Victorian dairy industry.
- b. Ensure that it performs its functions and exercises its powers efficiently and effectively.

Functions of the Authority

The functions of DFSV as stated in Section 6 of the Dairy Act 2000 are to:

1. **establish, maintain and improve**
 - the food safety standards of dairy food
 - the standards of construction and hygiene of plant and equipment in a dairy manufacturing premises
 - the standards of maintenance, cleanliness and hygiene of dairy transport vehicles
2. **monitor and review the standards specified in paragraph (1)**
3. **approve and monitor the implementation of food safety programs**
4. **administer the licensing system under Part 3**
5. **ensure that appropriately qualified persons are appointed as authorised officers**
6. **fix and charge fees in respect of the carrying out of its functions and or the exercise of its powers**

7. **in consultation with the Secretary to the Department of Human Services or a Municipal Council, protect public health**
8. **advise the Minister on matters relating to dairy food safety administration of this Act**
9. **carry out any other function that is conferred on the Authority by this Act or any other Act.**

Powers of the Authority

Dairy Food Safety Victoria, subject to the Dairy Act 2000 has all the powers necessary to enable it to perform its functions.

Also, Dairy Food Safety Victoria may:

- a. enter into agreements or arrangements with third parties for the provision of services to or by Dairy Food Safety Victoria,
- b. fix and charge fees for its services including the services of its authorised officers, and
- c. expend its funds in carrying out its functions or in paying salaries and allowances to its members.

Board of Directors

The DFSV Board consists of seven members who are appointed on the basis of their skills and expertise rather than industry sector representation.

The Minister appoints the Chairperson and may also appoint one member nominated by the Secretary of the Department of Primary Industries. The Minister appoints the remaining five members acting upon the recommendations of a selection committee.

Calvin Robinson, Business Service Manager
reports to the CEO and the Board (as Company Secretary),
responsible for all business services including finance,
Human Resources, Information Technology and licensing





DFSV:
delivers regulation
not only
inspection

matundone - agm
120

Board members must have expertise in one or more of the following areas:

- on-farm milk production, dairy food manufacturing or public health
- food technology and safety
- business management
- consumer issues, or
- any other area the Minister considers relevant to the Authority's functions.

Each member holds office for three years and is eligible for re-appointment. The new Board for 2003-2006 is due to be appointed in October 2003.

Board Committees

The Board has established a Risk and Audit Committee (formerly the Finance and Audit Committee) to undertake the broad functions of risk management and internal audit. Members of this Committee are Mr Chris Nixon (Chair) and Ms Anne Adams. This Committee has representation from the outsourced internal audit service provider, Ernst and Young.

The Operations Review and Policy Committee has been established to review present and emerging risks to industry and to oversee dairy food safety audit arrangements, incident and emergency management and regulatory frameworks. Members of this Committee are Dr Richard Welton (Chair), Ms Margaret Darton, Mr Paul Ford and Professor Vivian Lin.

The Remuneration and Human Resources Policy Committee has been established to assist the Board in fulfilling its statutory responsibilities relating to the remuneration of the CEO and Executive Management Team. The committee also assists the Board in the formulation of Human Resource Management Policies and procedures. Members of this committee are Dr Des Hore (Chair), Ms Anne Adams and Mr Chris Nixon.

Ethical Standards

DFSV continues to operate under The Code of Conduct for the Victorian Public Service, which provides guidance on addressing possible or perceived conflicts of interest. All employees are required to act with the utmost integrity and objectivity at all times in all dealings.

Victorian Public Service guidelines for protecting merit and equity are observed wherever appropriate.

Occupational Health and Safety

An OH&S Committee consisting of staff and management representatives undertakes the full range of health and safety obligations.

Freedom Of Information

DFSV is a prescribed authority for the purposes of the Freedom of Information Act 1982. During the twelve months ended 30 June 2003, one FOI request was received by DFSV.

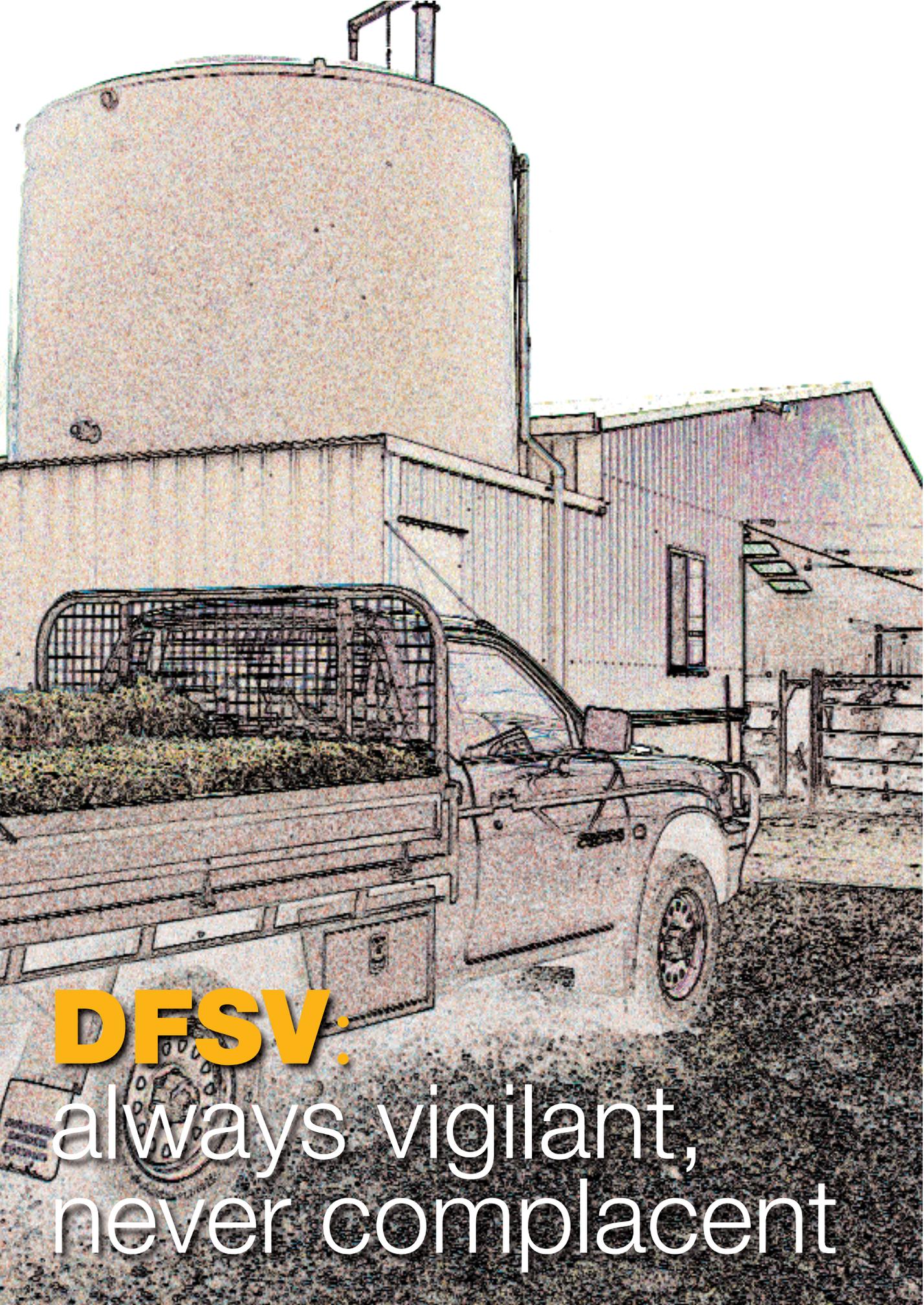
Whistleblowers' Legislation

DFSV has complied with legislative requirements in the implementation of the Whistleblowers' Legislation including the appointment of relevant officers. During the twelve months ended 30 June 2003, there were no disclosures of improper conduct. A copy of DFSV's current whistleblower procedures are included as an addendum.

Consultants

During the twelve months ended 30 June 2003, 11 consultants were engaged at a total cost of \$91,971.





DFSV:

always vigilant,
never complacent

Building Act 1993

DFSV did not undertake any building works, which fall within the provisions of the Building Act 1993.

Declaration

In accordance with Direction 9.1.3(iv) of the Financial Management Act 1994, the following information is available from the Manager, Business Services on request:

- Statement that declarations of pecuniary interests and shares held have been duly completed by relevant officers
- Details of publications produced by the entity about the entity and the places where the publications can be obtained
- Details of any major external reviews carried out on the entity
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- Details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and the services it provides
- Details of assessments and measures undertaken to improve the occupational health and safety of employees
- A general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes
- A list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved.

Multicultural Statement

DFSV is committed to policies, programs and strategies that deliver culturally appropriate services to all Victorians. Special initiatives were not needed by the organisation during the period July 1 2002 to June 30, 2003.

National Competition Policy

The Government largely adopted the recommendations presented in July 1999 and incorporated them into the Dairy Act 2000.

Suzanne Russell, Technical Projects Coordinator
responsible for co-ordinating the Australian Milk Residue Analysis (AMRA) Survey.
Provides technical advice, monitoring dairy food safety issues, input into the development of standards and guidelines related to dairy food safety, and project work



contacts:

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Maria Fergus, Executive Services Coordinator
provides secretarial and administrative support to primarily the CEO
and Chairman of the Board, but also to the Executive Management Team



DFSV:
financial statements
for the year ended
30 June 2003

Statement of Financial Performance

for the year ended 30 June 2003

	NOTE	2003 \$	2002 \$
REVENUE			
Revenue		3,046,518	2,838,776
TOTAL REVENUE	2a	3,046,518	2,838,776
EXPENSES			
Marketing Expenses		(44,513)	(44,079)
Occupancy Expenses		(219,307)	(220,961)
Administration Expenses		(2,745,789)	(2,743,225)
TOTAL EXPENSES	2b	(3,009,609)	(3,008,265)
Surplus (Deficit) from Ordinary Activities		36,909	(169,489)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	9	36,909	(169,489)

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2003

	NOTE	2003 \$	2002 \$
CURRENT ASSETS			
Cash assets	3	67,803	295,955
Receivables	4	271,526	319,051
Other Financial Assets	5	1,805,815	1,623,997
TOTAL CURRENT ASSETS		2,145,144	2,239,003
NON-CURRENT ASSETS			
Plant and equipment	6	178,592	216,274
TOTAL NON-CURRENT ASSETS		178,592	216,274
TOTAL ASSETS		2,323,736	2,455,277
CURRENT LIABILITIES			
Payables	7	321,861	431,511
Provisions	8	186,609	252,847
TOTAL CURRENT LIABILITIES		508,470	684,358
NON-CURRENT LIABILITIES			
Provisions	8	243,600	220,167
TOTAL NON-CURRENT LIABILITIES		243,600	220,167
TOTAL LIABILITIES		752,070	904,525
TOTAL NET ASSETS		1,571,666	1,550,752
EQUITY			
Accumulated deficit	9	(228,334)	(249,248)
Contributed equity	10	1,800,000	1,800,000
TOTAL EQUITY		1,571,666	1,550,752

The accompanying notes form part of these financial statements.

Statement of Cash Flow

for the year ended 30 June 2003

	NOTE	2003 \$	2002 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers including GST		3,059,774	2,926,369
Payment to suppliers and employees including GST		(3,221,463)	(2,951,250)
Interest received		75,941	75,102
Net GST received – Australian Taxation Office		134,077	17,094
Net cash provided by (used in) operating activities	17 (ii)	48,329	67,315
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets		17,530	63,669
Fixed asset purchases		(94,011)	(176,732)
Net cash provided by (used in) investing activities		(76,481)	(113,063)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash provided by (used in) financing activities		-	-
NET INCREASE (DECREASE) IN CASH HELD		(28,152)	(45,748)
Cash at beginning of year		1,895,955	1,941,703
CASH AT END OF YEAR	17 (i)	1,867,803	1,895,955

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the Financial Management Act 1994, Australian Accounting Standards and other mandatory professional reporting requirements and Accounting & Financial Reporting Bulletins issued by the Department of Treasury & Finance.

The following is a summary of the material accounting policies adopted by the entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) *Basis of Accounting*

The accompanying financial statements have been prepared under the historical cost convention using the accrual basis and does not take into account changing money values or except where stated, current valuations of non-current assets. Cost is based on fair values of the consideration given in exchange for the assets.

(b) *Investments*

Investments are shown at cost and represent interest bearing deposits. All investments are invested for short terms.

(c) *Plant and Equipment*

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount of those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and subsequent disposal.

(d) *Depreciation and amortisation*

Depreciation is calculated on a straight line basis so as to write off the cost or revalued amount of each fixed asset (reduced by its estimated residual value at the time of acquisition/revaluation) over its expected useful life to the entity or, in relation to leasehold improvements, amortised over the shorter of the useful life of the asset to the entity and the term of the lease.

The depreciation rates used for each class of assets are:

Class of asset	Depreciation rate
Leasehold improvements	30% to 75%
Motor vehicles	10.0%
Office equipment	10.0%
Furniture and fittings	10.0%
Plant and equipment	15.0% to 33.3%

Leasehold improvements: although the expiry date of the lease of premises is 30 September 2003, all leasehold improvements have been written off at 30 June 2003 as Dairy Food Safety Victoria is planning to vacate the premises before the expiry date of the lease.

Notes to the Financial Statements

for the year ended 30 June 2003

(e) Disposal of Fixed Assets

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal and is included in the operating statement.

(f) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the entity.

(g) Employee Benefits

Provision is made for the entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, and annual leave which will be settled after one year, have been measured at the amount expected to be paid when the liability is settled plus related on-costs. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to an employee superannuation fund and are charged as expenses when incurred.

Long service leave is provided from the commencement of employment on a pro rata basis and is accrued at the rate of 13 weeks paid leave for 10 years of continuous service. Access to long service leave by employees is on the completion of 10 years of continuous service. The calculation of long service leave is in accordance with the above note.

(h) Doubtful Debts

Bad debts are written off during the year in which they become known.

A provision for doubtful debts is raised based on collectability of outstanding receivables.

(i) Revenue Recognition

Annual licence fees payable by dairy farmers are raised during December for a twelve month period. Annual licence fees payable by manufacturers relate to a calendar year but may be paid by quarterly instalments. Revenue received from licence fees is non-reciprocal as there is no expectation that either the amount will be repaid or that direct services of the same value will be provided to the licensee. As a result, revenue from these fees is recognised when the fees are raised.

Interest revenue is recognised on an accrual basis taking into account the interest rates applicable to the financial assets.

(j) Leases

Operating lease payments are not capitalised and rental payments are expensed in the period in which they are incurred. An operating lease is one where substantially all the risk and benefit remains with the lessor.

There were no financial leases in existence at the end of the financial year.

Notes to the Financial Statements

for the year ended 30 June 2003

(k) Cash

For the purpose of the Statement of Cash Flows, cash includes cash at bank and on hand and short term investments.

(l) Income Tax

Dairy Food Safety Victoria is a statutory body that is exempt from income tax under the State and Territory Bodies provisions in Division 1AB of the Income Tax Assessment Act 1936 section 24AR.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of 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 the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(n) Comparative Figures

Where required by accounting standards, comparative figures have been adjusted to conform with changes in presentation for the current year.

(o) Change in Accounting Policy note for Employee Benefits (Annual Leave)

In the reporting period to 30 June 2002, provisions for employee benefits (annual leave) were measured using remuneration rates current at reporting date.

For the period ended on 30 June 2003, Dairy Food Safety Victoria is required by AASB 1028 'Employee Benefits' to measure provisions for employee benefits at remuneration rates expected to apply when the obligation is settled, including the expected future increase in remuneration rates.

The transitional arrangements of AASB 1028 on adoption at 1 July 2002 give rise to an adjustment to opening annual leave liability and a corresponding change to accumulated surplus.

The impact of this change is:

Decrease	Accumulated Surplus	\$15,995
Increase	Provision for Annual Leave	\$15,995

Notes to the Financial Statements

for the year ended 30 June 2003

	NOTE	2003 \$	2002 \$
2. SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES			
Surplus (Deficit) from ordinary activities has been determined after:			
(a) Revenue:			
<i>REVENUES FROM OPERATING ACTIVITIES</i>			
Audit and inspection fees		164,401	154,057
Australian Milk Residue (AMRA) survey		275,665	213,034
Licence fees		2,511,270	2,308,735
		2,951,336	2,675,826
 <i>REVENUES FROM NON-OPERATING ACTIVITIES</i>			
Interest received and receivable from investments		75,941	75,102
Proceeds on sale of fixed assets		17,530	63,669
Other income		1,711	24,179
		95,182	162,950
 Total revenue		3,046,518	2,838,776
 (b) Expenses:			
<i>EXPENSES FROM OPERATING ACTIVITIES</i>			
Audit fees	12	15,025	24,955
Bad debts written off		-	-
Depreciation and amortisation	6		
Leasehold improvements		53,716	27,898
Motor vehicles		416	4,327
Office equipment		3,581	2,576
Furniture and fittings		4,045	1,057
Plant and equipment		52,910	35,310
Operating lease rental		232,899	212,022
Doubtful debts		(1,155)	(1,098)
Written down value of assets sold		17,025	68,266
Salary costs and related expenses		1,573,946	1,599,007
Other administrative expenses		793,381	768,905
Marketing expenses		44,513	44,079
Occupancy expenses		219,307	220,961
Total expenses		3,009,609	3,008,265
 (c) Other Items:			
Profit / (Loss) on sale of fixed assets		505	(4,597)

Notes to the Financial Statements

for the year ended 30 June 2003

	2003 \$	2002 \$
3. CASH ASSETS		
Cash on hand	1,152	1,400
Cash at Bank	66,651	294,555
Total Cash Assets	<u>67,803</u>	<u>295,955</u>
4. RECEIVABLES		
Current		
Trade debtors	113,160	154,889
Provision for doubtful debts	(4,000)	(5,155)
	<u>109,160</u>	<u>149,734</u>
Other debtors		
– Dairy Industry license fees	119,111	79,154
– Other	47,255	94,163
Provision for doubtful debts	(4,000)	(4,000)
	<u>162,366</u>	<u>169,317</u>
Total receivables (net)	<u>271,526</u>	<u>319,051</u>
5. OTHER FINANCIAL ASSETS		
Interest bearing deposits	1,800,000	1,600,000
Prepayments	5,815	23,997
Total Other Financial Assets	<u>1,805,815</u>	<u>1,623,997</u>
6. PLANT AND EQUIPMENT		
Leasehold improvements		
At cost	91,761	90,425
Accumulated amortisation	(91,761)	(38,045)
	<u>-</u>	<u>52,380</u>
Motor vehicles		
At cost	-	21,135
Accumulated depreciation	-	(3,694)
	<u>-</u>	<u>17,441</u>
Office equipment		
At cost	36,937	35,621
Accumulated depreciation	(6,621)	(3,040)
	<u>30,316</u>	<u>32,581</u>
Furniture and fittings		
At cost	29,359	18,443
Accumulated depreciation	(7,169)	(3,134)
	<u>22,190</u>	<u>15,309</u>

Notes to the Financial Statements

for the year ended 30 June 2003

	2003 \$	2002 \$
6. PLANT AND EQUIPMENT (CONTINUED)		
Plant and equipment		
At cost	227,067	146,719
Accumulated depreciation	(100,981)	(48,156)
Total Fixed assets	<u>126,086</u>	<u>98,563</u>
	<u>178,592</u>	<u>216,274</u>
Summary of Plant and equipment		
At cost	385,124	312,343
Accumulated depreciation	(206,532)	(96,069)
	<u>178,592</u>	<u>216,274</u>

Movements in carrying amounts of plant and equipment:	Opening balance beginning of year	Additions	Disposals at written down value	Depreciation	Closing balance end of year
Leasehold improvements	52,380	1,336	-	53,716	-
Motor vehicles	17,441	-	17,025	416	-
Office equipment	32,581	1,316	-	3,581	30,316
Furniture and equipment	15,309	10,926	-	4,045	22,190
Plant and equipment	98,563	80,433	-	52,910	126,086
	<u>216,274</u>	<u>94,011</u>	<u>17,025</u>	<u>114,668</u>	<u>178,592</u>

7. PAYABLES

Trade creditors	87,992	217,023
Other creditors	233,869	214,488
Total payables	<u>321,861</u>	<u>431,511</u>

8. PROVISIONS

Current Liabilities		
Provision for annual leave	136,950	129,539
Provision for long service leave	49,659	119,308
Provision for fringe benefits tax	-	4,000
	<u>186,609</u>	<u>252,847</u>
Non – Current Liabilities		
Provision for Long Service Leave	243,600	220,167

Aggregate employee benefits liability	430,209	473,014
Number of employees at end of year	18	19

Notes to the Financial Statements

for the year ended 30 June 2003

	2003 \$	2002 \$
9. ACCUMULATED DEFICIT		
Accumulated Deficit at beginning of financial year	(249,248)	(79,759)
Adjustments resulting from change in accounting policy (Note 1(o))	(15,995)	-
Net result for reporting period	36,909	(169,489)
Accumulated Deficit at end of financial year	(228,334)	(249,248)

10. CONTRIBUTED EQUITY

An establishment grant of \$1,800,000 was received from the Government of the Victoria.

11. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities is set out in the following table. Receivables, prepayments, payables and provisions are not disclosed in these tables as such assets and liabilities are not pledged as security and are non-interest bearing.

The terms and conditions of these assets and liabilities is along normal commercial terms adopted by business in Australia.

30 June 2003	Floating Interest Rate	Fixed Interest maturing within 1 year	Fixed Interest maturing 1 to 5 years	Non-interest bearing	Total 2003	Weighted Average Effective Interest Rate % 2003
	\$	\$	\$	\$	\$	\$
<i>FINANCIAL ASSETS</i>						
Cash at bank	-	-	-	66,651	66,651	-
Interest bearing deposits	1,800,000	-	-	-	1,800,000	4.7%
Total Financial Assets	1,800,000	-	-	66,651	1,866,651	
<i>FINANCIAL LIABILITIES</i>						
	-	-	-	-	-	-

Notes to the Financial Statements

for the year ended 30 June 2003

30 June 2002	Floating Interest Rate	Fixed Interest maturing within 1 year	Fixed Interest maturing 1 to 5 years	Non-interest bearing	Total 2002	Weighted Average Effective Interest Rate % 2002
	\$	\$	\$	\$	\$	\$
<i>FINANCIAL ASSETS</i>						
Cash at bank	-	-	-	295,955	295,955	-
Interest bearing deposits	1,600,000	-	-	-	1,600,000	4.02%
Total Financial Assets	1,600,000	-	-	295,955	1,895,955	
<i>FINANCIAL LIABILITIES</i>						
	-	-	-	-	-	-

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to and forming part of the financial statements.

The entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the entity.

(c) Net Fair Values

Financial assets where the carrying amount exceeds net fair values have not been written down as the entity intends to hold these assets to maturity. No financial assets and financial liabilities are readily traded on organised markets. For assets and liabilities the net fair value approximates their carrying value.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to and forming part of the financial statements.

	2003 \$	2002 \$
12. AUDITORS' REMUNERATION		
Amount paid and due and payable for audit services:		
Amounts paid and due and payable to the Auditor General for auditing the accounts of DFSV	15,025	24,955
Other Services	-	-
Amount paid and due and payable for audit services	15,025	24,955

Notes to the Financial Statements

for the year ended 30 June 2003

13. RESPONSIBLE PERSONS, REMUNERATION AND RETIREMENT BENEFITS

a) Board Members

The names of responsible persons who have held office at any time during the financial year are:

Dr D E Hore Chairman	Mrs W A Adams Deputy Chairperson
Dr R L Welton Member	Mr P Ford Member
Mr C Nixon Member	Ms M Darton Member
Professor V Lin Member	

REMUNERATION

The number of responsible persons of the Authority in each of their relevant remuneration bands is shown hereunder with the exception of the Chief Executive Officer whose remuneration is included in the remuneration for Executive Officers:

	2003	2002
\$0 - \$9,999	6	5
\$10,000 - \$19,999	-	1
\$20,000 - \$29,999	1	1
The total remuneration of the responsible persons referred to above during their term of office for the financial year is:	\$	\$
Remuneration excluding superannuation	57,440	57,820
Superannuation contributions	5,169	4,625

The relevant remuneration relating to the Minister is reported separately in the Financial Statements of the Department of Premier and Cabinet.

No loans have been made, guaranteed or secured by DFSV to or for any responsible person or related party of a responsible person of DFSV.

There have been no transactions with any responsible persons other than those related to employee relationships in carrying out the duties of responsible persons (other than License Fees).

There have been no transactions between related parties and responsible persons.

b) Executive Officer and Business Manager

The number of executive officers of DFSV in each of their relevant annual remuneration bands who have served at any time during the financial year is shown hereunder:

TOTAL REMUNERATION PACKAGE	2003	2002
\$150,000 - \$159,999	1	1
\$100,000 - \$110,000	1	1

Remuneration includes total remuneration paid for the financial year together with any other benefits derived.

c) Other Responsible Persons

Responsible Minister: Hon Bob Cameron MP

Notes to the Financial Statements

for the year ended 30 June 2003

13. REMUNERATION AND RETIREMENT BENEFITS (CONTINUED)

d) *Insurance Premiums*

During the financial year, DFSV paid an insurance premium of \$10,940 (2002 - \$5,999) in respect of a contract insuring the members and executive officers of DFSV against a liability arising as a result of work performed in their capacity as members or executive officers.

14. RELATED PARTY DISCLOSURES

The members and directors of the economic entity are reimbursed for expenses incurred in attending board meetings and for other incidental costs on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the members and directors at arm's length in similar circumstances.

During or since the financial period no member or director of the economic entity has received or become entitled to receive a benefit other than a benefit included in the aggregate amount of members' remuneration by reason of a transaction between the DFSV or a related body corporate with a member or director or with a member or director related party.

15. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

(i) *Capital Expenditure Commitments Contracted for*

	2003	2002
	\$	\$
<i>PLANT AND EQUIPMENT</i>		
Not later than 1 year	8,000	-
Later than 1 year, but not later than 5 years	-	-
Total capital expenditure commitments	8,000	-

(ii) *Contingent Liabilities*

The Local Authorities Superannuation Fund is claiming an amount of \$150,110 from Dairy Food Safety Victoria to cover unfunded superannuation liabilities relating to employees of Victorian Dairy Industry Authority who did not transfer to Dairy Food Safety Victoria. This claim is being disputed and Dairy Food Safety Victoria has sought legal advice.

(iii) *Operating Lease Commitments*

Non – cancellable operating leases contracted for but not capitalised in the financial statements.

Lease rental expense commitments at 30 June 2003 are in respect of premises (at Melbourne, Warragul, Shepparton, Colac and Warrnambool), office equipment, computers and motor vehicles.

The lease rental commitment for Melbourne ceases on 15 December 2003. It is proposed to move out of these premises on 1 September 2003. Dairy Food Safety Victoria has entered into a heads of agreement to lease premises at 313 Burwood Road, Hawthorn from 1 July 2003 for a period of three years. The operating lease commitment is \$164,520 per annum with a rent free period of two months.

Notes to the Financial Statements

for the year ended 30 June 2003

	2003 \$	2002 \$
Operating Lease Commitments		
Not later than 1 year	266,200	233,018
Later than 1 year, but not later than 5 years	435,890	92,942
Total operating lease commitments	<u>702,090</u>	<u>325,960</u>
16. SUPERANNUATION		
<i>i) Employer superannuation contributions paid:</i>		
The Local Authorities Superannuation Fund	5,408	5,845
State Superannuation Fund – New and Revised	64,727	85,261
Victorian Superannuation Fund – VicSuper	28,348	26,659
CPSL Super	1,106	-
Unisuper	2,018	-
AXA Australia Ltd	2,233	-
AMP Life Ltd	6,116	-
CAAR Super	7,939	-
Total	<u>117,895</u>	<u>117,765</u>

ii) Information on superannuation funds:

LOCAL AUTHORITIES SUPER PTY LTD

Under the provisions of the Local Authorities Superannuation Act 1988, DFSV and some of its employees are required to make contributions to a superannuation fund administered by Local Authorities Pty Ltd ("LAS"). The current employer contribution to LAS is 9.25% of salaries. The fund is a Defined Benefits Fund. The LAS confirmed that there is a unfunded liability for DFSV as at 31 December 2002 of \$8,724. DFSV has an ongoing obligation to share in the future experience of the fund. Favourable or unfavourable variations may arise should the experience of the fund differ from the assumptions made by the Fund's actuary in estimating the Fund's accrued benefits liability.

STATE SUPERANNUATION FUND - NEW SCHEME

The DFSV pays employer superannuation contributions of between 9.0% to 9.5% of salaries in respect of its members who are in the New Scheme. The Consolidated Fund of the Victorian State Government is responsible for the unfunded liability related to employees of DFSV. This scheme is closed to new members. The fund is a Defined Benefits Fund.

STATE SUPERANNUATION FUND - REVISED SCHEME

DFSV pays employer superannuation contributions of 15.5% of salaries in respect of its members who are in the Revised Scheme. The Consolidated Fund of the Victorian State Government is responsible for the unfunded liability related to employees of DFSV. This scheme is closed to new members. The fund is a Defined Benefits Fund.

Notes to the Financial Statements

for the year ended 30 June 2003

VICTORIAN SUPERANNUATION FUND - VICSUPER

New employees of DFSV including casuals and board members are covered by VicSuper which is an accumulation scheme. In accordance with the Superannuation Guarantee Charge Act 1992, DFSV paid a 9% superannuation guarantee levy for employees and members to VicSuper for the financial period. There is no unfunded liability in respect of this scheme. The fund is an Accumulation Fund.

Employer superannuation contributions payable by DFSV to all schemes were calculated as a percentage of base salary.

iii) DFSV has no loans with any of the superannuation funds.

iv) DFSV has no outstanding contributions to any of the employee superannuation funds, other than normal accruals recognized at the reporting date.

	NOTE	2003 \$	2002 \$
17. CASH FLOW INFORMATION			
<i>i) Reconciliation of cash</i>			
Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related Statement of Financial Position items as follows:			
Cash assets	3	67,803	295,955
Short term interest bearing investments	5	1,800,000	1,600,000
Total		1,867,803	1,895,955
<i>ii) Reconciliation of cash flow from Operations with Surplus (Deficit) from Ordinary Activities</i>			
Surplus / (Deficit) from ordinary activities		36,909	(169,489)
Adjustments for non-cash income and expense items:			
Depreciation and amortisation	2	114,668	71,168
Doubtful Debts provided (reduced)	2	(1,155)	(1,098)
Bad debts written off	2	-	-
(Profit) / Loss on sale of fixed assets (net)	2	(505)	4,597
Change in assets and liabilities:			
Decrease/(Increase) in receivables		48,680	(57,408)
Decrease/(Increase) in other assets		18,182	(14,686)
Increase/(Decrease) in payables		(109,650)	208,337
Increase/(Decrease) in provisions adjusted for amount taken directly to Accumulated Deficit in accordance with change in accounting policy		(58,800)	25,894
Net Cash Flows provided by operating activities		48,329	67,315

Notes to the Financial Statements

for the year ended 30 June 2003

18. SEGMENT INFORMATION

The entity operates predominantly in one business and geographical segment.

DFSV is responsible for regulating the safety of all dairy foods produced in Victoria for domestic and export markets.

19. CHARGE OVER ASSETS

There are no liabilities secured by a charge over the assets of Dairy Food Safety Victoria.

20. TRANSACTIONS WITH OTHER VICTORIAN GOVERNMENT CONTROLLED ENTITIES

During the financial period, transactions were undertaken with other Victorian Government controlled entities.

These transactions are summarised as follows:

	2003		2002	
	Intra \$	Inter \$	Intra \$	Inter \$
Assets	-	1,800,000	-	1,600,000
Liabilities	-	-	-	1,197
Revenues	-	75,942	-	75,102
Expenses	-	65,947	-	70,091

"Intra" transactions are between entities within the Department of Primary Industries (DPI) portfolio.

"Inter" transactions are with entities outside the DPI portfolio but controlled by the Victorian Government.

21. ENTITY'S DETAILS

The registered office and principal place of business of the entity is:

Dairy Food Safety Victoria

651 Victoria Street

Abbotsford Victoria 3067

Web Site: www.dairysafe.vic.gov.au

The Parliament of Victoria enacted the Dairy Act 2000 – Act No. 37/2000 to establish Dairy Food Safety Victoria.

Statement of Financial Results

SUMMARY OF STATEMENT OF FINANCIAL PERFORMANCE

	12 MONTHS TO 30 JUNE 2003	12 MONTHS TO 30 JUNE 2002	12 MONTHS TO 30 JUNE 2001
	\$	\$	\$
Total Revenue	3,046,518	2,838,776	1,947,712
Total Expenses	(3,009,609)	(3,008,265)	(2,027,471)
Surplus (Deficit) from Ordinary Activities	36,909	(169,489)	(79,759)
Accumulated Deficit at beginning of year / period	(249,248)	(79,759)	0
Adjustments resulting from change in accounting policy (Note 1(o))	(15,995)	-	-
Accumulated Deficit at end of year / period	(228,334)	(249,248)	(79,759)

SUMMARY OF FINANCIAL POSITION

	AS AT 30 JUNE 2003	AS AT 30 JUNE 2002	AS AT 30 JUNE 2001
Total Current Assets	2,145,144	2,239,003	2,211,559
Total Non-Current Assets	178,592	216,274	178,976
Total Assets	2,323,736	2,455,277	2,390,535
Total Current Liabilities	508,470	684,358	378,489
Total Non-Current Liabilities	243,600	220,167	291,805
Total Liabilities	752,070	904,525	670,294
Total Net Assets	1,571,666	1,550,752	1,720,241
Accumulated Deficit	(228,334)	(249,248)	(79,759)
Contributed Equity	1,800,000	1,800,000	1,800,000
Total Equity	1,571,666	1,550,752	1,720,241

The accompanying notes form part of this financial summary

Compliance Index

Clause	Disclosure Requirement	Reference
CHARTER & PURPOSE		
9.1.3(i)(a)	Manner of establishment and relevant Minister	Stat Info
9.1.3(i)(b)	Objectives, functions, powers and duties	Stat Info
9.1.3(i)(c)	Services provided and persons or sections of community served	Main
MANAGEMENT AND STRUCTURE		
9.1.3(i)(d)(i)	Names of governing Board Members, Audit Committee and Chief Executive Officer	Main
9.1.3(i)(d)(ii)	Names of senior office holders and brief description of each office	Main
9.1.3(i)(d)(iii)	Chart setting out organisational structure	Main
9.1.3(i)(e)	Workforce data and application of merit and equity principles for current and previous year	Main
9.1.3(i)(f)	Application and operation of Freedom of Information Act 1982	Stat Info
FINANCIAL AND OTHER INFORMATION		
9.1.3(ii)(a)	Summary of financial results with previous four year comparatives	Main
9.1.3(ii)(b)	Summary of significant changes in financial position during the year	Main
9.1.3(ii)(c)	Operational & budgetary objectives for the financial period and performance against those objectives including significant activities and achievements	Main
9.1.3(ii)(d)	Major changes or factors affecting achievement of operational objectives	Main
9.1.3(ii)(e)	Events subsequent to balance date effecting subsequent year	n/a
9.1.3(ii)(f)	Consultancies > \$100,000 - Full details of each consultancy	Stat Info
9.1.3(ii)(g)	Consultancies < \$100,000 - Number and total cost of consulting engagements	Stat Info
9.1.3(ii)(h)	Extent of compliance with Building Act 1993	Stat Info
9.1.3(ii)(i)	Statement that information listed in Part 9.1.3(iv) is available on request	Stat Info
9.1.3(ii)(j)	Compliance index identifying extent of compliance with statutory disclosures and other requirements	
9.1.3(ii)(k)	Statement on implementation and compliance with National Competition Policy	Stat Info
9.8.2(i)	Statement of Occupational Health and Safety (OHS) matters	Main
9.8.2(ii)	OHS performance measures	Main
FINANCIAL STATEMENTS PREPARATION		
9.2.2(ii)(a)	Financial statements prepared on an accrual basis	Note 1
9.2.2(ii)(b)	Statement of compliance with Australian Accounting Standards and associated pronouncements	Note 1
9.2.2(ii)(c)	Statement of compliance with accounting policies issued by the Minister for Finance	Note 1
STATEMENT OF FINANCIAL OPERATIONS		
9.2.2(i)(a)	A statement of financial operations for the year	Main
9.2.3(ii)(a)	Operating revenue by class	Note 2
9.2.3(ii)(b)	Investment income by class	Note 2
9.2.3(ii)(c)	Other material revenue by class including sale of non – goods and contribution of assets	Note 2
9.2.3(ii)(d)	Material revenues arising from exchanges of goods and services	Note 2
9.2.3(ii)(e)	Depreciation, amortisation or diminution in value for each class of asset	Note 2
9.2.3(ii)(f)	Bad and doubtful debts	Note 2
9.2.3(ii)(g)	Financing costs	n/a
9.2.3(ii)(h)	Net increment or decrement on the revaluation of each category of assets	n/a
9.2.3(ii)(i)	Auditor-General's fees	Note 12
STATEMENT OF FINANCIAL POSITION		
9.2.2 (i)(b)	A statement of financial position for the financial period	Main

Compliance Index

Clause	Disclosure Requirement	Reference
ASSETS		
9.2.3(iii)(a)(i)	Cash at bank or in hand	Note 3
9.2.3(iii)(a)(ii)	Inventories by class	n/a
9.2.3(iii)(a)(iii)	Receivables, including trade debtors, loans and other debtors	Note 4
9.2.3(iii)(a)(iv)	Other assets, including prepayments	Note 5
9.2.3(iii)(a)(v)	Investments by class	Note 5
9.2.3(iii)(a)(vi)	Property, plant and equipment	Note 6
9.2.3(iii)(a)(vii)	Intangible assets	n/a
LIABILITIES		
9.2.3(iii)(b)(i)	Overdrafts	n/a
9.2.3(iii)(b)(ii)	Bank loans, bills payable, promissory notes, debentures and other loans	n/a
9.2.3(iii)(b)(iii)	Trade and other creditors	Note 7
9.2.3(iii)(b)(iv)	Finance lease liabilities	n/a
9.2.3(iii)(b)(v)	Provisions, including employee entitlements	Note 8
EQUITY		
9.2.3(iii)(c)(i)	Authorised capital	n/a
9.2.3(iii)(c)(ii)	Issued capital	n/a
9.2.3(iii)(d)	Reserves and transfers to and from reserves (shown separately)	n/a
STATEMENT OF CASH FLOWS		
9.2.2(i)(c)	A statement of cash flows for the year	Main
NOTES TO THE FINANCIAL STATEMENTS		
9.2.2(i)(d)	Notes to the Financial Statements by nature and amount on ex – gratia payments	n/a
9.2.2(i)(d)	Notes on amounts written off	Note 2
9.2.3(iv)(a)	Charges against assets	Note 19
9.2.3(iv)(b)	Material contingent liabilities and the extent to which they are secured over assets	Note 15
9.2.3(iv)(c)	Commitments for expenditure payable	Note 15
9.2.3(iv)(d)	Government grants received or receivable and source	n/a
9.2.3(iv)(e)	Employee superannuation funds	Note 16
9.2.3(iv)(f)	Assets received without adequate consideration	n/a
9.4.2	Transactions with responsible persons and their related parties	Note 13
9.7.2	Motor vehicle lease commitments	Note 15

NOTE: Main: refers to the Financial Statements and Annual Report
 Stat Info: included with the Corporate Governance Statement

Additional Statutory Information

FREEDOM OF INFORMATION

DFSV is a prescribed authority for the purposes of the Freedom of Information Act 1982. During the year ended 30 June 2003, one FOI requests was received by DFSV.

CONSULTANTS

During the year ended 30 June 2003, 11 consultants were engaged at a total cost of \$91,971. For the year ended 30 June 2002, six consultants were engaged at a total cost of \$59,619.

BUILDING ACT 1993

DFSV does not undertake any building works which fall within the provisions of the Building Act 1993.

DECLARATION

In accordance with Direction 9.1.3(iv) of the Financial Management Act 1994, the following information is available from the Accounting Officer on request:

- Statement that declarations of pecuniary interest have been duly completed by relevant officers
- Details of publications produced by the entity about the entity and the places where the publications can be obtained
- Details of any major external reviews carried out on the entity
- Details of major research and development activities undertaken by the entity
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- Details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and the services it provides
- Details of assessments and measures undertaken to improve the occupational health and safety of employees
- A general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes
- A list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved

NATIONAL COMPETITION POLICY

The government largely adopted the recommendations presented in July 1999 and incorporated them into the Dairy Act 2000.

Statement by the Chairman

on behalf of the Board, the Chief Executive Officer
and the Business Services Manager

We certify that:

In accordance with Section 49 of the Financial Management Act, we the undersigned,

- a) State that in our opinion the financial statements present fairly the financial transactions of Dairy Food Safety Victoria (DFSV) during the period ended 30 June 2003.
- b) State that in our opinion the financial statements of DFSV have been prepared in accordance with the directions of the Minister of Finance under the Financial Management Act 1994.
- c) State that at the date of signing the financial statements we are not aware of any circumstances which would render any particulars included in these statements to be misleading or inaccurate.

Signed at Melbourne on 27th August 2003.



Dr Desmond E. Hore
CHAIRMAN



Dr Anne M Astin
CHIEF EXECUTIVE OFFICER



Calvin Robinson
BUSINESS MANAGER

Auditor General's Report

To the Members of the Parliament of Victoria, responsible Ministers and the Members of Board of Dairy Food Safety Victoria

AUDIT SCOPE

The accompanying financial report of Dairy Food Safety Victoria for the financial year ended 30 June 2003, comprising the statement of financial performance, statement of financial position, statement of cash flows and notes to the financial statements, has been audited. The Members of the Board are responsible for the preparation and presentation of the financial report and the information it contains. An independent audit of the financial report has been carried out in order to express an opinion on it to the Members of the Parliament of Victoria, responsible Ministers and the Members of the Board as required by the Audit Act 1994.

The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The audit procedures included an examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the financial reporting requirements of the Financial Management Act 1994, so as to present a view which is consistent with my understanding of the Dairy Food Safety Victoria's financial position, financial performance and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the financial reporting requirements of the Financial Management Act 1994, the financial position of Dairy Food Safety Victoria as at 30 June 2003, and its financial performance and cash flows for the year then ended.

J. W. Cameron

AUDITOR-GENERAL

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