



**FIGHTING HUNGER
IN AUSTRALIA**

Foodbank NSW & ACT Limited

ABN 22 056 422 407

Financial Report
for the year ended 30 June 2016



Foodbank NSW & ACT Limited

ABN 22 056 422 407

Financial report - 30 June 2016

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Directors' report

Your directors present the annual financial report of Foodbank NSW & ACT Limited ("FBNA") for the year ended 30 June 2016.

Directors

The following persons were Directors of FBNA during the financial year and to the date of this report:

| Name | Date Appointed |
|--------------------------|-----------------------|
| Ernest Pope (Chairman) | 9 February 2006 |
| Madeline Dermatossian | 19 November 2014 |
| Malcolm Grimmond | 24 August 2015 |
| John Hudson | 13 August 2014 |
| Peter Kelly | 13 October 2011 |
| Peter Lucas | 5 July 2003 |
| Paul Moulds | 23 February 2015 |
| Emma Peacock | 19 November 2015 |
| Stephen Schofield | 9 March 2011 |
| Joan O'Shea ¹ | 8 August 2007 |
| Clive Stiff ² | 22 April 2010 |
| Don Telford ³ | 1 September 2002 |

¹ Joan O'Shea was a Director from the beginning of the financial year until her resignation on 24 August 2015.

² Clive Stiff was a Director from the beginning of the financial year until his resignation on 19 November 2015.

³ Don Telford was a Director from the beginning of the financial year until his resignation on 19 November 2015.

Principal activities

During the year the principal ongoing activities of FBNA consisted of:

- (a) source and accept food and related products from manufacturers, farmers/primary producers, retailers and distributors and encourage partnerships with these suppliers, and
- (b) distribute food and grocery items to people in need, via a broad range of charitable and service organisations without regard to denomination.

Long term objectives

The long term objective of FBNA is to end hunger in NSW and the ACT by providing healthy and nutritious food to Welfare Agencies for supply to people in need.

As a member of the Foodbank Federation covering Australia (delivering 75% of all food distributed to charities by food rescue organisations), we are moving towards ending hunger for people in need in Australia.

In undertaking this objective we will contribute to a better environment by diverting millions of kilos of edible food away from landfill.

Short term objectives

- (a) FBNA aims to provide 8,000,000kgs of product in 2016-17
- (b) FBNA aims to supply a core range of staple products 365 days a year while minimising handling fees.
- (c) FBNA aims to have this core range of staple products always available.
- (d) FBNA will expand the ways that it funds these operations to broaden the support of FBNA making FBNA more resilient and less dependent upon a single source of funding.
- (e) FBNA will strive to tell the compelling 'win / win' story of feeding people in need whilst reducing the environmental impact, to the wider Australian public.
- (f) FBNA will continuously improve its operations by listening and learning from our stakeholders, whether they be people in need, charities that provide the front line presence, the volunteers, the donors (of funding and importantly food), and the staff and Directors.

Key strategies and activities for achieving objectives

To ultimately achieve our long term objective, and to meet the objectives set for next year, FBNA will:

- (a) Seek to understand the underlying demand and where it comes from.
- (b) Maintain and improve ways to make food available to more welfare agencies and charities and through them to people in need.
- (c) Maintain, improve and innovate to achieve sufficient food to meet or exceed the demand.
- (d) Maintain, improve and innovate the supply cycle from farmers, manufacturers, retailers, importers to welfare agencies and charities and ultimately people in need with appropriate infrastructure and resources.
- (e) Actively seek funding from a wide range of potential sources.

Measurement of performance

To achieve the objectives and strategies above, FBNA will measure the effectiveness of the allocation of limited resources by:

- (a) setting appropriate financial disciplines with measurable financial budget targets
- (b) formulating specific strategy plans with frequent plan progress updates and outcome monitoring
- (c) ensuring each staff member knows what is expected of their role with annual performance reviews
- (d) regularly comparing actual with targeted budget performance via monthly management reports

Dividends

FBNA is prohibited by clause 2.2 of its Constitution from distributing any of its income or property to its members by way of dividends or otherwise. Consequently no dividend was paid for the years ended 30 June 2016 and 2015.

Review of operations

The net surplus of FBNA for the year ended 30 June 2016 was \$310,710 (2015: \$719,160).

The underlying operating deficit after excluding non-operating items for the year ended 30 June 2016 was \$448,993 (2015: \$134,834).

Non-operating items include all donations and grants net of direct fundraising expenses \$683,370 (2015: \$498,576), gain on sale of assets \$8,500 (2015: \$200,000), other sundry income \$22,323 (2015: \$7,398) and interest received \$45,510 (2015: \$148,020).

Significant changes in the state of affairs

The construction of FBNA's new Distribution Centre in Glendenning was completed in October 2015 with handover occurring on 22 October 2015. The new Distribution Centre was officially opened on 16 December 2015.

A portion of FBNA's new Distribution Centre has been leased out and the rental income is being used to help fund FBNA's operations. It is anticipated that the leasable portion of the facility will be leased until the space becomes necessary to handle the expected volume increase.

On 30 July 2015, the NSW Department of Family and Community Services (FACS) provided FBNA with a \$3,000,000 grant to be used to assist in the construction of the new Distribution Centre. The Minister of FACS upon the execution of the Deed of Capital Grant took a mortgage against FBNA's property as security for the one-off grant in the sum of \$3,000,000. Provided that the new Distribution Centre is used for the purpose of storing and distributing food to assist the vulnerable in NSW & ACT and FBNA does not alter, dispose or sell the funded property without the consent of the Minister, the mortgage against the funded title will be removed in ten (10) years after the commencement date on 28 July 2015. FBNA believes that it is highly unlikely there will be any significant changes in activities or the Distribution Centre in the next 10 years.

Except as mentioned above, there was no significant change in the state of affairs of FBNA other than that referred to in the financial statements or notes thereto.

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

- (a) the company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the company's state of affairs in future financial years.

Likely developments and expected results of operations

There are no likely developments or expected results of operations which are likely to materially affect the financial statements in future financial years.

Environmental regulation

FBNA is not subject to significant environmental regulation in respect of its principal activities.

Information on Directors

Ernest Pope BSc. *Chairman.*

Appointed a director in February 2006 and Chairman in April 2007. Ern is the Chair of the Remuneration Committee of FBNA. He is also a member of the Audit Committee and the Government and Public Relations Committee. Ern has over 40 years' senior executive experience in the food and beverage manufacturing industry in Asia, USA, Europe and Australasia. Prior to Foodbank, Ern spent 22 years with the Nestle Group and 16 years with Kraft Foods Limited. He was also previously Chairman of Golden Circle Ltd, Rafferty's Garden Pty Ltd and a non-executive Director of Amcor, Alesco and Southcorp. Ern is currently also a non-executive Director of Foodbank Australia Limited and a non-executive Chairman at Yumi's Quality Foods Pty Ltd.

Madeline Dermatossian *Director.*

Appointed a director in November 2014. Madeline has over 22 years' experience as a diverse corporate leader in the financial services and property development sectors. She is known for her successful track record of developing business strategy, implementing major business transformation and restructuring programs that reduce operating costs, improve staff engagement and satisfaction and delivering improvements in shareholder returns. Madeline currently oversees Defense Housing Australia's operational business units to ensure co-ordination of business activity across the organisation. Madeline was previously a Non- Executive Director of Landcom, Managing Director of FuturePlus, Head of Legal and Company Secretary at BT Financial Group and Special Counsel at ABN Amro. Madeline is also a Director of CUFA and former Board member of The Wayside Chapel.

Malcolm Grimmond BCom, CPA *Director.*

Appointed a director in August 2015. Mal has worked for Toll Holdings for twenty years in a variety of financial, commercial and operational roles. His current role is Divisional Director, Toll Domestic Forwarding. Mal was previously Toll's Chief Information Officer for three years and spent nine months as acting Chief Financial Officer. Mal was also the Chief Financial Officer for Pacific National.

John Hudson FCA. *Director.*

Appointed a director in August 2014. John is a member of the Audit Committee and the Government and Public Relations Committee of Foodbank NSW & ACT. John has been engaged in both the development and investment in real estate for over 30 years. This has included significant periods as the senior finance executive in a series of major independent property companies. Prior to ceasing full time executive roles, John was the Managing Director and Chief Executive Officer of Thakral Holdings Group, a specialist hotel REIT with ancillary commercial and retail property together with residential development activities and over \$1 billion in assets. John is currently a Director or investment committee member of a number of private companies and Investment Committees primarily related to property. John is a Chartered Accountant and member of the Institute of Company Directors.

Peter Kelly *Director.*

Appointed a director in October 2011. Peter is the Chair of the Government and Public Relations Committee of Foodbank NSW & ACT. Peter worked with global food company Nestle for 39 years. As a member of the senior management team, he led the Company's Corporate Affairs function and was responsible for Nestle Oceania's External Media, Government Relations and Consumer Services, and Legal teams. He was the Chair and Board Member of the Infant Nutrition Council; a Board Member of the Global Compact Network Australia. Peter is now an independent management consultant.

Information on Directors (continued)

Peter Lucas **BCom, FAICD, FCA, FGIA, FCIS, JP.** *Director.*

Appointed a director in July 2003. Peter is the Chair of the Audit Committee of FBNA. He is also a member of the Remuneration Committee. Peter is an independent consultant with over 40 years in business in fields including Chartered Accountancy, Merchant Banking, Government Financial institutions, Government Service delivery, Government Governance, Environmental Remediation Financing & Not for Profit sector. Peter is also an Independent Chair of the Audit & Risk Committee for NSW Treasury and the NSW Crime Commission.

Paul Moulds **AM, BA.** *Director.*

Appointed a director in February 2015. Paul has worked for over 20 years as an officer of The Salvation Army, where he holds the rank of Major. For 16 years he worked as Director of the Oasis Youth Support Network in inner Sydney, building a highly regarded and effective youth service for homeless and disadvantaged youth. In 2010 he was made a Member of the Order of Australia (AM) for services to homeless youth. Paul has also directed the social and community work of The Salvation Army for the Australian Eastern Territory and is currently managing Salvation Army programs in the Auburn area of Western Sydney. He is also a Board Member of Igniting Change, and is recognised for his expertise in the design of innovative social programs and his deep understanding of the needs of disadvantaged Australians.

Emma Peacock *Director.*

Appointed a director in November 2015. Emma is a member of the Government and Public Relations Committee of Foodbank NSW & ACT. Emma brings 15 years of experience across Corporate Affairs, Communications and sustainability/Corporate Social Responsibility. She has spent the last 5 years with Unilever Australia & New Zealand as Head of Sustainable Business & Communications. As a member of the leadership team she is responsible for building reputation, advocacy and partnerships to support Unilever's sustainable growth agenda as well as embedding a purpose-driven business model. Prior to Unilever, Emma held a number of communications and sustainability management roles including at Coca-Cola Amatil, Britvic Soft Drinks plc (UK), Edelman and Ogilvy Public Relations.

Stephen Schofield **MBA (HR/IR), JP.** *Director.*

Appointed a director in March 2011. Steve is a member of the Remuneration, Government and Public Relations and the Safety and Risk Committee of FBNA. Steve provides FBNA with over 30 years' experience in the area of Human Resources and Industrial Relations. Steve was appointed Group Head of Human Resources with Downer Group in February 2015. His former roles included Group General Manager Human Resources for Komatsu Australia Pty Ltd, HR Director at Goodman Fielder, HR Director Schindler Lifts Australia and previously held the role of General Manager Industrial Relations at Qantas Airways Ltd.

Meetings of Directors

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director). During the financial year, 7 board meetings were held.

| | Attended | Held |
|------------------------|----------|------|
| Ernest Pope (Chairman) | 7 | 7 |
| Madeline Dermatossian | 4 | 7 |
| Malcolm Grimmond | 6 | 7 |
| John Hudson | 6 | 7 |
| Peter Kelly | 5 | 7 |
| Peter Lucas | 6 | 7 |
| Paul Moulds | 5 | 7 |
| Emma Peacock | 3 | 4 |
| Stephen Schofield | 6 | 7 |
| Joan O'Shea | 1 | 1 |
| Clive Stiff | 2 | 3 |
| Don Telford | 2 | 3 |

Insurance of officers and auditors

During the financial year, Foodbank Australia Limited on behalf of FBNA and the other state Foodbanks paid a premium in respect of a contract insuring the directors of FBNA, the company secretary, and all executive officers of FBNA against a liability incurred as such by a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

FBNA has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of FBNA against a liability incurred as such by an officer or auditor.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Member's guarantee

FBNA is a company limited by guarantee. If FBNA is wound up, FBNA's constitution states that each member is required to contribute a maximum of \$10 towards meeting outstanding obligations of FBNA.

Number of members as at 30 June 2016 and 2015 are:

| | 2016 | 2015 |
|-----------------|------------|------------|
| Primary members | 9 | 10 |
| Agency members | 498 | 597 |
| | <u>507</u> | <u>607</u> |

Auditor's independence declaration

A copy of the auditor's independence declaration as required under sub division 60-C section 60-40a of the *Australian Charities and Not-for-profits Commission Act 2012* is set out on page 6.

Auditor

KPMG continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.



Ernest Pope
Chair

Sydney
14 September 2016



Auditor's Independence Declaration under subdivision 60-C section 60-40a of Australian Charities and Not-for-profits Commission Act 2012

To: the directors of Foodbank NSW & ACT Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-Profits Commission Act 2012 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Trent Duvall
Partner

Sydney

14 September 2016

Foodbank NSW & ACT Limited

ABN 22 056 422 407

Financial report - 30 June 2016

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This financial report covers Foodbank NSW & ACT Limited ("FBNA") as an individual entity. The financial report is presented in the Australian currency.

Foodbank NSW & ACT Limited is a "not-for-profit" company limited by guarantee, domiciled in Australia. Its registered office and principal place of business is:

Foodbank NSW & ACT Limited
50 Owen Street
Glendenning NSW 2761

A description of the nature of the entity's operations and its principal activities is included in the directors' report on pages 1-5, which is not part of these financial reports.

The financial report was authorised for issue by the directors on 14 September 2016. The directors have the power to amend and reissue the financial report.

Foodbank NSW & ACT Limited
Statement of comprehensive income
For the year ended 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|---|-------|--------------------|------------------|
| Revenue from continuing operations | | | |
| Revenue from service fees | 3 | 4,333,329 | 3,457,471 |
| Cost of supply - purchased stock items only | 4 | <u>(1,327,143)</u> | <u>(918,240)</u> |
| | | 3,006,186 | 2,539,231 |
| Other operating income | 5 | <u>908,637</u> | <u>719,732</u> |
| (Less) Other expenses from ordinary activities | | | |
| Distribution and warehouse | | 1,534,525 | 1,160,704 |
| Marketing | | 95,560 | 96,886 |
| Administration | | 391,310 | 352,761 |
| Personnel | | 1,572,847 | 1,360,125 |
| Depreciation and amortisation | | 460,722 | 86,764 |
| Relocation | | 151,954 | 150,576 |
| Other | | <u>156,898</u> | <u>185,981</u> |
| | 6 | <u>4,363,816</u> | <u>3,393,797</u> |
| Results from operating activities | | <u>(448,993)</u> | <u>(134,834)</u> |
| Other income and expenses | | | |
| Other income | | 747,225 | 757,532 |
| Other expenses | | <u>(33,032)</u> | <u>(51,558)</u> |
| | 7 | <u>714,193</u> | <u>705,974</u> |
| Finance income | 8 | <u>45,510</u> | <u>148,020</u> |
| Net surplus | | <u>310,710</u> | <u>719,160</u> |
| Other comprehensive income | | | |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income for the year | | <u>310,710</u> | <u>719,160</u> |

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

Foodbank NSW & ACT Limited
Balance sheet
As at 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|--------------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash assets | 9 | 1,325,724 | 5,596,974 |
| Receivables | 10 | 140,821 | 86,341 |
| Other current assets | 11 | 242,274 | 438,380 |
| Total current assets | | <u>1,708,819</u> | <u>6,121,695</u> |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 14,920,954 | 8,280,264 |
| Intangible assets | 13 | 64,874 | 4,598 |
| Total non-current assets | | <u>14,985,828</u> | <u>8,284,862</u> |
| Total assets | | <u>16,694,647</u> | <u>14,406,557</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Deferred revenue | 14 | 1,327,191 | 592,963 |
| Payables | 15 | 222,109 | 2,017,435 |
| Provisions | 16 | 151,791 | 144,578 |
| Total current liabilities | | <u>1,701,091</u> | <u>2,754,976</u> |
| Non-current liabilities | | | |
| Deferred revenue | 17 | 3,000,000 | - |
| Provisions | 18 | 63,960 | 32,695 |
| Total non-current liabilities | | <u>3,063,960</u> | <u>32,695</u> |
| Total liabilities | | <u>4,765,051</u> | <u>2,787,671</u> |
| Net assets | | <u>11,929,596</u> | <u>11,618,886</u> |
| EQUITY | | | |
| Accumulated surplus | 19 | 11,929,596 | 11,618,886 |
| Total equity | | <u>11,929,596</u> | <u>11,618,886</u> |

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

Foodbank NSW & ACT Limited
Statement of changes in equity
For the year ended 30 June 2016

| Notes | Reserves \$ | Retained earnings \$ | Total equity \$ |
|--|--------------------|----------------------------|-----------------------|
| Balance at 1 July 2014 | 1,802,113 | 9,097,613 | 10,899,726 |
| Surplus from continuing operations for the year | - | 719,160 | 719,160 |
| Transfers from reserves to retained earnings | 19(a) (1,802,113) | 1,802,113 | - |
| Total comprehensive income for the year | (1,802,113) | 2,521,273 | 719,160 |
| Balance at 30 June 2015 | - | 11,618,886 | 11,618,886 |
| | | | |
| Balance at 1 July 2015 | - | 11,618,886 | 11,618,886 |
| Surplus from continuing operations for the year | - | 310,710 | 310,710 |
| Gain/(loss) on revaluation of land and buildings | - | - | - |
| Total comprehensive income for the year | - | 310,710 | 310,710 |
| Balance at 30 June 2016 | - | 11,929,596 | 11,929,596 |

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

Foodbank NSW & ACT Limited
Statement of cash flows
For the year ended 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|--|-------|-------------------------|-------------------------|
| Cash flows from operating activities | | | |
| Receipts from agencies, donations and grants | | 6,643,501 | 5,368,956 |
| Payments to suppliers and employees | | <u>(6,818,055)</u> | <u>(2,592,282)</u> |
| Net cash (outflow) inflow from operating activities | 27 | <u>(174,554)</u> | <u>2,776,674</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | 12 | (7,100,509) | (8,112,485) |
| Payments for intangibles | 13 | (67,135) | - |
| Proceeds from sale of property, plant and equipment | | 8,500 | 3,100,000 |
| Net cash (outflow) from investing activities | | <u>(7,159,144)</u> | <u>(5,012,485)</u> |
| Cash flows from financing activities | | | |
| Receipts from capital grants | | 3,000,000 | - |
| Interest received | | 62,448 | 139,067 |
| Net cash inflow from financing activities | | <u>3,062,448</u> | <u>139,067</u> |
| Net (decrease) in cash and cash equivalents | | (4,271,250) | (2,096,744) |
| Cash and cash equivalents at the beginning of the financial year | | <u>5,596,974</u> | <u>7,693,718</u> |
| Cash and cash equivalents at end of year | 9 | <u>1,325,724</u> | <u>5,596,974</u> |

The above statement of cash flows should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Reporting entity

Foodbank NSW & ACT Limited ("FBNA") is a "not-for-profit" company limited by guarantee. It is an income tax exempt charitable organisation domiciled in Australia which collects surplus, salvaged and donated food and grocery products from food manufacturers, distributors and retailers and distributes it via charitable welfare agencies, to people in need.

(b) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Australian Charities and Not-for-Profits Commission Act 2012*.

(i) Historical cost convention

This financial report has been prepared under the historical cost convention with the exception of certain classes of property, plant and equipment that are carried at fair value as discussed in note 12.

(ii) Critical accounting estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(c) Revenue recognition

Revenue is recognised for the major business activities as follows:

(i) Service fees

A nominal service fee is charged for the storage, handling and distribution of product to agencies. Service fee revenue is recognised when the service is rendered on an accrual basis.

(ii) Donations/Contributions

Due to the nature of donations, such items can only be recognised as income when they are received and recorded in FBNA's accounting records.

(iii) Grants

Grants can be granted to FBNA with conditions attached or for specific purposes (reciprocal transfers) or with no conditions or specific purpose attached (non-reciprocal transfers).

Grants that meet the definition of non-reciprocal transfers are subject to AASB 1004 *Contributions* and are recognised as revenue when FBNA receives the grant.

Where the grant is a reciprocal transfer, AASB 118 *Revenue* is applicable. Revenue arising from the grant is recognised in proportion to the stage of completion of the transaction at the reporting date. Where funding has been received but has not met the revenue recognition criteria of AASB 118 *Revenue*, the funding is recorded as deferred revenue in the balance sheet.

(iv) Interest income

Interest is recognised on an accrual basis.

1 Summary of significant accounting policies (continued)

(d) Income tax

FBNA is exempt from the payment of income tax under the provisions of Section 50-5 of the *Income Tax Assessment Act 1997*.

(e) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that FBNA will not be able to collect all amounts due according to the original terms of the receivables.

(g) Inventories

Inventories comprise of both goods donated or salvaged at no cost and goods purchased to supplement the inventory available to meet the needs of charity clients.

As FBNA is a 'not-for-profit' entity the purchased inventories held for distribution are carried at cost, whilst donated goods are not revalued.

Inventories are carried at the cost FBNA incurred to acquire the assets as at the reporting date.

(h) Property, plant and equipment

FBNA's accounting policy is to carry land and buildings at cost on acquisition and then subsequently under a revaluation model, being fair value at the date of revaluation less accumulated depreciation.

Land and buildings are measured at fair value. Where market-based evidence is available, the fair value of land and buildings is determined on the basis of current market buying values determined by reference to recent market transactions. Otherwise, fair value is determined on the basis of an independent valuation prepared by external valuation experts, based on open market value. The fair values are recognised in the financial statements of the entity, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

As at 30 June 2016, land and building is carried at \$12,027,787 being the purchase price and other directly attributable costs associated with the purchase less accumulated depreciation on the building. Since the construction of FBNA's new Distribution Centre was completed in October 2015, the Directors unanimously agreed on 14 June 2016 to retain the existing carrying amount of FBNA's land and building as the fair value would not significantly differ from their carrying amounts.

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

Plant and equipment that is donated is recognised at fair value, if that value is above \$5,000, in property, plant & equipment at the date of acquisition, with a non-cash donation recognised for the same amount.

1 Summary of significant accounting policies (continued)

(h) Property, plant and equipment (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

| | |
|---------------------|------------|
| Buildings | 40 years |
| Plant and equipment | 3-10 years |

Capital work in progress, which represents additions to property, plant and equipment that have not yet been brought into use, is not depreciated. Additions are transferred into the above asset classes once they are brought into use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is company policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(i) Intangible assets

Software

Software assets which have finite useful lives, are measured at cost less accumulated amortisation.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 5 years, from the date that they are available for use.

(j) Deferred revenue

(i) Short-term deferred revenue

Short-term deferred revenue represents funding amounts received that are expected to be recognised as revenue within 12 months after the end of the reporting period. Amounts recorded in FBNA's short-term deferred revenue are usually grants received for a specific purpose whereby the conditions of have not yet been met.

(ii) Long-term deferred revenue

Funding received that are not expected to be recognised as revenue within 12 months after the end of the reporting period. FBNA's long-term deferred revenue represents reciprocal grants with project durations that go beyond 12 months after the end of the reporting period.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to FBNA prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1 Summary of significant accounting policies (continued)

(l) Employee benefits

(i) Short-term obligations

Liabilities for wages, salaries and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(n) 'In-kind' provision of services to Foodbank NSW & ACT Limited

FBNA receives "in-kind" services from a number of individuals and organisations. FBNA does not recognise an expense and associated revenue for these 'in-kind' services in the financial report. The major 'in-kind' services received are disclosed in note 24.

(o) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. FBNA has not adopted these new standards and interpretations and it is not expected that their adoption will have a material impact on future financial statements.

2 Financial risk management

FBNA's activities expose it to market risk and credit risk.

(a) Market risk

(i) Cash flow and fair value interest rate risk

FBNA's main interest rate risk arises from its holdings of cash and term deposits. There is no material interest rate risk exposure on financial liabilities.

(ii) Price risk

| Index | 1% increase in interest rates | | -1% decrease in interest rates | |
|------------------------------|-------------------------------|---------------|--------------------------------|-----------------|
| | 2016 \$ | 2015 \$ | 2016 \$ | 2015 \$ |
| Cash and cash equivalents | 4,601 | 6,932 | (4,601) | (6,932) |
| Bank bills and term deposits | 18,756 | 51,670 | (18,756) | (51,670) |
| Effect on surplus | 23,357 | 58,602 | (23,357) | (58,602) |

Carrying values of the assets are as follows:

| | 2016 \$ | 2015 \$ |
|------------------------------|------------------|------------------|
| Cash and cash equivalents | 515,130 | 202,184 |
| Bank bills and term deposits | 810,594 | 5,394,790 |
| | 1,325,724 | 5,596,974 |

(b) Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to FBNA. FBNA has adopted the policy of only dealing with creditworthy counter-parties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. FBNA measures credit risk on a fair value basis.

(c) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of each reporting date.

The net fair value of all financial assets and liabilities in the balance sheet approximates their carrying values.

3 Revenue

| | 2016 | 2015 |
|-----------------------------------|-----------|-----------|
| | \$ | \$ |
| From continuing operations | | |
| Revenue from service fees | 4,333,329 | 3,457,471 |

Service fees are generally charged to our member agencies on the basis of kilograms of product they withdraw from FBNA.

4 Cost of supply - purchased stock

| | 2016 | 2015 |
|---------------------------------------|-----------|---------|
| | \$ | \$ |
| Cost of supply - purchased stock | 1,317,543 | 909,215 |
| Direct purchased inventory write offs | 9,600 | 9,025 |
| | 1,327,143 | 918,240 |

5 Other operating income

| | 2016 | 2015 |
|-----------------------------------|---------|---------|
| | \$ | \$ |
| NSW Government: Transport Subsidy | 443,187 | 432,378 |
| Freight recovery fees | 343,257 | 267,148 |
| Rental Income | 113,102 | - |
| Other operating income | 9,091 | 20,206 |
| | 908,637 | 719,732 |

6 Operating expenses

| | 2016 \$ | 2015 \$ |
|--|------------|------------|
| <i>Distribution and warehouse expenses</i> | | |
| Contract packaging and processing | 44,180 | 33,295 |
| Contractor expenses | 231,633 | 60,015 |
| Electricity | 95,100 | 55,140 |
| Freight expenses | 805,520 | 677,774 |
| Motor vehicle, truck and forklift | 125,309 | 110,548 |
| Repairs and maintenance | 61,297 | 41,712 |
| Service fees - interstate Foodbank entities | 34,617 | 28,059 |
| Storage - external | 19,894 | 83,880 |
| Waste removal | 18,776 | 17,397 |
| Warehouse expenses | 98,199 | 52,884 |
| | 1,534,525 | 1,160,704 |
| <i>Marketing expenses</i> | | |
| Advertising and marketing | 95,560 | 96,886 |
| <i>Administration expenses</i> | | |
| Computer maintenance and support | 20,077 | 17,372 |
| Foodbank Australia centralised server management (note 23 (b)(ii)) | 80,800 | 79,216 |
| Foodbank Australia levy (note 23 (b)(i)) | 207,072 | 200,665 |
| Insurance | 25,577 | 22,130 |
| Legal fees | 7,423 | 6,601 |
| Printing and stationery | 21,751 | 5,451 |
| Telephone | 28,610 | 21,326 |
| | 391,310 | 352,761 |
| <i>Personnel expenses</i> | | |
| Salaries and wages - includes superannuation \$140,675 (2015: \$107,468) | 1,572,847 | 1,360,125 |
| <i>Depreciation and Amortisation</i> | | |
| Amortisation of intangible assets | 6,859 | 3,313 |
| Depreciation of plant and equipment | 453,863 | 83,451 |
| | 460,722 | 86,764 |
| <i>Relocation expenses</i> | | |
| Asset purchases < \$5,000 | 25,855 | - |
| Consultancy fees: New Distribution Centre | - | 23,534 |
| Loss on asset disposals | 5,956 | 33,823 |
| Signage and moving expenses | 55,631 | - |
| Rent | 64,512 | 93,219 |
| | 151,954 | 150,576 |
| <i>Other expenses</i> | | |
| Business planning and evaluation | 10,850 | - |
| Cleaning | 25,425 | 12,170 |
| Consultancy fees | 6,969 | 89,341 |
| Membership fees | 14,436 | 14,067 |
| Real estate fees | 29,859 | - |
| Travel and accommodation | 16,321 | 13,343 |
| Others | 53,038 | 57,060 |
| | 156,898 | 185,981 |
| | 4,363,816 | 3,393,797 |

FBNA also receives "in-kind" services which are not recorded in the accounting records shown in note 24.

7 Other income and expenses

| | 2016 \$ | 2015 \$ |
|--------------------------------|------------|------------|
| Other Income | | |
| <i>Fundraising Income:</i> | | |
| - General donations | 293,358 | 222,548 |
| - Fundraising: campaigns | 59,936 | 64,457 |
| - Fundraising: dinners | - | 84,510 |
| - Fundraising: events/concerts | 8,108 | 8,619 |
| - Other non-government grants | 355,000 | 170,000 |
| Gain on sale of assets | 8,500 | 200,000 |
| Sundry income | 22,323 | 7,398 |
| | 747,225 | 757,532 |
| Other Expenses | | |
| Fundraising expenses | (33,032) | (51,558) |
| | 714,193 | 705,974 |

8 Finance income

| | 2016 \$ | 2015 \$ |
|-------------------|------------|------------|
| Interest received | 45,510 | 148,020 |
| | 45,510 | 148,020 |

9 Current assets - Cash assets

| | 2016 \$ | 2015 \$ |
|----------------------------------|------------|------------|
| Cash on hand | 1,500 | 1,500 |
| Cash in bank - trading account | 508,146 | 194,578 |
| Cash in bank - PayPal | 5,484 | 6,106 |
| Cash in bank - ANZ 11 AM Call | 810,594 | 2,686,210 |
| Cash in bank - NAB term deposits | - | 2,708,580 |
| | 1,325,724 | 5,596,974 |

(a) Cash in bank

These are bearing weighted average interest rate of 1.97% (2015: 2.59%).

(b) Fair value

The carrying amount for cash assets equals the fair value.

10 Current assets - Receivables

| | 2016 \$ | 2015 \$ |
|-------------------------|----------------|---------------|
| Service fees receivable | 140,821 | 69,403 |
| Interest receivable | - | 16,938 |
| | <u>140,821</u> | <u>86,341</u> |

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. There are no overdue or impairment on receivables.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for information on the risk management policy of FBNA and the credit quality of FBNA's receivables.

The aging of service fees receivables is as follows:

| | 2016 \$ | 2015 \$ |
|----------------------|----------------|---------------|
| Not past due | 92,915 | 46,906 |
| Past due 1 - 7 days | 40,076 | 18,144 |
| Past due over 7 days | 7,830 | 4,353 |
| | <u>140,821</u> | <u>69,403</u> |

11 Current assets - Other current assets

| | 2016 \$ | 2015 \$ |
|------------------------------|----------------|----------------|
| Inventory of purchased stock | 196,803 | 209,587 |
| GST refundable | 2,091 | 188,970 |
| Prepayments | 28,380 | 24,823 |
| Other assets | 15,000 | 15,000 |
| | <u>242,274</u> | <u>438,380</u> |

12 Non-current assets - Property, plant and equipment

| | Freehold land and buildings \$ | Plant and equipment \$ | Capital work in progress \$ | Total \$ |
|--|--------------------------------------|------------------------------|-----------------------------------|-------------|
| At 1 July 2014 | | | | |
| Cost or fair value | - | 979,073 | 79,360 | 1,058,433 |
| Accumulated depreciation | - | (773,380) | - | (773,380) |
| Net book amount | - | 205,693 | 79,360 | 285,053 |
| Year ended 30 June 2015 | | | | |
| Opening net book amount | - | 205,693 | 79,360 | 285,053 |
| Additions | 4,275,180 | 175,111 | 3,662,194 | 8,112,485 |
| Transfers from capital work in progress to freehold land and buildings | 33,660 | - | (33,660) | - |
| Disposals ¹ | - | (33,823) | - | (33,823) |
| Depreciation charge | - | (83,451) | - | (83,451) |
| Closing net book amount | 4,308,840 | 263,530 | 3,707,894 | 8,280,264 |
| At 30 June 2015 | | | | |
| Cost or fair value | 4,308,840 | 838,566 | 3,707,894 | 8,855,300 |
| Accumulated depreciation | - | (575,036) | - | (575,036) |
| Net book amount | 4,308,840 | 263,530 | 3,707,894 | 8,280,264 |
| Year ended 30 June 2016 | | | | |
| Opening net book amount | 4,308,840 | 263,530 | 3,707,894 | 8,280,264 |
| Additions | 4,144,889 | 2,955,620 | - | 7,100,509 |
| Transfers from capital work in progress to freehold land and buildings | 3,707,894 | - | (3,707,894) | - |
| Disposals ² | - | (5,956) | - | (5,956) |
| Depreciation charge | (133,836) | (320,027) | - | (453,863) |
| Closing net book amount | 12,027,787 | 2,893,167 | - | 14,920,954 |
| At 30 June 2016 | | | | |
| Cost | 12,161,623 | 3,686,971 | - | 15,848,594 |
| Accumulated depreciation | (133,836) | (793,804) | - | (927,640) |
| Net book amount | 12,027,787 | 2,893,167 | - | 14,920,954 |

¹ Does not include fully written down plant and equipment disposals of \$281,795.

² Does not include fully written down plant and equipment disposals of \$101,259.

Valuations of land and buildings

As at 30 June 2016, land and building is carried at \$12,027,787 being the purchase price and other directly attributable costs associated with the purchase less accumulated depreciation on the building. Since the construction of FBNA's new Distribution Centre was completed in October 2015, the Directors unanimously agreed on 14 June 2016 to retain the existing carrying amount of FBNA's land and building.

Capital Grant

On 30 July 2015, the NSW Department of Family and Community Services (FACS) provided FBNA with a \$3,000,000 grant to be used to assist in the construction of the new Distribution Centre. The Minister of FACS upon the execution of the Deed of Capital Grant took a mortgage against FBNA's property as security for the one-off grant in the sum of \$3,000,000. Provided that the specifications in the deed are adhered to, the mortgage against the funded title will be removed in ten (10) years after the commencement date on 28 July 2015.

12 Non-current assets - Property, plant and equipment (continued)

Capital work in progress

Capital work in progress represents amounts associated with the design and development of FBNA's new Distribution Centre at Glendenning. The balance of capital work in progress was transferred into freehold land and buildings in October 2015 when of FNBA's moved into its new Distribution Centre.

13 Non-current assets - Intangible assets

| | Software \$ |
|--|-----------------|
| At 1 July 2014 | |
| Cost | 20,135 |
| Accumulation amortisation and impairment | <u>(12,224)</u> |
| Net book amount | <u>7,911</u> |
| Year ended 30 June 2015 | |
| Opening net book amount | 7,911 |
| Additions | - |
| Disposals ¹ | - |
| Amortisation charge | <u>(3,313)</u> |
| Closing net book amount | <u>4,598</u> |
| At 30 June 2015 | |
| Cost | 15,212 |
| Accumulation amortisation and impairment | <u>(10,614)</u> |
| Net book amount | <u>4,598</u> |
| Year ended 30 June 2016 | |
| Opening net book amount | 4,598 |
| Additions | 67,135 |
| Disposals | - |
| Amortisation charge | <u>(6,859)</u> |
| Closing net book amount | <u>64,874</u> |
| At 30 June 2016 | |
| Cost | 82,347 |
| Accumulated amortisation | <u>(17,473)</u> |
| Net book amount | <u>64,874</u> |

¹ Does not include fully written down software disposals of \$4,923.

14 Current liabilities - Deferred revenue

| | 2016 \$ | 2015 \$ |
|---|------------------|----------------|
| School breakfast program grant funding | 11,291 | 23,018 |
| Grants received in advance ¹ | <u>1,315,900</u> | <u>569,945</u> |
| | <u>1,327,191</u> | <u>592,963</u> |

¹ Includes 90% of the grant provided by the NSW Environmental Trust in partnership with the NSW Environmental Protection Authority (EPA) of \$1,025,900 to complete the fit out of the new distribution centre and \$290,000 provided by Sargents Pies Charitable Foundation for the purchase of a new truck.

15 Current liabilities - Payables

| | 2016 \$ | 2015 \$ |
|------------------------------------|----------------|------------------|
| Creditors | 120,749 | 108,010 |
| Creditors: New Distribution Centre | - | 1,535,326 |
| PAYG withholding payable | 28,272 | 13,646 |
| Accrued expenses | 32,695 | 5,678 |
| Superannuation payable | 15,511 | 8,720 |
| Retentions payable ¹ | - | 346,055 |
| Rental bond | <u>24,882</u> | <u>-</u> |
| | <u>222,109</u> | <u>2,017,435</u> |

¹ Cash retentions under building contract held until successful completion of building.

16 Current liabilities - Provisions

| | 2016 \$ | 2015 \$ |
|-------------------|------------|------------|
| Employee benefits | 151,791 | 144,578 |

FBNA has 24 employees (20.3 full time equivalents) as at 30 June 2016 (2015: 19 (16.5 full time equivalents)).

17 Non-current liabilities - Deferred revenue

| | 2016 \$ | 2015 \$ |
|---|------------------|------------|
| Grants received in advance ¹ | <u>3,000,000</u> | <u>-</u> |

¹ Grant provided by the NSW Department of Family and Community Services (FACS) for assistance in the construction of the new Distribution Centre. The deed of capital grant requires FBNA to operate the asset in a prescribed manner as specified in the deed for the project duration of ten (10) years from the commencement date on 28 July 2015. The grant will become non-reciprocal on 28 July 2025.

18 Non-current liabilities - Provisions

| | 2016 \$ | 2015 \$ |
|-------------------|---------------|---------------|
| Employee benefits | <u>63,960</u> | <u>32,695</u> |

19 Reserves and accumulated funds

(a) Reserves

| | 2016 \$ | 2015 \$ |
|---------------------------|------------|------------|
| Asset revaluation reserve | - | - |

| | 2016 \$ | 2015 \$ |
|--|------------|------------|
|--|------------|------------|

Movements:

Asset revaluation reserve

| | | |
|----------------------------------|---|-------------|
| Opening balance | - | 1,802,113 |
| Transfers into accumulated funds | - | (1,802,113) |
| Balance 30 June | - | - |

(b) Accumulated funds

Movements in accumulated funds were as follows:

| | 2016 \$ | 2015 \$ |
|-------------------------|-------------------|-------------------|
| Balance 1 July | 11,618,886 | 9,097,613 |
| Surplus for the year | 310,710 | 719,160 |
| Transfers from reserves | - | 1,802,113 |
| Balance 30 June | <u>11,929,596</u> | <u>11,618,886</u> |

(c) Nature and purpose of other reserves

Asset revaluation reserve

An asset revaluation reserve is used to record increments and decrements on the revaluation of land and buildings. As FBNA's Wetherill Park Distribution Centre was sold in February 2015, all amounts in the asset revaluation reserve associated with the Wetherill Park warehouse was transferred directly into accumulated funds. There were no revaluations of land and building in the year ended 30 June 2016.

20 Remuneration of auditors

KPMG performed the audit on an honorary basis and accordingly did not receive any payment for services rendered during this or the previous financial year.

21 Contingencies

FBNA had no contingent assets or liabilities at 30 June 2016 (2015: \$nil).

22 Commitments

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

| | 2016 \$ | 2015 \$ |
|-------------------------------|----------------|------------------|
| Property, plant and equipment | | |
| Payable: Within one year | <u>508,360</u> | <u>5,910,914</u> |

FBNA placed purchase orders for two purpose built trucks to be delivered late 2016.

Capital commitments in the previous year relate to the total outstanding in FBNA's building contract with CIP Constructions (NSW) Pty Ltd to complete the new Distribution Centre in Glendenning.

23 Related party transactions

(a) Directors

The names of persons who were directors of FBNA at any time during the financial year are as follows:

| | |
|-----------------------|------------------------------|
| Ernest Pope | (Appointed 9 February 2006) |
| Madeline Dermatossian | (Appointed 19 November 2014) |
| Malcolm Grimmond | (Appointed 24 August 2015) |
| John Hudson | (Appointed 13 August 2014) |
| Peter Kelly | (Appointed 13 October 2011) |
| Peter Lucas | (Appointed 5 July 2003) |
| Paul Moulds | (Appointed 23 February 2015) |
| Emma Peacock | (Appointed 19 November 2015) |
| Stephen Schofield | (Appointed 9 March 2011) |
| Joan O'Shea | (Ceased 24 August 2015) |
| Clive Stiff | (Ceased 19 November 2015) |
| Don Telford | (Ceased 19 November 2015) |

(b) Foodbank Australia Limited

- (i) Foodbank Australia Limited acts as a national liaison and co-ordination point for food supply and activities of FBNA and other similar 'Foodbank' organisations in Western Australia, South Australia, Victoria, Queensland, Tasmania and Northern Territory. Foodbank Australia Limited costs of operation are met in part by levies paid by all 'Foodbank' organisations. During the year, FBNA paid \$207,072 (2015: \$200,665) to Foodbank Australia Limited.
- (ii) Foodbank Australia Limited hosts a centralised server as part of the federated approach to computer systems and software. FBNA paid \$80,800 (2015: \$79,216) to Foodbank Australia Limited for the company's share of the costs of this federated service. This payment covers consultancy, management and maintenance costs of the hosting server and software program.
- (iii) FBNA provides Foodbank Australia Limited funds to purchase additional key staple food under the Key Staple Program (KSP). In 2016, FBNA paid \$267,892 (2015: \$302,579) to Foodbank Australia to acquire cereal, canned fruit, rice, spreads and long life milk.
- (iv) On 23 May 2016, Foodbank Australia Limited entered into a service agreement with FBNA for the provision of accounting and finance services. In 2016, Foodbank Australia Limited paid \$4,580 (2015: \$nil) to FBNA for assistance in general finance management, bookkeeping and financial reporting.

(c) Other

Gerry Andersen is the CEO of FBNA and is also a Director of Pegasus Print Group. Pegasus Print Group provides FBNA with regular printing services throughout the financial year with a portion of printing services provided by provided free of charge. During the year, FBNA paid \$29,330 (2015: \$2,984) to Pegasus Print Group.

23 Related party transactions (continued)

(d) Directors remuneration

No remuneration was paid or is payable to any of the directors in respect of the financial year ended 30 June 2016 (2015: \$nil).

24 'In-kind' provision of services

Foodbank FNBA relies upon a network of organisations and individuals to enable it to achieve its objectives, some of which do not charge FBNA for their services, or part of their services. As detailed in note 1(n), FBNA does not record these 'in kind' services received as both revenue and expenditure.

In order to understand the level of expenditure that would be incurred if these organisations and individuals were to charge for their services, the following information on major 'in kind' services received is provided.

| <i>Item</i> | <i>Provided by</i> | <i>Estimated value 2016 \$</i> | <i>Estimated value 2015 \$</i> | <i>If paid, would be an addition to the following expenses (refer Note 6)</i> |
|----------------------------------|---|--|--|---|
| Accounting and taxation services | PwC | - | 5,000 | Other expenses |
| Annual report design | Alan Lippert | - | 1,320 | Printing and stationery |
| Audit services | KPMG | 40,000 | 40,000 | Audit fees |
| Food safety consultancy | Gary Kennedy (2016) Marrienne Henning (2015) | 500 | 200 | Consultancy |
| Forklift maintenance | Crown Equipment/ Toyota Materials Handling | 8,000 | 4,800 | Warehouse expenses |
| Freight - intrastate | Toll Holdings | 22,000 | 22,000 | Freight |
| Legal fees | Holman Webb Lawyers | 8,000 | 8,000 | Legal fees |
| Pallet hire | Chep/Loscam | 268,000 | 176,000 | Warehouse expenses |
| Printing | Pegasus Print Group | 7,800 | 13,300 | Printing and stationery |
| Storage | Swire Cold Storage | 6,500 | 14,400 | Storage - offsite |
| Volunteers | Individuals | 1,025,000 | 900,000 | Salaries, wages and fees |
| | | <u>1,385,800</u> | <u>1,185,020</u> | |

25 Additional information to be furnished under the Charitable Fundraising Act 1991

Throughout the financial year ending 30 June 2016, FBNA conducted various appeals aimed to raise funds to support food programs such as the *Big Breakfast* and the *Warm up Winter Appeal*. Funds received from these appeals have been applied to the purchase of food to support these programs.

In accordance with section 20 of the *Charitable Fundraising (NSW) Act 1991*, monies received in the course of fundraising appeals are applied according to the objects or purposes of the appeal net of proper and appropriate expenses.

| | 2016 \$ | 2015 \$ |
|---|-----------------|-----------------|
| (1) Gross proceeds from fundraising appeals | 716,402 | 550,134 |
| (Less) Direct fundraising costs | <u>(33,032)</u> | <u>(51,558)</u> |
| Net surplus from fundraising appeals | <u>683,370</u> | <u>498,576</u> |
| (2) These were applied to the following charitable purpose: | | |
| Purchase of food for distribution | 383,370 | 51,287 |
| New Distribution Centre (design and development costs) ¹ | <u>300,000</u> | <u>447,289</u> |
| Total expenditure on direct services | <u>683,370</u> | <u>498,576</u> |
| Surplus from fundraising appeals | <u>-</u> | <u>-</u> |

While the *Charitable Fundraising Act 1991* primarily focuses on cash fundraising, given the nature of its business FBNA also undertakes extensive efforts to achieve food donations. The volume of food that was received by the company are:

| | 2016 Kilograms | 2015 Kilograms |
|--|-------------------|-------------------|
| Food from National Donors ² | 3,482,000 | 3,646,000 |
| Food from State Donors | 2,726,000 | 1,791,000 |
| Food from Key Staples Program ³ | <u>916,000</u> | <u>865,000</u> |
| | <u>7,124,000</u> | <u>6,302,000</u> |

¹ On 3 July 2015, \$300,000 was received from Sargents Pies Charitable Foundation to fund FBNA's solar panel installation at the new Distribution Centre.

^{2,3} Food received from the liaison and coordination of Foodbank Australia.

26 Events occurring after the reporting period

There are no significant events occurring after the reporting period that requires disclosure.

27 Reconciliation of surplus after income tax to net cash flow from operating activities

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$ | \$ |
| Surplus for the year | 310,710 | 719,160 |
| Depreciation and amortisation | 460,722 | 86,764 |
| Net (gain) on disposal of property, plant and equipment | (2,544) | (166,177) |
| Interest received | (45,510) | (148,020) |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in current receivables (excluding interest) | (71,418) | 41,258 |
| Decrease (Increase) in other current assets | 196,106 | (257,252) |
| (Decrease) increase in current payables | (1,795,326) | 1,867,610 |
| Increase in current deferred revenue | 734,228 | 592,963 |
| Increase in provisions | 38,478 | 40,368 |
| Net cash (outflow) inflow from operating activities ¹ | <u>(174,554)</u> | <u>2,776,674</u> |

¹ Net cash flow from operating activities includes cash flows associated with grant income and other donation activities as set out in Note 7.

In the directors' opinion:

- (a) the financial report and notes set out on pages 8 to 29 are in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:
 - (i) complying with Accounting Standards, the *Australian Charities and Not-for-Profits Commission Regulation 2013* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the entity's financial position as at 30 June 2016 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.



Ernest Pope
Chair

Sydney
14 September 2016

The directors declare that:

- (a) the financial report gives a true and fair view of all income and expenditure of Foodbank NSW & ACT Limited with respect to fundraising appeal activities for the financial year ended 30 June 2016;
- (b) the provisions of the *Charitable Fundraising Act 1991* and Regulations and the conditions attached to the authority have been complied with for the financial year ended 30 June 2016; and
- (c) the internal controls exercised by Foodbank NSW & ACT Limited are appropriate and effective in accounting for all income received and applied by Foodbank NSW & ACT Limited from any of its fundraising appeals.

Signed in accordance with a resolution of the directors.

On behalf of the directors



Ernest Pope
Chair

Sydney
14 September 2016



Independent auditor's report to the members of Foodbank NSW & ACT Limited

Report on the financial report

We have audited the accompanying financial report of Foodbank NSW & ACT Limited (the Company), which comprises the balance sheet as at 30 June 2016, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 27 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company.

This audit report has also been prepared for the members of the Company in pursuant to *Australian Charities and Not-for-profits Commission Act 2012 (ACNC)*.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the ACNC. The Director's responsibility also includes such internal control as the Directors determine necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we 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 of the financial report that gives a true and fair view 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.

We performed the procedures to assess whether in all material respects the financial report gives a true and fair view, in accordance with the ACNC, which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.



Auditor's opinion

In our opinion, the financial report of Foodbank NSW & ACT Limited is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (b) complying with the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Audit opinion pursuant to the Charitable Fundraising Act (NSW) 1991

In our opinion:

- (a) the financial report gives a true and fair view of the Foodbank NSW & ACT Limited financial result of fundraising appeal activities for the financial year ended 30 June 2016;
- (b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2015 to 30 June 2016, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;
- (c) money received as a result of fundraising appeal activities conducted during the period from 1 July 2015 to 30 June 2016 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations; and
- (d) there are reasonable grounds to believe that Foodbank NSW & ACT Limited will be able to pay its debts as and when they fall due.

KPMG

Trent Duvall
Partner

Sydney

14 September 2016