



FAIR WORK  
AUSTRALIA

17 September 2012

Mr Greg O'Brien  
General Manager Finance  
NSW Farmers' (Industrial) Association  
GPO Box 1068  
SYDNEY NSW 2001



Dear Mr O'Brien,

**Re: Lodgement of Financial Statements and Accounts – NSW Farmers' (Industrial) Association – for year ending 31 December 2011 (FR2011/2898)**

I acknowledge receipt of the amended Secretary's Certificate lodged with Fair Work Australia today, 17 September 2012.

The documents have been filed but I take this opportunity to draw your attention to the following areas needing rectification in future reports prepared for the purposes of the *Fair Work (Registered Organisations) Act 2009*.

- (1) The Operating report listed the names of the Members of the Committee of Management but did not indicate the period for which they held office during the year, as required by regulation 159(c) of the Fair Work (Registered Organisations) Regulation 2009, which provides as follows:

*"For paragraph 254(2)(f) the following information is prescribed.....(c).....the period for which he or she held such a position."*

- (2) The Secretary's Certificate certifies that the full report was "made available for Members from 19 July 2012", and that "the full report was presented to a general meeting.....on the 19 July 2012..."

Sub-section 265(5) of the Act requires that if the report is presented to a general meeting of the members, copies of the report must be provided to the members at least 21 days prior to the general meeting.

If you wish to discuss the above, please do not hesitate to contact me on (02) 6723 7237

Yours sincerely

Stephen Kellett

Senior Adviser, Regulatory Compliance Branch

**KELLETT, Stephen**

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**From:** Greg O'Brien [obrieng@nswfarmers.org.au]  
**Sent:** Monday, 17 September 2012 9:08 AM  
**To:** KELLETT, Stephen  
**Subject:** FW: FW: Fair Work Australia Certificate.  
**Attachments:** NSWFA IR Cert 11.09.12.pdf

Stephen, signed certificate as requested.

**Greg O'Brien | NSW Farmers | General Manager Finance**

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**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**  
**CERTIFICATE OF SECRETARY OR OTHER AUTHORISED OFFICER**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

In accordance with s268 of the *Fair Work (Registered Organisations) Act 2009* ("the FW(RO) Act"), I, Sam Archer, Treasurer of the NSW Farmers' (Industrial) Association certifies:

- That the documents lodged herewith are copies of the full report, referred to in s268 of the FW(RO) Act; and
- That the full report was made available for Members from 19 July 2012 upon request at no charge to the Member or from the Internet; and
- That the full report was sent to all Members on or before 19 July 2012; and
- That the full report was presented to a general meeting of Members of the reporting unit on the 19 July 2012 in accordance with section 266 of the FW(RO) Act.

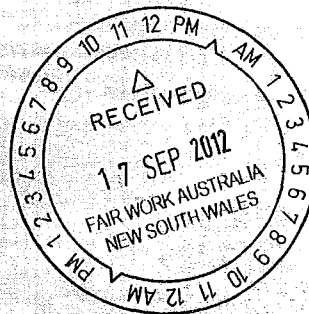
For the Executive Committee:

Dated this 16<sup>th</sup> day of September 2012

*S Archer*

S Archer

Treasurer



**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**  
**COMMITTEE OF MANAGEMENT STATEMENT**



FAIR WORK  
AUSTRALIA

3 September 2011

Mr Matthew Brand  
Chief Executive  
NSW Farmers' (Industrial) Association  
GPO Box 1068  
SYDNEY NSW 2001



Dear Mr Brand,

**Re: Lodgement of Financial Statements and Accounts – NSW Farmers' (Industrial) Association – for year ending 31 December 2011 (FR2011/2898)**

I refer to the above statements and accounts which were received by Fair Work Australia on 23 July 2012.

I draw your attention to what may be regarded as a formal error or defect. The Certificate of Secretary signed by the Treasurer, Peter Comensoli, was dated 22 June 2012. The certificate certifies the sending of the report to members "on or before 19 July 2012" and the presentation of the report "on the 19 July 2012". This means that the certificate anticipates the events it purports to certify. Section 268 of the *Fair Work (Registered Organisations) Act 2009* clearly contemplates that the certificate must certify these events after they have occurred.

As the documents are placed on the public record, I would ask that a corrected Certificate of Secretary be lodged, attesting to the facts but re-signed as at the date on which the corrected certificate is made.

Yours sincerely

Stephen Kellett

Senior Adviser, Organisations, Research and Advice Branch

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**



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**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**  
**STATEMENT OF OPERATIONS**  
**DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**Principal activities**

The principal activities of the organisation are the provision of Industrial Relations Services, management of investment funds and investment property and receipting of Membership subscription funds.

**Review of operations**

The income from dividends was \$1,045,993 (2010: \$717,640). The decrease in fair value on financial assets was \$967,365 (2010 increase of \$631,460) which was reflective of financial markets.

The returns on the investment portfolio were generally in line with the benchmarks relating to their asset allocations. The management of the investment portfolio is continually reviewed by the Board.

The most significant difference in operating expenditure was the decrease in management fees to \$5,028,456 (2010: \$5,771,326) paid by the Association to NSW Farmers' Association.

In line with its asset diversification policy, during the year the Association acquired an investment property in the sum of \$5,752,891.

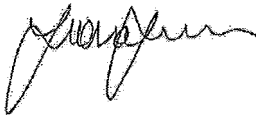
**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**  
**STATEMENT OF OPERATIONS**  
**DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS**  
**(continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

Additional information

- a) Number of Members at 31 December 2011 - 5,876 (2010: 6,888);
- b) Number of employees at 31 December 2011 - 4 (2010 : 3);
- c) Members can resign in accordance with Clause 13 of the Rules of the Association;
- d) The Association does not act as superannuation trustees; and
- e) The following are Members of the Committee, A Simson, S Archer, P Comensoli, P Darley, R Chamen, P Carter, M Horan, D Clarke, W Dunford.

**Dated at Sydney this 22<sup>nd</sup> day of June 2012.**

On behalf of the Executive Committee



AF Simson  
President



P Comensoli  
Treasurer

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**  
**CERTIFICATE OF SECRETARY OR OTHER AUTHORISED OFFICER**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

In accordance with s268 of the *Fair Work (Registered Organisations) Act 2009* ("the FW(RO) Act"), I, Peter Comensoli, Treasurer of the NSW Farmers' (Industrial) Association certifies:

- That the documents lodged herewith are copies of the full report, referred to in s268 of the FW(RO) Act; and
- That the full report will be available for Members from 19 July 2012 upon request at no charge to the Member or from the internet; and
- That the full report will be sent to all Members on or before 19 July 2012; and
- That the full report will be presented to a general meeting of Members of the reporting unit on the 19 July 2012 in accordance with section 266 of the FW(RO) Act.

For the Executive Committee:

Dated this 22<sup>nd</sup> day of June 2012



P Comensoli

Treasurer



**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**COMMITTEE OF MANAGEMENT STATEMENT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

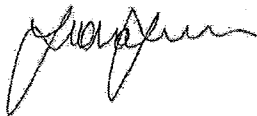
On 30 May 2012, the Executive Committee of the NSW Farmers' (Industrial) Association ("reporting unit") passed the following resolution in relation to the general purpose financial report (GPFR) of the reporting unit for the financial year ended 31 December 2011.

The Executive Committee declares in relation to the GPFR that in its opinion:

- (a) The financial statements and notes comply with Australian Accounting Standards and Interpretations;
- (b) The financial statements and notes comply with the reporting guidelines of the Industrial Registrar;
- (c) The financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of the reporting unit for the financial year to which they relate;
- (d) There are reasonable grounds to believe that the reporting unit will be able to pay their debts as and when they become due and payable;
- (e) During the financial year to which the GPFR relates and since the end of that year:
  - i. Meetings of the Committee of Management were held in accordance with the rules of the organisation including the rules of a branch concerned; and
  - ii. The financial affairs of the reporting unit have been managed in accordance with the rules of the organisation including the rules of a branch concerned; and
  - iii. The financial records of the reporting unit have been kept and maintained in accordance with the *Fair Work (Registered Organisations) Act 2009* ("the FW(RO) Act") and the *Fair Work (Registered Organisations) Regulations 2009* ("the FW(RO) Regulations"); and
  - iv. No information has been sought in any request of a member of the reporting unit or a registrar duly made under section 272 of the FW(RO) Act during the period; and
  - v. No orders have been made for inspection of financial records made by the Commission under section 273 of the FW(RO) Act.
  - vi. That the Committee of Management Statement be signed by the President and Treasurer.

**Dated at Sydney this 22<sup>nd</sup> day of June 2012.**

On behalf of the Executive Committee



A F Simson  
President



P Comensoli  
Treasurer

## **Independent Auditor's Report to the members of NSW Farmers' (Industrial) Association**

We have audited the accompanying financial report of NSW Farmers' (Industrial) Association, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and statement by members of the committee as set out on pages 7 to 33.

### *Committee's Responsibility for the Financial Report*

The Committee of the Association is responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards and the financial reporting requirements under Section 253 of the Fair Work (Registered Organisations) Act 2009 ("the Act") and the requirements imposed by Part 3 of Chapter 8 of the Act, and for such internal control as the Committee determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the Committee also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### *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. Those 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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Committee, as well as evaluating the overall presentation of the financial report.

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

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

*Opinion*

In our opinion:

- (a) the financial report of NSW Farmers' (Industrial) Association presents fairly, in all material respects, the association's financial position as at 31 December 2011 and its financial performance for the year then ended in accordance with Australian Accounting Standards and the financial reporting requirements under Section 253 of the Fair Work (Registered Organisations) Act 2009 ("the Act") and the requirements imposed by Part 3 of Chapter 8 of the Act; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Michael Kaplan

Partner

Chartered Accountants

Sydney, 22<sup>nd</sup> of June, 2012

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 \$	2010 \$
Revenue	4	2,288,665	1,615,081
Market movement in investments at fair value through profit and loss		(967,365)	631,460
Employee benefits expense		(363,990)	(246,646)
Promotional expenses		(17,785)	(19,047)
Management fee – NSW Farmers' Association		(5,028,456)	(5,771,326)
Depreciation and amortisation		(9,300)	-
Investment expenses		(98,716)	(122,521)
Office and general expenses		(81,162)	(38,021)
<b>Loss for the year</b>	5	(4,278,109)	(3,951,020)
<b>Other comprehensive income</b>			
Revaluation of available-for-sale investment through investment revaluation reserve		67,147	-
<b>Total comprehensive loss for the year</b>		(4,210,962)	(3,951,020)

Notes to the Financial Statements are included on pages 11 to 32

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2011**

	Note	2011 \$	2010 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	16(a)	8,343,115	5,848,339
Trade and other receivables	6	6,003,174	9,753,553
Other current asset	7	26,360	-
<b>TOTAL CURRENT ASSETS</b>		<b>14,372,649</b>	<b>15,601,892</b>
<b>NON-CURRENT ASSETS</b>			
Other Financial Assets	8	18,386,924	25,771,757
Property, plant and equipment	9	26,155	26,155
Investment property	10	5,743,591	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>24,156,670</b>	<b>25,797,912</b>
<b>TOTAL ASSETS</b>		<b>38,529,319</b>	<b>41,399,804</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	68,938	46,150
Other liabilities	12	749,857	723,576
Provisions	13	8,255	7,527
Borrowings	14	1,290,797	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,117,847</b>	<b>777,253</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	13	36	153
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>36</b>	<b>153</b>
<b>TOTAL LIABILITIES</b>		<b>2,117,883</b>	<b>777,406</b>
<b>NET ASSETS</b>		<b>36,411,436</b>	<b>40,622,398</b>
<b>MEMBER'S FUNDS</b>			
Retained Earnings		35,943,712	40,221,821
Reserves		467,724	400,577
<b>TOTAL MEMBERS' FUNDS</b>		<b>36,411,436</b>	<b>40,622,398</b>

Notes to the Financial Statements are included on pages 11 to 32

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Retained earnings \$	Investment revaluation reserve \$	Total \$
Balance at 1 January 2010	44,172,841	400,577	44,573,418
Loss for the year	(3,951,020)	-	(3,951,020)
Other comprehensive income	-	-	-
<b>Total comprehensive loss for the year</b>	<b>(3,951,020)</b>	<b>-</b>	<b>(3,951,020)</b>
<b>Balance at 31 December 2010</b>	<b>40,221,821</b>	<b>400,577</b>	<b>40,622,398</b>
Balance at 1 January 2011	40,221,821	400,577	40,622,398
Loss for the year	(4,278,109)	-	(4,278,109)
Other comprehensive income	-	67,147	67,147
<b>Total comprehensive loss for the year</b>	<b>(4,278,109)</b>	<b>67,147</b>	<b>(4,210,962)</b>
<b>Balance at 31 December 2011</b>	<b>35,943,712</b>	<b>467,724</b>	<b>36,411,436</b>

Notes to the Financial Statements are included on pages 11 to 32

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

	<b>Note</b>	<b>2011</b>	<b>2010</b>
		<b>\$</b>	<b>\$</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Inflows:			
Member subscriptions		894,156	736,160
Interest income		132,968	31,132
Other income		193,657	53,457
		<u>1,220,781</u>	<u>820,749</u>
Outflows:			
Suppliers and employees		(529,374)	(335,640)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	16(b)	<u>691,407</u>	<u>485,109</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payment for investment property		(5,752,891)	-
Net withdrawals from investment portfolio		8,770,861	15,241,350
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		<u>3,017,970</u>	<u>15,241,350</u>
<b>CASH FLOW USED IN FINANCING ACTIVITIES</b>			
Net loan to a related party		(1,214,601)	(10,306,256)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<u>(1,214,601)</u>	<u>(10,306,256)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS HELD</b>		2,494,776	5,420,203
Cash and cash equivalents at the beginning of the year		5,848,339	428,136
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	16(a)	<u>8,343,115</u>	<u>5,848,339</u>

Notes to the Financial Statements are included on pages 11 to 32

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**1. General information**

NSW Farmers' (Industrial) Association (the Association) is an association registered under the Commonwealth of Australia's *Fair Work (Registered Organisations) Act 2009* ("the FW(RO) Act").

The Association's principal place of business and registered office is as follows:

NSW Farmers' (Industrial) Association  
Level 25  
66 Goulburn Street  
Sydney NSW 2000

The Association's principal activity is provision of services to Members and representing their interest.

**2. Significant accounting policies**

**Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations and the requirements under Section 253 of the FW (RO) Act.

The financial statements cover NSW Farmers' (Industrial) Association as an individual entity.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Association comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Executive Committee on 30 May 2012.

**Basis of preparation**

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

**Change in accounting policy**

During the current year, NSW Farmers' (Industrial) Association changed its accounting policy in respect of recognition of receivables relating to subscription fees invoiced. Previously amounts invoiced were only recognised on a receipts basis which generally coincided with the commencement of the subscription period. As a result of this change, a receivable and corresponding unearned income balance is now recognised on invoice date. The change in accounting policy has not resulted in a material impact in subscription revenue recognised since the majority of outstanding invoiced amounts at balance date are fully deferred as unearned income. The 2010 comparative debtor and unearned income balances have been restated in line with the new accounting policy adopted. There was no material impact on the comparative years' profit and loss as a result of this change.

**Adoption of new and revised Accounting Standards**

In the current year, the Association has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. No new and revised standards and interpretations that have been adopted in the current period have affected the amounts reported in these financial statements.



**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**2. Significant accounting policies (continued)**

**Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Association's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 3 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

**(a) Foreign currency**

The financial statements of the Association are presented in its functional currency being the currency of the primary economic environment in which the entity operates. The results and financial position of the Association is expressed in Australian dollars, which is the functional currency of NSW Farmers' (Industrial) Association and the presentation currency for the financial statements.

In preparing the financial statements, transactions in currencies other than the Association's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**(b) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**2. Significant accounting policies (continued)**

**(c) Revenue**

Revenue is measured at the fair value of the consideration received or receivable.

Dividend and interest revenue

Dividend revenue from investments is recognised when the Association's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Membership subscription income

Subscription income is recognised on an accruals basis, on a straight line basis over the subscription term.

Project income

Project income is recognised over the periods necessary to match the income with the costs they are intended to compensate.

Distribution income

Distribution income is recognised when the right to receive the revenue has been established.

Other income

Other income is recognised when the right to receive the revenue has been established.

Rent income

Revenue from operating leases is recognised in accordance with the company's accounting policy outlined in note 2(m).

**(d) Unearned revenue**

Project funding and subscription receipts relating to periods beyond the current financial year end are deferred and are disclosed as unearned income in the statement of financial position.

**(e) Cash and cash equivalents**

Cash comprises demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of the acquisition.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**2. Significant accounting policies (continued)**

**(f) Financial assets**

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value net of transaction costs, except for those financial assets classified at fair value through profit or loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories: 'financial assets at fair value through profit or loss', 'available-for-sale financial assets', and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- has been acquired principally for the purpose of selling in the near future; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Association's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 17.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Association provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Loans and receivables are measured at amortised cost, using the effective interest method less impairment.

Available-for-sale financial assets

Available-for-sale financial assets held by the Association consist of Units in NFF Unit Trust. Gains and losses arising from changes in fair value are recognised directly in the investment revaluation reserve with the exemption of impairment losses, interest calculated using the effective method and foreign exchange gains and losses which are recognised directly in profit or loss. Fair value is determined in the manner described in Note 17.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period. Dividends on available-for-sale equity instruments are recognised in profit and loss when the Association's right to receive the dividends is established.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**2. Significant accounting policies (continued)**

**(f) Financial assets (continued)**

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Association derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Association neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Association recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Association retains substantially all the risks and rewards of ownership of a transferred financial asset, the Association continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**(g) Property, plant and equipment**

Property plant and equipment are stated at cost less accumulated depreciation and impairment. Costs include all expenditure that is directly attributable to the acquisition of the asset. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
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**2. Significant accounting policies (continued)**

**(g) Property, plant and equipment (continued)**

Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The gain or loss on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Plant and Equipment 3-5 years

**(h) Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at cost less accumulated depreciation. The carrying amount of these properties is reviewed annually by directors for indications of impairment. If any such indications exist, an impairment test is carried out, and any impairment losses on the assets are recognised in the profit or loss. The building component of investment property is depreciated over a 50 year useful life period.

**(i) Impairment of long-lived assets**

At each reporting date, the Association reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
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**2. Significant accounting policies (continued)**

**(i) Impairment of long-lived assets (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(j) Employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Association in respect of services provided by employees up to reporting date.

Defined Contribution plans are expensed when employees have rendered service entitling them to contributions.

**(k) Provisions**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
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**2. Significant accounting policies (continued)**

**(l) Financial instrument issued by the Association**

Financial liabilities, including borrowings, are initially measured at fair value net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

**(m) Leased assets**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Association as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Association as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives as lessor

In the event that lease incentives are paid to enter into operating leases, such incentives are recognised as an asset. The aggregate benefits of incentives are recognised as a reduction of rental income on a straight-line basis.

Lease incentives as lessee

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
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**2. Significant accounting policies (continued)**

**(n) Standards and Interpretations issued not yet effective**

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective. Initial application of the following Standards is not expected to have any material impact on the financial report of the association:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 9 <i>Financial Instruments</i> , AASB 2009-11 and AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	1 January 2013	31 December 2013
• AASB 2010-6 <i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets</i>	1 July 2011	31 December 2012
• AASB 1054 <i>Australian Additional Disclosures</i>	1 July 2011	31 December 2012
• AASB 2011-1 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project</i>	1 July 2011	31 December 2012
• AASB 2011-5 <i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation</i>	1 July 2011	31 December 2012
• AASB 10 <i>Consolidated Financial Statements</i>	1 January 2013	31 December 2013
• AASB 11 <i>Joint Arrangements</i>	1 January 2013	31 December 2013
• AASB 12 <i>Disclosure of Involvement with Other Entities</i>	1 January 2013	31 December 2013
• AASB 13 <i>Fair Value Measurement</i>	1 January 2013	31 December 2013
• AASB 119 <i>Employee Benefits</i>	1 January 2013	31 December 2013
• AASB 127 <i>Separate Financial Statements (2011)</i>	1 January 2013	31 December 2013
• AASB 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2013	31 December 2013
• AASB 2011-7 <i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards</i>	1 January 2013	31 December 2013
• AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i>	1 January 2013	31 December 2013
• AASB 2011-9 <i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income</i>	1 July 2012	31 December 2013
• AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)</i>	1 January 2013	31 December 2013
• AASB 2011-13 <i>Amendments to Australian Accounting Standard – Improvements to AASB 1049</i>	1 July 2012	31 December 2013



**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
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**3. Critical accounting estimates and judgments**

**(i) Critical accounting estimates and judgements**

The Executive Committee of the Association evaluates estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Association. Key estimates and critical judgments are discussed below.

**(ii) Key estimates – Impairment**

The Association assesses impairment at each reporting date by evaluating conditions specific to the Association that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. This may involve value in use calculations which incorporate a number of key estimates and assumptions.

**(iii) Key accounting judgments – Classification of Investments**

Investments in listed securities have been classified as "financial assets at fair value through profit or loss" on the basis that the investments are managed and their performance evaluated on a fair value basis in accordance with the Association's investment strategy, and information about the investments are provided internally on that basis to the Association's key management personnel. By categorising investments in listed securities as "financial assets at fair value through profit or loss", any movement in the fair value of the investments is recognised in the statement of comprehensive income. If they were not classified in this category, they would have been recognised as "available-for-sale" investments, and the movement in the fair value may have been recognised directly in equity until the investments are sold.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
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**4. REVENUE**

	<u>2011</u> \$	<u>2010</u> \$
Dividend and trust distribution income	1,045,993	717,640
Subscription income	852,616	786,030
Interest income	132,968	31,132
Project income	59,546	14,518
NFF House Unit Trust distribution	48,172	48,271
Contributions – Special Purpose Fund	679	5,484
Principal Fund Investment Earnings – A S		
Burdekin Research Fund	15,588	12,006
Rent	71,879	-
Sundry	61,224	-
	<u>2,288,665</u>	<u>1,615,081</u>

**5. LOSS FOR THE YEAR**

The loss for the year has been arrived at after (crediting)/charging the following:

	<u>2011</u> \$	<u>2010</u> \$
Changes in fair value on financial assets designated at fair value through profit or loss	967,365	(631,460)
Consultancy fees – projects	13,725	2,534
Foreign currency exchange loss	7,048	-
Employee benefit expenses:		
Defined contribution plans	24,792	15,822
Salaries and wages	275,463	175,796

**6. TRADE AND OTHER RECEIVABLES**

Accounts receivable from related entity:		
- NSW Farmers' Association	(i) 5,886,861	9,700,717
GST Input	12,390	4,566
Accrued income	103,923	48,270
	<u>6,003,174</u>	<u>9,753,553</u>

- (i) As disclosed in Note 2, the 2010 comparative related party receivable balance has been restated in line with the new accounting policy adopted. At balance date, the related party receivable balance is repayable on demand, however the Directors have given an undertaking to NSW Farmers' Association that it will not call the loan for repayment if doing so would cause NSW Farmers' Association to be unable to repay its other debts as or when they fall due.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
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	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>7. OTHER CURRENT ASSET</b>		
Prepayments	26,360	-
<b>8. OTHER FINANCIAL ASSETS</b>		
Financial assets at fair value through profit or loss		
Financial assets in quoted securities – at fair value	17,634,200	25,086,180
Available-for-sale financial assets		
Investment in NFF House Trust – at fair value	752,724	685,577
	18,386,924	25,771,757
<b>9. PROPERTY, PLANT AND EQUIPMENT</b>		
<u>Buildings</u>		
Field day sheds – at cost	6,000	6,000
<u>Artworks</u>		
Artworks – at cost	20,155	20,155
Total Property, Plant and Equipment	26,155	26,155

There has been no movement in property, plant and equipment during the financial year.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
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**10. INVESTMENT PROPERTY**

	Land \$	Building \$	Work in progress \$	Total \$
<b>Gross carrying amount</b>				
Balance at 1 January 2011	-	-	-	-
Additions	1,860,000	3,757,424	135,467	5,752,891
<b>Balance at 31 December 2011</b>	<b>1,860,000</b>	<b>3,757,424</b>	<b>135,467</b>	<b>5,752,891</b>
<b>Accumulated depreciation/amortisation</b>				
Balance at 1 January 2011	-	-	-	-
Depreciation expense	-	9,300	-	9,300
<b>Balance at 31 December 2011</b>	<b>-</b>	<b>9,300</b>	<b>-</b>	<b>9,300</b>
<b>Net book value</b>				
As at 31 December 2011	1,860,000	3,748,124	135,467	5,743,591

The investment property was acquired during the current financial year and accordingly there are no comparatives.

Given the close proximity of the property acquisition date to the year-end balance date, the fair value of the property is considered to be represented by its carrying amount as stated above.

**11. TRADE AND OTHER PAYABLES**

	2011 \$	2010 \$
<b>Current</b>		
<b>Unsecured liabilities</b>		
Trade payables (i)	57,022	-
Sundry creditors and accruals	11,916	46,150
	<u>68,938</u>	<u>46,150</u>

- (i) The average credit period on purchases of certain goods is 30 days. No interest is charged on trade payables from the date of invoice. The Association has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

	2011 \$	2010 \$
<b>12. OTHER LIABILITIES</b>		
<b>Current</b>		
Unearned income (i)	682,036	723,576
Other liabilities	67,821	-
	<u>749,857</u>	<u>723,576</u>

- (i) As disclosed in Note 2, the 2010 comparative unearned income balance has been restated in line with the new accounting policy adopted.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
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	<u>2011</u>	<u>2010</u>
	\$	\$
<b>13. PROVISIONS</b>		
<b>Current</b>		
Employee entitlements – annual leave	<u>8,255</u>	<u>7,527</u>
<b>Non-current</b>		
Employee entitlements – long service leave	<u>36</u>	<u>153</u>
<b>14. BORROWINGS</b>		
<b>Current</b>		
Marginal Lending Facility	<u>1,290,797</u>	<u>-</u>

The marginal lending facility is utilised in connection with the investment portfolio and bears an interest of 2.75% at reporting date. Assets secured over the facility include quoted securities (Note 8) with a value of \$5,804,507 at balance date.

**15. RELATED PARTY TRANSACTIONS**

(a) Transactions with Key Management Personnel

- i. There are no employee benefits paid to any holders of office in the Association as the NSW Farmers' Association is the employer. A component of the management fee is charged to the Industrial Association for these services. A reasonable allocation of the amount of the management fee attributable to these services cannot be made.

(b) Transactions with other related parties:

- i. During the year, the entity paid management fees of \$5,028,456 (2010: \$5,771,326) to NSW Farmers' Association, a related entity.
- ii. The entity has provided loans to and received advances from NSW Farmers' Association, a related entity. These loans and advances are unsecured, interest free and repayable on demand. Refer Note 6 for balance outstanding at year end.

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

**16. NOTES TO THE STATEMENTS OF CASH FLOWS**

**(a) Reconciliation of cash and cash equivalents**

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks and investments in money market investments, not as outstanding bank overdrafts. Cash and cash equivalents as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	<u>2011</u>	<u>2010</u>
	\$	\$
Cash at bank	2,043,115	471,339
At call deposits with financial institutions	<u>6,300,000</u>	<u>5,377,000</u>
	<u>8,343,115</u>	<u>5,848,339</u>

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**16. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)**

**(b) Reconciliation of loss for the year to net cash flows from operating activities**

	2011 \$	2010 \$
Loss for the year	(4,278,109)	(3,951,020)
Change in fair values of financial assets held at fair value through profit and loss	967,365	(631,460)
Dividend and interest income not received in cash	(1,094,165)	(765,912)
Investment management fee not paid in cash	91,668	122,521
Management fee to related entity	5,028,456	5,771,326
Foreign currency exchange loss	7,048	-
Depreciation	9,300	-
 Changes in assets and liabilities		
Decrease / (Increase) in trade receivables	(63,476)	21,450
Decrease / (Increase) in other current asset	(26,360)	-
Increase / (Decrease) in provisions	611	(5,928)
Increase / (Decrease) in trade and other payables	49,069	(75,868)
<b>Cash flows used in operating activities</b>	<b>691,407</b>	<b>485,109</b>

**17. FINANCIAL INSTRUMENTS**

**(a) Capital risk management**

The Executive Committee's policy is to maintain a strong capital base so as to maintain members' confidence and to sustain future development of the Association. There were no changes in the Association's approach to capital management during the period.

The Association's capital structure comprises cash, short-term deposits, investments and other financial assets. The main purpose of these financial instruments is to raise finance for and fund the Association's operations. The Association has various other financial instruments such as trade debtors and creditors, which arise directly from its operations.

**(b) Categories of financial instruments**

	2011 \$	2010 \$
<b>Financial assets</b>		
Cash and cash equivalents	8,343,115	5,848,339
Loans and receivables	6,003,174	9,753,553
Available-for-sale financial assets	752,724	685,577
Financial assets designated as fair value through profit or loss	17,634,200	25,086,180
	<b>32,733,213</b>	<b>41,373,649</b>
<b>Financial liabilities</b>		
Trade and other payables	68,938	46,150
Marginal Lending Facility	1,290,797	-
	<b>1,359,735</b>	<b>46,150</b>

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**17. FINANCIAL INSTRUMENTS (continued)**

(c) Financial risk management objectives

The Executive Committee has overall responsibility for the establishment and oversight of the Association's financial management framework. The Board of a related entity – NSW Farmers' Association has an established Finance and Audit Committee ("Finance Committee"), which is responsible for developing and monitoring the Association's financial management policies. The Committee provides regular reports to the Board of Directors on its activities.

The Association's risk management policies are established to identify and analyse the risks faced by the Association, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Association's activities.

The Finance Committee will oversee how Management monitors compliance with risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks.

The main risk arising from the Association's financial instruments are price risk, foreign exchange risk, interest rate risk, credit risk, and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(d) Market risk

Market risk is the risk that changes in market prices, foreign exchange rates, and interest rates, will affect the Association's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and monitor market risk exposures within acceptable parameters, whilst optimising the return on risk.

There has been no change to the Association's exposure to market risks or the manner in which it manages and measures the risk from the previous year.

**Interest rate risk management**

The Association is exposed to interest rate risk as a consequence of its cash and deposits balances which attracts average variable interest rates. The Association's exposure to changes in interest rates relates primarily to its cash holdings.

**Interest rate risk sensitivity analysis**

The sensitivity analysis below have been determined based on the Association's exposure to interest rates for its financial assets and financial liabilities as at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the possible change in interest rates.

At reporting date if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Association's:

- profit for the year ended 31 December 2011 would decrease/increase by \$41,715 (2010: decrease/increase by \$28,344). This is mainly attributable to the Association's exposure to interest rates on its variable rate deposits.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
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**17. FINANCIAL INSTRUMENTS (continued)**

(d) Market risk (continued)

**Equity price sensitivity**

The Association is exposed to equity price risk as a consequence of its fair value through profit and loss assets as set out in Note 8.

The Association has taken steps to limit the risk by spreading the financial assets into different asset classes.

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

A 5% increase or decrease is used when reporting market price risk internally to key management and represents management's assessment of the possible change in equity prices.

The sensitivity analysis below have been determined based upon the Association's exposure to market prices at reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if market prices had been 5% higher or lower and all other variables were held constant, the Association's net profit would increase/decrease by approximately \$881,710 (2010: \$1.3 million).

**Foreign exchange risk sensitivity**

The Association is exposed to foreign exchange risk as a consequence of certain financial asset investments (quoted securities) being denominated in currencies other than the Australian dollar (AUD).

The main currency exposure is US dollars (USD) with US denominated equity investments totalling to USD4,694,646 (AUD4,595,386) at balance date. This exposure is partially hedged through a USD denominated margin lending facility in place at balance date totalling USD1,318,679 (AUD1,290,797).

The sensitivity below has been determined based on a 5% movement in the AUD/USD at reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date if the AUD/USD currency rate had been 5% higher or lower and all other variables were held constant, the Association's net profit (reflected via market movement in investments at fair value) would increase/decrease by approximately \$168,798 (2010 nil).



**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
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**17. FINANCIAL INSTRUMENTS (continued)**

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Association. The Association has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a few large customers with substantial financial backing such as Governments or other farming institutions. Ongoing credit evaluation is performed on the financial condition of debtors and other receivable balances are monitored on an ongoing basis, with the result that the Association's exposure to bad debts is not significant.

The Association establishes an allowance for doubtful debts that represents its estimate of incurred losses in respect of trade and other receivables.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Association's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

(f) Liquidity risk management

Liquidity risk is the risk the Association will not be able to meet its financial obligations as they fall due. The Association's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Association's overall objective is to maintain a balance between continuity of funding and flexibility through the use of its assets under investment management.

The Association manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
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**17. FINANCIAL INSTRUMENTS (continued)**

(f) Liquidity risk management (continued)

Liquidity and interest risk tables

The following table details the Association's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Association can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 year \$	1 - 2 years \$	Longer than 2 years \$
<b>2011</b>				
<b>Financial liabilities</b>				
Non-interest bearing	-	68,938	-	-
Variable interest rate instruments	2.75	1,290,797	-	-
		1,359,735	-	-
<b>2010</b>				
<b>Financial liabilities</b>				
Non-interest bearing	-	46,150	-	-

The following table details the Association's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Association anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Less than 1 year \$	1 - 2 years \$	Longer than 2 years \$
<b>2011</b>				
<b>Financial assets</b>				
Non-interest bearing		24,390,098	-	-
Variable interest rate instruments	5.49	8,343,115	-	-
		32,733,213	-	-
<b>2010</b>				
<b>Financial assets</b>				
Non-interest bearing		35,525,310	-	-
Variable interest rate instruments	5.57	5,848,339	-	-
		41,373,649	-	-

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**17. FINANCIAL INSTRUMENTS (continued)**

(g) Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 and 2 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	31/12/2011		
	Level 1	Level 2	Total
	\$	\$	\$
Financial assets at fair value through profit or loss			
Non-derivative financial assets designated as at fair value through profit or loss	17,634,200	-	17,634,200
Available-for-sale financial assets			
Unquoted equities	-	752,724	752,724
Total	17,634,200	752,724	18,386,924

There were no transfers between Level 1 and 2 in the period.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**17. FINANCIAL INSTRUMENTS (continued)**

(g) Fair value of financial instruments (continued)

Fair value measurements recognised in the statement of financial position (continued)

	31/12/2010		
	Level 1	Level 2	Total
	\$	\$	\$
<b>Financial assets at fair value through profit or loss</b>			
Non-derivative financial assets designated as at fair value through profit or loss	25,086,180	-	25,086,180
<b>Available-for-sale financial assets</b>			
Unquoted equities	-	685,577	685,577
<b>Total</b>	25,086,180	685,577	25,771,757

There were no transfers between Level 1 and 2 in the period.

**18. KEY MANAGEMENT COMPENSATION**

Remuneration of key management personnel, including the Chief Executive, is borne by a related entity – NSW Farmers' Association. A reasonable allocation of the amount of the management fee attributable to management compensation cannot be made.

**19. INFORMATION TO BE PROVIDED TO MEMBERS OR REGISTRAR**

In accordance with the requirement of clause 161(f) of the *Fair Work (Registered Organisations) Regulations 2010* ("the FW(RO) Regulations") the attention of Members is drawn to the provisions of sub-sections (1),(2) and (3) of section 272 of the *Fair Work (Registered Organisations) Act 2010*, which read as follows:

- (1) A member of a reporting unit, or the General Manager, may apply to the reporting unit for specified prescribed information in relation to the reporting unit to be made available to the person making the application.
- (2) The application must be in writing and must specify the period within which, and the manner in which, the information is to be made available. The period must not be less than 14 days after the application is given to the reporting unit.
- (3) A reporting unit must comply with an application made under subsection (1).

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**20. REMUNERATION OF AUDITORS**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Auditor of the Association	<u>                    </u>	<u>                    </u>
Audit and review of financial reports	<u>12,600</u>	<u>11,550</u>

The auditor of NSW Farmers' (Industrial) Association is Deloitte Touche Tohmatsu. No non -audit service were provided by the auditor of the Association during the financial year.

**21. SUBSEQUENT EVENTS**

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

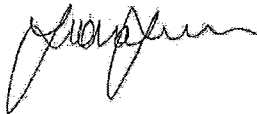
**NSW FARMERS' (INDUSTRIAL) ASSOCIATION  
STATEMENT BY MEMBERS OF THE COMMITTEE  
FOR THE YEAR ENDED 31 DECEMBER 2011**

The members of the Committee declare that:

1. The financial statements and notes for the financial year ended 31 December 2011 present a true and fair view of the financial position of NSW Farmers' (Industrial) Association at 31 December 2011 and its performance for the financial year ended on that date in accordance with the Australian Accounting Standards (AIFRS) and Interpretations and the requirements under Section 253 of the *Fair Work (Registered Organisations) Act 2010* ("the FW(RO) Act"):
2. At the date of this statement, there are reasonable grounds to believe that NSW Farmers' (Industrial) Association will be able to pay its debts as and when they become due and payable; and
3. In the directors' opinion, the financial statements and notes thereto are in accordance with international Financial Reporting Standards issued by the International Accounting Standards Board.

This statement is made in accordance with a resolution of the Committee and is signed for and on behalf of the Committee by:

Dated this 22<sup>nd</sup> day of June 2012



A F Simson  
President



P Comensoli  
Treasurer