

NSW FARMERS' ASSOCIATION

FINANCIAL STATEMENTS For the year ended 31 December 2009

index



NSW Farmers' Association

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SMART

specific

measurable

attainable

realistic

timely policy

Directors' Report

The Directors of the NSW Farmers' Association (the 'Association') present herewith the annual financial report of the Association for the year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names and particulars of the Directors of the Association during or since the end of the financial year are:

| Director | Date appointed | Date Resigned | Qualifications |
|--------------|----------------|---------------|----------------|
| CT Armstrong | 17/07/05 | | Farmer |
| JF Ridley | 31/07/08 | | Farmer |
| PJ Comensoli | 30/07/09 | | Farmer |
| S M Archer | 30/07/09 | | Farmer |
| PB Carter | 30/07/09 | | Farmer |
| RJ Chamen | 30/07/09 | | Farmer |
| PR Darley | 30/07/09 | | Farmer |
| GH Morphet | 22/07/04 | | Farmer |
| KE Robb | 30/07/09 | | Farmer |
| AS Forrest | 26/07/01 | 30/07/09 | Farmer |
| AJ Laurie | 26/07/01 | 30/07/09 | Farmer |
| RM Clark | 17/07/05 | 30/07/09 | Farmer |
| AJ Brown | 17/07/05 | 30/07/09 | Farmer |
| LJ Burge | 27/03/06 | 30/07/09 | Farmer |
| DL Clarke | 31/07/08 | 30/07/09 | Farmer |

Principal activities

The principal activities of the Association are the representation of Members to State and Federal Governments and others, and the encouragement and promotion of the development of primary industry.

Review of operations and significant changes in state of affairs

The net profit (loss) for the year was:

| | 2009 | 2008 |
|---------------------------------|------------------|--------------------|
| | \$ | \$ |
| NSW Farmers' Association | 1,644,888 | (7,949,585) |

The results for the financial year have been significantly impacted by the fair value gain realised on the Association's investment portfolio during the year totalling \$4,801,920 (2008: loss of \$15,953,582).

Other than that noted above there have been no significant changes in the nature of the Association's activities and its state of affairs during the year.

Likely developments

The Association will continue to carefully monitor expenditure and raise additional revenue while aiming to maintain the present status of operations, where possible, and hence there are no likely developments in the Association's operations.

Dividends

As the Association is limited by guarantee, no dividends are paid or payable to the Members.

Meetings of Directors

The numbers of meetings of the Association's Board of Directors and the Finance and Audit Committee held during the year ended 31 December 2009, and the numbers of meetings attended by each Director were:

| Number of Meetings | | | | |
|--------------------|----------|----------|----------|----------|
| Directors | | | | |
| | Held (i) | Attended | Held (i) | Attended |
| CT Armstrong | 9 | 9 | 3 | 3 |
| JF Ridley | 9 | 9 | 3 | 3 |
| PJ Comensoli | 5 | 3 | 3 | 3 |
| S M Archer | 5 | 5 | 3 | 3 |
| PB Carter | 5 | 4 | 3 | 3 |
| RJ Chamen | 5 | 5 | | |
| PR Darley | 5 | 5 | | |
| GH Morphett | 9 | 9 | | |
| KE Robb | 5 | 5 | | |
| AS Forrest | 4 | 3 | | |
| AJ Laurie | 4 | 4 | | |
| RM Clark | 4 | 4 | 3 | 2 |
| AJ Brown | 4 | 3 | 3 | 3 |
| LJ Burge | 4 | 4 | | |
| DL Clarke | 4 | 4 | 3 | 3 |

- (i) Number of meetings held during the time the Director held office or was a Member of the Committee during the year.

Matters subsequent to the end of the reporting period

Since balance date there has been a decrease in the market value of the Association's investments. As at the 28th February 2010 the Association's investments had decreased by \$1,037,638 based upon the Investment Managers' reported investment portfolio holdings as at 28th February 2010. There were no contributions or withdrawals from the investment portfolio to impact this change in value.

The Board continues to monitor the Association's position and will further review the investment position prior to the Association's General Meeting to be held in July 2010.

Indemnification of officers and auditors

During the financial year, the Association paid a premium to insure the Directors and Officers of the Association.

The directors have not disclosed details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

The Association has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Environmental issues

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

Proceedings on behalf of the Association

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

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

Non-audit services

The Association may decide to employ the auditor, Deloitte Touche Tohmatsu, on assignments additional to their statutory duties where the auditor's expertise and experience with the Association are important,

The auditors did not provide any non-audit services during the year.

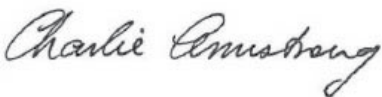
Auditor's independence declaration

A copy of the auditor's independence declaration is included on page 21 of the annual report.

Dated at Sydney this 16th day of April 2010.

Signed in accordance with a resolution of the Directors made pursuant to s298 (2) of the Corporations Act 2001.

On behalf of the Directors



CT Armstrong
President



P J Comensoli
Treasurer

The Board of Directors
NSW Farmers' Association
Level 25
66 Goulburn Street
SYDNEY NSW 2000

16 April 2010

Deloitte Touche Tohmatsu
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Dear Board Members

NSW Farmers' Association

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of NSW Farmers' Association.

As lead audit partner for the audit of the financial statements of NSW Farmers' Association for the financial year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU



Michael Kaplan
Partner
Chartered Accountants

Statement of Comprehensive Income For year ended 31 December 2009

| | Note | 2009 \$ | 2008 \$ |
|--|------|------------------|--------------------|
| Revenue | 2 | 7,895,900 | 19,835,284 |
| Market movement in investments at fair value through profit and loss | 3 | 4,801,920 | (15,953,582) |
| Project funding contributions paid to related entity | 3 | (200,000) | (300,000) |
| Depreciation and amortisation | 9 | (227,279) | (226,060) |
| Staff expenses | 3 | (4,405,486) | (4,951,865) |
| Promotional expenses | 3 | (483,908) | (510,164) |
| Representative expenses | 3 | (1,694,379) | (1,818,573) |
| Annual conference | 3 | (420,022) | (417,695) |
| Finance costs | 3 | (585,686) | (753,709) |
| Investment expenses | 3 | (179,545) | (228,276) |
| Other expenses | 3 | (2,856,627) | (2,624,945) |
| Profit/(Loss) before tax | | 1,644,888 | (7,949,585) |
| Income tax expense | 1(f) | - | - |
| Profit/(Loss) for the year | | 1,644,888 | (7,949,585) |
| Total comprehensive income for the year | | 1,644,888 | (7,949,585) |

Notes to the Financial Statements are included on pages 26 to 47

Statement of Financial Position As at 31 December 2009

| | Note | 2009 \$ | 2008 \$ |
|--------------------------------------|-------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 12(a) | 130,662 | 1,160,900 |
| Trade and other receivables | 4 | 519,473 | 470,350 |
| Other assets | 5 | 91,947 | 96,834 |
| TOTAL CURRENT ASSETS | | 742,082 | 1,728,084 |
| NON-CURRENT ASSETS | | | |
| Other financial assets | 6 | 28,670,390 | 24,893,641 |
| Plant and equipment | 7 | 888,969 | 1,023,010 |
| TOTAL NON-CURRENT ASSETS | | 29,559,359 | 25,916,651 |
| TOTAL ASSETS | | 30,301,441 | 27,644,735 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 8 | 5,176,876 | 2,043,179 |
| Borrowings | 11 | 9,037,271 | 10,002,518 |
| Provisions | 9 | 376,171 | 336,943 |
| Other | 10 | 990,502 | 2,116,565 |
| TOTAL CURRENT LIABILITIES | | 15,580,820 | 14,499,205 |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 9 | 238,955 | 300,308 |
| Other | 10 | 854,369 | 862,813 |
| TOTAL NON-CURRENT LIABILITIES | | 1,093,324 | 1,163,121 |
| TOTAL LIABILITIES | | 16,674,144 | 15,662,326 |
| NET ASSETS | | 13,627,297 | 11,982,409 |
| ACCUMULATED FUNDS | | | |
| Retained earnings | | 13,627,297 | 11,982,409 |
| TOTAL MEMBERS' FUNDS | | 13,627,297 | 11,982,409 |

Notes to the Financial Statements are included on pages 26 to 47

Statement of Changes in Equity For year ended 31 December 2009

| | Retained earnings \$ |
|------------------------------------|---------------------------------------|
| Balance at 1 January 2008 | 19,931,994 |
| Net (loss) for the year | <u>(7,949,585)</u> |
| Balance at 31 December 2008 | <u><u>11,982,409</u></u> |
| Balance at 1 January 2009 | 11,982,409 |
| Net profit for the year | <u>1,644,888</u> |
| Balance at 31 December 2009 | <u><u>13,627,297</u></u> |

Notes to the Financial Statements are included on pages 26 to 47

Statement of Cash Flows For the year ended 31 December 2009

| | Note | 2009 \$ | 2008 \$ |
|--|------|--------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Inflows: | | | |
| Member subscriptions | | 1,785,205 | 2,001,232 |
| Other operating activities | | 2,941,250 | 2,635,303 |
| | | 4,726,455 | 4,636,535 |
| Outflows: | | | |
| Suppliers and employees | | (11,825,033) | (10,811,291) |
| Finance costs paid | | (585,686) | (753,709) |
| | | (12,410,719) | (11,565,000) |
| NET CASH USED IN OPERATING ACTIVITIES | 12 | (7,684,264) | (6,928,465) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for plant and equipment | | (72,438) | (116,730) |
| Proceeds from sale of plant and equipment | | 19,600 | |
| Net withdrawals from / (deposits into) investment portfolio | | 2,077,574 | 6,548,023 |
| | | 1,994,736 | 6,431,293 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | | 2,024,736 | 6,431,293 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds of borrowings from a related entity | | 5,631,808 | 2,038,154 |
| Repayment of external borrowings | | (1,000,000) | (1,000,000) |
| Repayment of lease liabilities | | (2,518) | (234,289) |
| | | 4,629,290 | 803,865 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | | 4,629,290 | 803,865 |
| NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS HELD | | | |
| | | (1,030,238) | 306,693 |
| Cash and cash equivalents at the beginning of the year | | 1,160,900 | 854,207 |
| | | 1,160,900 | 854,207 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 12 | 130,662 | 1,160,900 |

Notes to the Financial Statements are included on pages 26 to 47

Notes to the Financial Statements For the year ended 31 December 2009

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements of NSW Farmers' Association, complies with International Financial Reporting Standards ('IFRS').

The financial report was authorised by the Directors on 16 April 2010.

(b) Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current 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.

(c) 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 1(t) for a discussion of critical assumptions and judgements in applying the entity's accounting policies.

(d) 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. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

In addition to the above, the adoption of these new and revised Standards and Interpretations have resulted in changes to the company's presentation of, or disclosure in, its financial statements in the following area:

- presentation of the financial statements. Previously, the company presented the statement of financial position (formerly termed the 'balance sheet'), the income statement, cash flow statement and statement of changes in equity. As a consequence of the adoption of AASB 101 Presentation of Financial Statements (2007) and associated amending standards, the Association presents a statement of comprehensive income in place of the income statement.

(e) 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 will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Association and the Association's financial report.

Notes to the Financial Statements For the year ended 31 December 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued) (e) Standards and Interpretations issued not yet effective (continued)

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|--|---|---|
| AASB 3 'Business Combinations' (revised), AASB 127 'Consolidated and Separate Financial Statements' (revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127' | Business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009 | 31 December 2010 |
| AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' | 1 July 2009 | 31 December 2010 |
| AASB 2008-8 'Amendment to Australian Accounting Standards - Eligible Hedged Items' | 1 July 2009 | 31 December 2010 |
| AASB 2009-4 'Amendment to Australian Accounting Standards arising from the Annual Improvements Process' | 1 July 2009 | 31 December 2010 |
| AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process' | 1 January 2010 | 31 December 2010 |
| AASB 2009-7 'Amendment to Australian Accounting Standards' | 1 July 2009 | 31 December 2010 |
| AASB 1 'First-time Adoption of Australian Accounting Standards' | 1 July 2009 | 31 December 2010 |
| AASB Interpretation 17 'Distributions of Non-cash Assets to Owners', AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners' | 1 July 2009 | 31 December 2010 |
| AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transaction' | 1 January 2010 | 31 December 2010 |
| AASB 124 'Related Party Disclosures (2009)', AASB 2009-12 'Amendments to Australian Accounting Standards' | 1 January 2011 | 31 December 2011 |
| AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' | 1 January 2013 | 31 December 2013 |
| AASB 2009-9 'Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters' | 1 January 2010 | 31 December 2010 |
| AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues' | 1 February 2010 | 31 December 2011 |
| AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement' | 1 January 2011 | 31 December 2011 |
| AASB Interpretation 19 'Extinguishing Liabilities with Equity Instruments' | 1 July 2010 | 31 December 2011 |

Notes to the Financial Statements For the year ended 31 December 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Income tax

No provision for income tax has been raised as the Association is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

(g) 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.

(h) Revenue

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

Interest income

Interest income 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.

Dividend and trust distribution income

Dividend and trust distribution income is recognised when the right to receive the dividend/distribution has been established.

Subscription income

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

Grant income

Grant income is recognised in the period when the right to receive the grant has been established; it is probable that the economic benefit comprising the grant will flow to the entity; and the amount of the grant can be measured reliably.

Project income

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

Commission income

Commission income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Other income

Commercial and management fee income are recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

Notes to the Financial Statements For the year ended 31 December 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Unearned income

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

(j) Government grants

Government grants are assistance by the government in the form of transfers of resources to the Association in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants are not recognised until there is reasonable assurance that the Association will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

(k) Cash and cash equivalents

Cash comprises cash on hand and 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.

(l) 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. Fair value is determined in the manner described in Note 15.

Notes to the Financial Statements For the year ended 31 December 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Financial assets (continued)

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

Certain shares held by the association are classified as being available-for-sale and are stated at fair value. 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 15.

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.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting 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 company 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 company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to the Financial Statements For the year ended 31 December 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Plant and equipment

Plant and equipment and leasehold improvements 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.

Depreciation is provided on property, plant and equipment.

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. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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:

Leasehold improvements 10 years

Plant and equipment 3-5 years

(n) 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.

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.

(o) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements For the year ended 31 December 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(q) 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

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to contributions.

Notes to the Financial Statements For the year ended 31 December 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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.

Where 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

Provision for make good

A provision for make good is recognised when there is a present obligation as a result of production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing the facilities and restoring the affected areas.

(s) Financial instruments issued by the Association

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

(t) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report 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.

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.

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.

Notes to the Financial Statements For the year ended 31 December 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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' Association and the presentation currency of the financial statements.

(v) Working capital deficiency

The Association has a working capital deficit at balance date of \$14,838,737 (2008: \$12,771,121). Despite this working capital deficiency, the Directors have resolved to prepare the financial statements on a going concern basis in light of the Association's holding of listed and other liquid investments classified as "Financial assets at fair value through profit and loss" totalling \$28,670,388 (2008: \$24,893,639). These assets could be realised on an "as needed" basis to facilitate the working capital requirements of the Association.

Notes to the Financial Statements For the year ended 31 December 2009

| | 2009 \$ | 2008 \$ |
|------------------------------------|------------------|-------------------|
| 2. REVENUE | | |
| Commercial revenue | 1,038,846 | 753,792 |
| Project income | 1,129,698 | 1,062,120 |
| Subscription income | 1,949,478 | 1,844,335 |
| Sponsorship income | 74,913 | 48,106 |
| Investment income | | |
| Dividend income | 836,374 | 3,119,173 |
| Interest income | 79,101 | 189,258 |
| Rental income | - | 7,640 |
| Management fees – related entities | 2,784,361 | 12,808,935 |
| Sundry revenue | 3,129 | 1,924 |
| | 7,895,900 | 19,835,284 |

3. PROFIT FOR THE YEAR

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

| | | |
|--|------------------|------------------|
| Sponsorship paid to a related entity | 200,000 | 300,000 |
| Changes in fair value for financial assets designated as fair value through profit or loss | (4,801,920) | 15,953,582 |
| Staff expenses | | |
| Salaries & allowances | 3,426,808 | 3,520,383 |
| Defined contribution plans | 308,413 | 316,834 |
| Salary related expenses | 404,139 | 587,533 |
| Other staff expenses | 266,126 | 527,115 |
| | 4,405,486 | 4,951,865 |
| Promotional expenses | | |
| Advertising, marketing and membership promotions | 243,873 | 268,212 |
| Field days and shows | 45,142 | 50,082 |
| Magazine production | 120,652 | 122,685 |
| Lobbying and PR | 74,241 | 69,185 |
| | 483,908 | 510,164 |
| Representative expenses | | |
| Affiliation fees | 719,875 | 887,276 |
| Travel expenses | 547,025 | 625,091 |
| Other representative expenses | 427,479 | 306,206 |
| | 1,694,379 | 1,818,573 |

Notes to the Financial Statements For the year ended 31 December 2009

| | 2009 \$ | 2008 \$ |
|---|------------------|------------------|
| 3. PROFIT FOR THE YEAR (continued) | | |
| Annual conference | | |
| Production costs and related expenses | 607,536 | 625,234 |
| Revenue/sponsorship monies received | (187,514) | (207,539) |
| | 420,022 | 417,695 |
| Investment expenses | | |
| Management fees – investment portfolio | 179,545 | 228,276 |
| Depreciation and amortisation | | |
| | 227,279 | 226,060 |
| Finance costs | | |
| Loan interest | 579,346 | 737,221 |
| Finance interest cost | 6,340 | 16,488 |
| | 585,686 | 753,709 |
| Other expenses | | |
| Consultancy expenses | 189,408 | 10,719 |
| Legal expenses (net of recoveries) | 158,413 | 156,641 |
| Loss on disposal of property, plant and equipment | - | 4,284 |
| Motor vehicle expenses | 261,385 | 373,386 |
| Postage | 59,811 | 74,275 |
| Printing, copying and stationery | 58,328 | 111,349 |
| Project expenses | 792,678 | - |
| Rental expenses | 597,322 | 573,913 |
| Telephone | 160,866 | 210,315 |
| Remuneration of auditors for: | | |
| Audit services | 40,000 | 40,000 |
| Other expenses | 538,416 | 1,070,063 |
| | 2,856,627 | 2,624,945 |
| 4. TRADE AND OTHER RECEIVABLES | | |
| Current | | |
| Trade receivables (i) | 215,614 | 160,708 |
| Less: Provision for doubtful debts (ii) | (27,500) | (75,488) |
| | 187,114 | 85,220 |
| Field representatives cash advances | 19,881 | 24,500 |
| GST recoverable | 62,047 | 43,055 |
| Accrued revenue | 250,431 | 317,575 |
| | 332,359 | 385,130 |
| | 519,473 | 470,350 |

Notes to the Financial Statements For the year ended 31 December 2009

4. TRADE AND OTHER RECEIVABLES (continued)

(i) The ageing of the trade receivables at 31 December 2009 is detailed below:

| | 2009 | | 2008 | |
|-----------------------|----------------|-----------------|----------------|-----------------|
| | Gross \$ | Provision \$ | Gross \$ | Provision \$ |
| Not past due | 42,016 | - | 43,178 | - |
| Past due 0 – 30 days | 11,556 | - | 28,601 | - |
| Past due 31 plus days | 162,042 | 27,500 | 88,929 | 75,488 |
| Total | 215,614 | 27,500 | 160,708 | 75,488 |

| | 2009 \$ | 2008 \$ |
|---|---------------|---------------|
| (ii) Movement in the allowance for doubtful debts | | |
| Balance at the beginning of the year | 75,488 | 7,500 |
| Impairment losses recognised on receivables | - | 67,988 |
| Amounts recovered during the year | (47,988) | - |
| Balance at the end of the year | 27,500 | 75,488 |

The average credit period on invoices is 60 days (2008: 60 days). No interest is charged on the trade receivables from the date of invoice or when past due. The Association has provided fully for all receivables identified by management as being specifically doubtful. The Association's provision policy is based on an assessment for changes in credit quality and historical experience.

Included in the Association's trade receivables are debtors with a carrying amount of \$146,098 (2008:42,042) which are past due at the reporting date for which the Association has not provided as there has not been a significant change in credit quality and the Association believes that the amounts are still considered recoverable. The Association does not hold any collateral over these balances.

5. OTHER ASSETS

| | | |
|-------------|---------------|---------------|
| Prepayments | 52,470 | 62,673 |
| Other | 39,477 | 34,161 |
| | 91,947 | 96,834 |

6. OTHER FINANCIAL ASSETS

| | | |
|---|-------------------|-------------------|
| Financial assets at fair value through profit or loss | 28,670,388 | 24,893,639 |
| Available-for-sale assets at fair value through revaluation reserve | 2 | 2 |
| | 28,670,390 | 24,893,641 |

7. PLANT AND EQUIPMENT

IT Equipment

| | | |
|--------------------------------|----------------|----------------|
| At cost | 2,110,994 | 2,061,060 |
| Less: Accumulated Depreciation | (1,977,534) | (1,862,722) |
| | 133,460 | 198,338 |

Furniture and fittings and Motor Vehicle

| | | |
|--------------------------------|--------------|---------------|
| At cost | 44,336 | 44,336 |
| Less: Accumulated Depreciation | (35,200) | (32,632) |
| | 9,136 | 11,704 |

| | | |
|--------------------------------|---------------|---------------|
| Under finance lease | 240,521 | 203,250 |
| Less: Accumulated depreciation | (144,225) | (124,550) |
| | 96,296 | 78,700 |

Notes to the Financial Statements For the year ended 31 December 2009

| | 2009 \$ | 2008 \$ |
|---|------------------|------------------|
| 7. PLANT AND EQUIPMENT (continued) | | |
| <u>Leasehold improvements</u> | | |
| Make-good costs | 150,000 | 150,000 |
| Leasehold improvements | 701,214 | 700,169 |
| Less: Accumulated amortisation | (201,137) | (115,901) |
| | 650,077 | 734,268 |
| Total Plant and Equipment | 888,969 | 1,023,010 |

| 2009 | IT Equipment | Furniture and Fittings | Leased Furniture and Fittings & Motor Vehicle | Leasehold Improvements | Total |
|---|----------------|---------------------------|--|---------------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at beginning of year | 198,338 | 11,704 | 78,700 | 734,268 | 1,023,010 |
| Additions | 71,393 | - | 37,271 | 1,045 | 109,709 |
| Disposals | (16,471) | - | - | - | (16,471) |
| Depreciation and amortisation | (119,800) | (2,568) | (19,675) | (85,236) | (227,279) |
| Carrying amount at the end of the year | 133,460 | 9,136 | 96,296 | 650,077 | 888,969 |

| 2008 | IT Equipment | Furniture and Fittings | Leased Furniture and Fittings | Leasehold Improvements | Total |
|---|----------------|---------------------------|-------------------------------------|---------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at beginning of year | 206,897 | 10,442 | 100,000 | 819,285 | 1,136,624 |
| Additions | 109,820 | 6,910 | - | - | 116,730 |
| Disposals | (639) | (2,020) | (1,625) | - | (4,284) |
| Depreciation and amortisation | (117,740) | (3,628) | (19,675) | (85,017) | (226,060) |
| Carrying amount at the end of the year | 198,338 | 11,704 | 78,700 | 734,268 | 1,023,010 |

Notes to the Financial Statements For the year ended 31 December 2009

| | 2009 \$ | 2008 \$ |
|---|------------------|------------------|
| 8. TRADE AND OTHER PAYABLES | | |
| Current | | |
| Trade payables (i) | 253,231 | 230,923 |
| Sundry payables and accruals | 310,195 | 358,723 |
| | <u>563,426</u> | <u>589,646</u> |
| Amounts payable to or from related parties: | | |
| Australian Farm Institute | (403) | (2,097) |
| NSW Farmers' (Industrial) Association | 4,613,853 | 1,455,630 |
| | <u>4,613,450</u> | <u>1,453,533</u> |
| | <u>5,176,876</u> | <u>2,043,179</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.

| | | |
|-----------------------------------|----------------|----------------|
| 9. PROVISIONS | | |
| Current | | |
| Employee entitlements | 376,171 | 336,943 |
| Non-current | | |
| Employee entitlements | 88,955 | 150,308 |
| Provision for make-good costs (i) | 150,000 | 150,000 |
| | <u>238,955</u> | <u>300,308</u> |

- (i) Relates to a make good clause under a long term property lease. The provision represents the directors' best estimate of the costs that will be required to restore the areas under lease to the required standard under the make good clause.

| | | |
|------------------------------|----------------|------------------|
| 10. OTHER LIABILITIES | | |
| Current | | |
| Unearned income | 899,911 | 2,005,573 |
| Lease incentives | 90,591 | 110,992 |
| | <u>990,502</u> | <u>2,116,565</u> |
| Non-current | | |
| Lease incentives | 854,369 | 862,813 |

Notes to the Financial Statements For the year ended 31 December 2009

| | 2009 \$ | 2008 \$ |
|--|------------------|-------------------|
| 11. BORROWINGS | | |
| Current (secured) – at amortised cost | | |
| Lease liability (i), 18(b) | 37,271 | 2,518 |
| Bank loan (ii) | 9,000,000 | 10,000,000 |
| | 9,037,271 | 10,002,518 |

- (i) Lease liability is secured over leased assets with a carrying value of \$37,271.
- (ii) The \$9,000,000 in bank borrowings is secured by a debt and interest guarantee by NSW Farmers' Superannuation Co Pty Limited acting as trustee for the NSW Farmers' Industrial Association and a deed of mortgage over securities with a fair value at balance date of \$26,280,356 held by NSW Farmers' (Industrial) Association. The loans are due and payable during the 2010 financial year.

Financing facilities:

Secured commercial bill facility

| | | |
|-----------------|-------------------|-------------------|
| • Amount used | 9,000,000 | 10,000,000 |
| • Amount unused | 4,000,000 | 3,000,000 |
| | 13,000,000 | 13,000,000 |

12. NOTES TO THE STATEMENT 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 monies on deposit at call. Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the relevant items in the Statement of Financial Position as follows:

| | | |
|--------------|----------------|------------------|
| Cash on hand | 500 | 500 |
| Cash at bank | 130,162 | 1,160,400 |
| | 130,662 | 1,160,900 |

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

| | | |
|--|--------------------|--------------------|
| Profit/(Loss) for the year | 1,644,888 | (7,949,585) |
| (Gain)/Loss on disposal of property, plant and equipment | (3,129) | 4,284 |
| Depreciation and amortisation expense | 227,279 | 226,060 |
| Dividend, trust distribution and interest income not received in cash | (915,475) | (3,277,185) |
| Investment management fee not paid in cash | 175,544 | 228,276 |
| Change in fair values of financial assets held at fair value through profit and loss | (4,801,920) | 15,953,582 |
| Management fee income from a related entity not received in cash | (2,784,361) | (12,808,935) |
| Changes in assets and liabilities | | |
| Decrease/(increase) in trade and other receivables | (44,235) | 474,132 |
| (Increase)/decrease in trade and other payables | (1,160,730) | 212,282 |
| Decrease/(increase) in employee provisions | (22,125) | 8,624 |
| Cash flows used in operating activities | (7,684,264) | (6,928,465) |

Notes to the Financial Statements For the year ended 31 December 2009

12. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(c) Non cash financing and investing activities

During the year the Association acquired motor vehicles with an aggregate fair value of \$37,271 (2008: nil) by means of a finance lease. These acquisitions are not reflected in the statement of cash flows.

13. KEY MANAGEMENT COMPENSATION

The aggregate compensation made to Directors and other members of key management personnel of the Association is set out below:

| | 2009 | 2008 |
|------------------------------|-----------|---------|
| | \$ | \$ |
| Short-term employee benefits | 937,728 | 916,740 |
| Post employment Benefits | 100,534 | 64,347 |
| | 1,038,262 | 981,087 |

14. RELATED PARTY TRANSACTIONS

(a) Equity interests in related parties

NSW Farmers' Association holds 100% of the ordinary share capital of Select Oyster Company Pty Limited.

(b) Transactions with key management personnel

Details of key management personnel compensation are disclosed in Note 13 to the financial statements.

(c) Transactions with other related parties

During the financial year, the following transactions occurred between the Association and its other related parties:

Management fee received

| | | |
|---|-----------|------------|
| NSW Farmers' (Industrial) Association (i) | 2,780,361 | 12,801,000 |
| Select Oyster Company Pty Limited | 4,000 | 7,935 |
| | 2,784,361 | 12,808,935 |

Sponsorship and project funding provided

| | | |
|--|---------|---------|
| Australian Farm Institute Limited (ii) | 200,000 | 300,000 |
|--|---------|---------|

(i) Amounts payable by NSW Farmers' Association to related entities are shown in note 8 to these financial statements. These loans and advances are unsecured, free of interest charges.

(ii) NSW Farmers' Association has approved a funding agreement for the three years beginning 1 January 2007 incorporating Corporate Gold Sponsorship Funding in addition to capped Approved Research Project funding totalling \$900,000 over the 3 year period.

In 2009, under the terms of this agreement, the Association paid \$200,000 (2008: \$300,000) to AFIL in respect of Corporate Sponsorship and project funding for specific projects.

Amounts payable to Australian Farm Institute are shown in note 8 to these financial statements.

Notes to the Financial Statements For the year ended 31 December 2009

15. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

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

The Finance Committee oversees how Management monitors compliance with risk management policies and procedures and reviews 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, interest rate risk, credit risk, liquidity risk and capital risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(b) Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain members' confidence and to sustain future development of the Association.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the Association's approach to capital management during the period.

The Association's capital structure comprises bank loans, 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.

| | 2009 \$ | 2008 \$ |
|--|-------------------|-------------------|
| (c) Categories of financial instruments | | |
| Financial assets | | |
| Cash and cash equivalents | 130,662 | 1,160,900 |
| Loans and receivables | 588,646 | 567,184 |
| Available-for-sale financial assets | 2 | 2 |
| Financial assets designated as fair value through profit or loss | 28,670,388 | 24,893,639 |
| | 29,389,698 | 26,621,725 |
| Financial liabilities | | |
| Trade and other payables | 5,214,147 | 2,043,179 |
| Bank loans | 9,000,000 | 10,000,000 |
| Lease incentive | 944,960 | 973,804 |
| | 15,159,107 | 13,016,983 |

Notes to the Financial Statements For the year ended 31 December 2009

15. FINANCIAL INSTRUMENTS (continued)

(d) Market risk

Market risk is the risk that changes in market prices 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 company'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, deposits, and bank loan balances which attracts average variable interest rates. The Association's exposure to changes in interest rates relates primarily to its bank loan. The Association's policy is to manage its interest cost by determining the level of borrowings in each period with reference to the available funds for drawdown from investments held by the entity.

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 2009 would decrease/increase by \$45,000 (2008: decrease/increase by \$50,000). This is mainly attributable to the Association's exposure to interest rates on its variable rate borrowings.

Equity price sensitivity

The Association is exposed to equity price risk as a consequence of its investments classified as "fair value through profit and loss" as set out in Note 6.

The Association has taken steps to limit the risk by spreading the financial assets across two fund managers and into different asset classes. Including the NSW Farmers' (Industrial) Association there are four fund managers.

Equity price sensitivity

The sensitivity analysis below has been determined based 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 \$1.4 million (2008: \$1.2 million).

Notes to the Financial Statements For the year ended 31 December 2009

15. FINANCIAL INSTRUMENTS (continued)

(e) Credit risk management

Credit risk refers to the risk that counterparties may default on their 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 and bank loans.

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

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 \$ |
|------------------------------------|--|---------------------------|-------------------|------------------------------|
| 2009 | | | | |
| Financial liabilities | | | | |
| Variable interest rate instruments | 5.14 | 9,000,000 | - | - |
| Non-interest bearing | - | 6,159,107 | - | - |
| | | 15,159,107 | - | - |
| 2008 | | | | |
| Financial liabilities | | | | |
| Variable interest rate instruments | 7.19 | 10,059,917 | - | - |
| Non-interest bearing | - | 3,016,983 | - | - |
| | | 13,076,900 | - | - |

Notes to the Financial Statements For the year ended 31 December 2009

15. FINANCIAL INSTRUMENTS (continued) (f) Liquidity risk management (continued)

The following table details the company'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 company 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 \$ |
|------------------------------------|--|---------------------------|-------------------|------------------------------|
| 2009 | | | | |
| Financial assets | | | | |
| Non-interest bearing | - | 29,259,036 | - | - |
| Variable interest rate instruments | 3.66 | 130,662 | - | - |
| | | 29,389,698 | - | - |
| 2008 | | | | |
| Financial assets | | | | |
| Non-interest bearing | - | 25,460,825 | - | - |
| Variable interest rate instruments | 3.88 | 1,160,900 | - | - |
| | | 26,621,725 | - | - |

(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 (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- 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.

Notes to the Financial Statements For the year ended 31 December 2009

15. FINANCIAL INSTRUMENTS (continued)

(g) Fair value of financial instruments (continued)

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).

| | Level 1 | 31/12/2009 Level 2 | Total |
|--|-------------------|-----------------------|-------------------|
| | \$ | \$ | \$ |
| <i>Financial assets at fair value through profit or loss</i> | | | |
| Non-derivative financial assets designated as at fair value through profit or loss | 28,670,388 | - | 28,670,388 |
| <i>Available-for-sale financial assets</i> | | | |
| Unquoted equities | - | 2 | 2 |
| Total | 28,670,388 | 2 | 28,670,390 |

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

16. COMMITMENTS FOR EXPENDITURE

Leasing Arrangements

Operating leases relate to the Association's office premises at Goulburn Street with a lease term of 10 years and motor vehicle and office equipment leases. The lease provides for fit-out contribution and rent free incentives totalling \$944,960 (2008: \$973,805) (Note 10).

| | 2009 | 2008 |
|--|------------------|------------------|
| | \$ | \$ |
| (a) Operating Lease Commitments | | |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements. | | |
| Payable: | | |
| - Less than 1 year: | 706,942 | 768,982 |
| - Greater than 1 year but less than 5 years | 2,527,292 | 2,614,112 |
| - Greater than 5 years | 2,363,077 | 2,929,977 |
| | 5,597,311 | 6,313,071 |

Notes to the Financial Statements For the year ended 31 December 2009

| | 2009 \$ | 2008 \$ |
|--|---------------|--------------|
| 16. COMMITMENTS FOR EXPENDITURE (continued) | | |
| (b) Finance Lease Commitments | | |
| Payable: | | |
| - Less than 1 year: | 37,271 | 2,518 |
| - Greater than 1 year but less than 5 years | - | - |
| Minimum lease payments | 37,271 | 2,518 |

17. SUBSEQUENT EVENTS

Since balance date there has been a decrease in the market value of the Association's investments. As at the 28th February 2010 the Association's investments had decreased by \$1,037,638 based upon the Investment Managers' reported investment portfolio holdings as at 28th February 2010. There were no contributions or withdrawals from the investment portfolio to impact this change in value.

The Board continues to monitor the Association's position and will further review the investment position prior to the Association's General Meeting to be held in July 2010.

18. MEMBERS' GUARANTEE

The Association is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute a maximum of \$20 towards meeting any outstanding obligations of the company. As at 31 December 2009 the number of financial members was 8,269 (2008: 8,822). The total amount that could be called up for the purpose of winding up the company is \$165,380 (2008: \$176,440).

19. CONTINGENT LIABILITIES

| | | |
|---|----------------|----------------|
| Bank guarantee on rental lease commitments for 66 Goulburn Street premises | 540,263 | 540,263 |
|---|----------------|----------------|

20. REMUNERATION OF AUDITORS

Auditor of the company

| | | |
|--|---------------|---------------|
| Audit and review of financial reports | 40,000 | 40,000 |
|--|---------------|---------------|

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

21. ASSOCIATION DETAILS

NSW Farmers' Association is a public company limited by guarantee, incorporated and operating in Australia. The principal activities of the Association are the representation of Members to State and Federal Governments and others, and the encouragement and promotion of the development of primary industry.

The principal place of business and registered office of the Association is:
NSW Farmers' Association
Level 25, 66 Goulburn Street
Sydney NSW 2000

Directors' Declaration

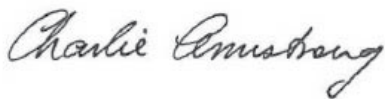
The Directors of the Association declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable; and
- b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Association.

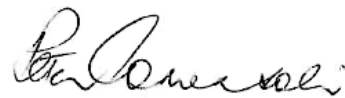
Signed in accordance with a resolution of the Directors made pursuant to s295 (5) of the Corporations Act 2001

Dated at Sydney this 16th day of April 2010.

On behalf of the Directors



C T Armstrong
President



P J Comensoli
Treasurer

Independent Auditor's Report to the Members of NSW Farmers' Association

We have audited the accompanying financial report of NSW Farmers' Association, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 22 to 48.

Directors' Responsibility for the Financial Report

The directors of the Association are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, 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. 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 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 directors, 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.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of NSW Farmers' Association is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Association's financial position as at 31 December 2009 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Michael Kaplan
Partner
Chartered Accountants
Sydney, 16 April 2010