

# **NSW FARMERS' ASSOCIATION**

**FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

**NSW FARMERS' ASSOCIATION**  
**ACN 000 004 651**  
**FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

<b>INDEX</b>	<b>Page</b>
Directors' Report	3
Auditor's Independence Declaration	5
Independent Auditor's Report	6
Directors' Declaration	8
Statement of Profit or Loss and Other Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Notes to the Financial Statements	13

**NSW FARMERS' ASSOCIATION**  
**ACN 000 004 651**

**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 2016. 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:

<b>Director</b>	<b>Date appointed</b>	<b>Date Resigned</b>	<b>Qualifications</b>
RJ Chamen	30/07/09	20/07/16	Farmer
D Clarke	21/07/11	20/07/16	Farmer
W Dunford	21/07/11	20/07/16	Farmer
M Horan	21/07/11		Farmer
P Wilson	19/10/12		Farmer
D Schoen	19/07/13		Farmer
H Dalton	15/07/15		Farmer
J Jackson	15/07/15		Farmer
M Clapham	15/07/15		Farmer
R Reardon	20/07/16		Farmer
L Minogue	20/07/16		Farmer
A Shoker	20/07/16		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 for the year was:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
NSW Farmers' Association	<u>2,776,205</u>	<u>1,667,018</u>

The increase in operating income was mainly due to the increased gain in fair value of investment property of \$8,920,634 (2015: \$ 5,380,212). The valuation basis of investment properties is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction as at valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Association, and to market based yields for comparable properties. This policy will result in more reliable and more relevant information on the market value of the Association's investment properties.

The increase in operating income was partially offset by a management fee expense of \$3,741,240 (2015: 1,821,947) paid to NSW Farmers' (Industrial) Association. The method of calculation ensures that the proportion of net assets is maintained between the two associations.

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

**DIRECTORS' REPORT (continued)**

**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.

**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, the Finance and Audit Committee, and the Corporate Governance Committee held during the year ended 31 December 2016, and the numbers of meetings attended by each Director were:

	Number of Meetings Directors				Number of Meetings Finance and Audit Committee		Number of Meetings Corporate Governance Committee	
	Held (i) Face- Face	Held (ii) OOS	Total Held	Attended	Held	Attended	Held	Attended
D Schoen	6	5	11	11				
M Horan	6	5	11	10	2	2	3	3
P Wilson	6	5	11	10	3	3		
M Clapham	6	5	11	11			3	3
H Dalton	6	5	11	10			1	1
J Jackson	6	5	11	11	1	1	2	2
D Clarke	3	3	6	6	2	2		
W Dunford	3	3	6	6			2	2
R J Chamen	3	3	6	6	2	2		
R Reardon	3	2	5	5			1	1
L Minogue	3	2	5	5	1	1		
P Shoker	3	2	5	5	1	1		

- (i) Number of face-to-face meetings held during the time the Director held office or was a Member of the committee during the year.
- (ii) Out of session meetings held via teleconference during the time the Director held office or was a Member of the committee during the year

**Matters subsequent to the end of the financial year**

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

**NSW FARMERS' ASSOCIATION**  
**ACN 000 004 651**

**DIRECTORS' REPORT (continued)**

**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.

No non-audit services were provided during the year.

**Auditor's independence declaration**

A copy of the auditor's independence declaration is included on page 5 of the annual report.

**Dated at Sydney this 2 May 2017.**

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

On behalf of the Directors



D. Schoen  
President



P Wilson  
Treasurer

The Board of Directors  
NSW Farmers' Association  
Level 6, 35-37 Chandos Street  
St Leonard's NSW 2065

5 May 2017

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 2016, 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



Gaile Timperley  
Partner  
Chartered Accountants

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

### Opinion

We have audited the financial report of NSW Farmers' Association ("the Association"), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the 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 2016 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Association in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Association, would be in the same terms if given to the directors as at the time of this auditor's report.

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

### Other Information

The directors are responsible for the other information. The other information comprises the director's report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Directors' Responsibilities for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



DELOITTE TOUCHE TOHMATSU



**Gaile Pearce**

Partner, Chartered Accountants

Sydney, 5 May 2017

**NSW FARMERS' ASSOCIATION**  
**ACN 000 004 651**

**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;
- 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; and
- c) 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, as noted in note 1(a) of the financial statements.

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

**Dated at Sydney this 2 May 2017.**

On behalf of the Directors



D Schoen  
President



P Wilson  
Treasurer

**NSW FARMERS' ASSOCIATION**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 \$	2015 \$
Revenue	2	8,931,407	8,894,204
Sponsorship paid to related entity	3	(100,000)	(100,000)
Employment expenses	3	(4,051,090)	(3,953,894)
Promotional expenses	3	(1,204,240)	(517,957)
Representative expenses	3	(1,342,918)	(1,355,367)
Annual conference	3	(36,610)	(112,217)
Depreciation and amortisation	3	(165,108)	(174,529)
Management fees	3	(3,741,240)	(1,821,947)
Finance costs	3	(1,508,261)	(1,508,458)
Other expenses	3	(2,926,369)	(3,063,029)
Gain on movement in fair value of investment property	8	8,920,634	5,380,212
Profit before tax		2,776,205	1,667,018
Income tax expense	1(f)	-	-
<b>Profit for the year</b>		<b>2,776,205</b>	<b>1,667,018</b>
<b>Other comprehensive income:</b>			
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>2,776,205</b>	<b>1,667,018</b>

Notes to the Financial Statements are included on pages 13 to 36

**NSW FARMERS' ASSOCIATION  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

	Note	2016 \$	2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	13(a)	337,664	837,148
Trade and other receivables	4	531,534	382,040
Other assets	5	139,843	133,249
<b>TOTAL CURRENT ASSETS</b>		<b>1,009,041</b>	<b>1,352,437</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	6	3	3
Plant and equipment	7	421,563	311,194
Investment property	8	56,100,000	46,900,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>56,521,566</b>	<b>47,211,197</b>
<b>TOTAL ASSETS</b>		<b>57,530,607</b>	<b>48,563,634</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	18,666,147	11,610,305
Provisions	10	366,582	480,668
Other	11	1,266,063	1,483,755
<b>TOTAL CURRENT LIABILITIES</b>		<b>20,298,792</b>	<b>13,574,728</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	12	20,415,000	20,650,000
Provisions	10	67,400	123,753
Other	11	-	241,943
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>20,482,400</b>	<b>21,015,696</b>
<b>TOTAL LIABILITIES</b>		<b>40,781,192</b>	<b>34,590,424</b>
<b>NET ASSETS</b>		<b>16,749,415</b>	<b>13,973,210</b>
<b>ACCUMULATED FUNDS</b>			
Retained earnings		16,749,415	13,973,210
<b>TOTAL MEMBERS' FUNDS</b>		<b>16,749,415</b>	<b>13,973,210</b>

Notes to the Financial Statements are included on pages 13 to 36

**NSW FARMERS' ASSOCIATION  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<b>Retained earnings \$</b>
Balance at 1 January 2015	12,306,192
Profit for the year	1,667,018
Other comprehensive income	-
<b>Total comprehensive income for the year</b>	<b>1,667,018</b>
<b>Balance at 31 December 2015</b>	<b>13,973,210</b>
Balance at 1 January 2016	13,973,210
Profit for the year	2,776,205
Other comprehensive income	-
<b>Total comprehensive income for the year</b>	<b>2,776,205</b>
<b>Balance at 31 December 2016</b>	<b>16,749,415</b>

Notes to the Financial Statements are included on pages 13 to 36

**NSW FARMERS' ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Inflows:			
Member subscriptions		1,563,733	1,565,688
Other operating activities		6,988,077	7,131,629
		<u>8,551,810</u>	<u>8,697,317</u>
Outflows:			
Suppliers and employees		(10,743,977)	(9,289,096)
Finance costs paid		(1,499,531)	(1,469,188)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	13(b)	<u>(3,691,698)</u>	<u>(2,060,967)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for investment property		(8,900)	-
Payment for plant and equipment		(275,477)	(28,992)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u>(284,377)</u>	<u>(28,992)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds of borrowings from a related entity		3,711,591	2,387,148
Net (repayments)/proceeds of external borrowings		(235,000)	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<u>3,476,591</u>	<u>2,387,148</u>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS HELD</b>			
		(499,484)	297,189
Cash and cash equivalents at the beginning of the year		<u>837,148</u>	<u>539,959</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	13(a)	<u><u>337,664</u></u>	<u><u>837,148</u></u>

Notes to the Financial Statements are included on pages 13 to 36

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**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 ("the Association"), complies with International Financial Reporting Standards ("IFRS").

For the purposes of preparing the financial report, the Association is a not-for-profit entity.

The financial report was authorised by the Directors on 2 May 2017.

**(b) 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. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

The Association holds 100% of the ordinary share capital of Select Oyster Company Pty Limited and NSW Farmers' Association (Legal) Pty Limited. These entities had no material assets or liabilities at balance sheet date. Accordingly, these entities have not been consolidated in this financial report.

**(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(u) for a discussion of critical assumptions and judgements in applying the Association'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.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Association include:

- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(e) Standards and Interpretations in issue and not yet adopted**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective:

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
• AASB 9 Financial Instruments	1 January 2018	31 December 2018
• AASB 15 Revenue from Contracts with Customers, 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15, 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	31 December 2018
• AASB 16 Leases	1 January 2019	31 December 2019
• AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128	1 January 2018	31 December 2018
• AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	1 January 2018	31 December 2018
• AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	1 January 2018	31 December 2018

**(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.

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(h) Revenue**

Revenue is measured at the fair value of the consideration received or receivable. All revenue is stated net of the amount of goods and services tax (GST).

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.

Subscription income

Subscription income is recognised on a straight line basis over the subscription 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/earned 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.

Rental income

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

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 over the lease term.

**(i) Unearned income**

Project funding and subscription receipts relating to periods beyond the current financial year end, due to control not passing to the entity yet, are deferred and are disclosed as unearned income in the statement of financial position.

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(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 and control therefore have passed to the entity.

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', 'held-to-maturity investments' 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. At 31 December 2016, the Association held only loans and receivables.

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.

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.

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(I) 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 reporting date. Financial assets are considered to be 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.

**NSW FARMERS' ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**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 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.

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 1-10 years

IT equipment 3-5 years

Furniture and Fittings 3-5 years

**(n) Investment property**

Investment properties are properties held to earn rentals and/or capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognised.

**(o) 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.

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(p) Borrowing costs**

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

**(q) 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.

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.

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.

**(r) 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.

**(s) 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.

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(s) Provisions (continued)**

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Association has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

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.

**(t) 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.

**(u) 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 include fair value determination of investment properties, and determination of onerous lease provisions, including estimation of future sub-lease rentals.

**(v) 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.

**(w) Working capital deficiency**

The Association has a working capital deficit at balance date of \$19,289,751 (2015: \$12,222,291). The Directors have received an undertaking from the Association's related party, NSW Farmers' (Industrial) Association, confirming that it will provide any financial support required to ensure that the Association is able to continue to pay its debts as and when they fall due for at least 12 months following the date of signing of these financial statements.

Based on the Association's budgeted cashflows and supported by the undertaking received from NSW Farmers' (Industrial) Association referred to above, the Directors have prepared the financial statements on a going concern basis.

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<u>2016</u> \$	<u>2015</u> \$
<b>2. REVENUE</b>		
Commercial revenue	1,340,663	1,313,461
Project income	1,518,674	1,175,295
Subscription income	1,546,922	1,496,981
Sponsorship income	111,415	244,142
Interest income	3,681	3,061
Rental income	4,410,052	4,661,264
	<u>8,931,407</u>	<u>8,894,204</u>

**3. PROFIT FOR THE YEAR**

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

<b>Sponsorship paid to a related entity</b>	100,000	100,000
<b>Employment expenses</b>		
Salaries and allowances	3,213,981	3,155,429
Defined contribution plans	305,328	299,766
Salary related expenses	49,075	158,352
Other staff expenses	482,706	340,347
	<u>4,051,090</u>	<u>3,953,894</u>
<b>Promotional expenses</b>		
Advertising, marketing and membership promotions	300,290	256,052
Field days and shows	68,849	61,235
Magazine production	9,490	6,430
Lobbying and public relations	825,611	194,240
	<u>1,204,240</u>	<u>517,957</u>

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>3. PROFIT FOR THE YEAR (CONTINUED)</b>		
<b>Representative expenses</b>		
Affiliation fees	645,584	590,999
Travel expenses	454,554	476,916
Other representative expenses	242,780	287,452
	<u>1,342,918</u>	<u>1,355,367</u>
<b>Annual conference</b>		
Production costs and related expenses	390,758	346,700
Revenue/sponsorship monies received	(354,148)	(234,483)
	<u>36,610</u>	<u>112,217</u>
<b>Depreciation and amortisation</b>		
Depreciation of plant and equipment	165,108	174,529
	<u>165,108</u>	<u>174,529</u>
<b>Management fees to / (from) related parties</b>		
NSW Farmers (Industrial) Association	3,766,140	1,821,947
AS Burdekin	(24,900)	-
	<u>3,741,240</u>	<u>1,821,947</u>
<b>Finance costs</b>		
Interest on bank loans	1,508,261	1,508,458
	<u>1,508,261</u>	<u>1,508,458</u>
<b>Other expenses</b>		
Consultancy expenses	292,632	116,582
Legal expenses (net of recoveries)	124,225	143,756
Motor vehicle expenses	228,118	228,174
Postage	47,246	32,434
Printing, copying and stationery	78,486	141,321
Rental expenses	683,039	681,355
Telephone	104,506	111,531
Remuneration of auditors for:		
Audit services	47,000	45,800
Other services	14,000	13,600
Property expenses	658,079	663,086
Other expenses	649,038	885,390
	<u>2,926,369</u>	<u>3,063,029</u>

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

		<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
<b>4. TRADE AND OTHER RECEIVABLES</b>			
<b>Current</b>			
Trade receivables	(i)	197,478	65,396
Less: Provision for doubtful debts	(ii)	(6,424)	(11,424)
		191,054	53,971
Field representatives cash advances		4,000	4,000
Other receivables		332,744	320,333
		336,744	324,333
Account receivable from wholly owned subsidiary: NSW Farmers Association (Legal) Pty Limited		3,736	3,736
		531,534	382,040

(i) The ageing of the trade receivables at 31 December 2016 is detailed below:

	2016		2015	
	Gross \$	Provision \$	Gross \$	Provision \$
Current (0 – 60 days)	37,765	-	3,848	-
0 – 30 days overdue	104,500	-	50,124	-
31 plus days overdue	55,213	6,424	11,424	11,424
Total	197,478	6,424	65,396	11,424

		<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
<b>(ii) Movement in the allowance for doubtful debts</b>			
Balance at the beginning of the year		11,424	31,222
Additional provision required		6,424	-
Amounts written off		(11,424)	(19,798)
Balance at the end of the year		6,424	11,424

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**4. TRADE AND OTHER RECEIVABLES (continued)**

The average credit period on invoices is 60 days (2015: 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 \$153,289 (2014: \$50,123) 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.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>5. OTHER ASSETS</b>		
<b>Current:</b>		
Prepayments	95,794	74,168
Other	44,049	59,081
	139,843	133,249

**6. OTHER FINANCIAL ASSETS**

Investment in subsidiaries - Refer to Note 15(a)	3	3
	3	3

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**7. PLANT AND EQUIPMENT**

	<b>IT Equipment</b>	<b>Furniture and</b>	<b>Leasehold</b>	<b>Total</b>
	<b>\$</b>	<b>Fittings</b>	<b>Improvements</b>	<b>\$</b>
<b>2016</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Gross carrying amount</b>				
Balance at beginning of year	763,886	217,606	341,698	1,323,190
Additions	136,557	138,920	-	275,477
<b>Balance at the end of the year</b>	<b>900,443</b>	<b>356,526</b>	<b>341,698</b>	<b>1,598,667</b>
<b>Accumulated depreciation/amortisation</b>				
Balance at beginning of year	642,022	111,280	258,694	1,011,996
Depreciation and amortisation	55,413	26,691	83,004	165,108
<b>Balance at the end of the year</b>	<b>697,435</b>	<b>137,971</b>	<b>341,698</b>	<b>1,177,104</b>
<b>Net book value at the end of the year</b>	<b>203,008</b>	<b>218,555</b>	<b>-</b>	<b>421,563</b>

	<b>IT</b>	<b>Furniture and</b>	<b>Leasehold</b>	<b>Total</b>
	<b>Equipment</b>	<b>Fittings</b>	<b>Improvements</b>	<b>\$</b>
<b>2015</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Gross carrying amount</b>				
Balance at beginning of year	734,984	217,606	341,698	1,294,198
Additions	28,992	-	-	28,992
<b>Balance at the end of the year</b>	<b>763,886</b>	<b>217,606</b>	<b>341,698</b>	<b>1,323,190</b>
<b>Accumulated depreciation/amortisation</b>				
Balance at beginning of year	592,360	108,429	136,678	837,467
Depreciation and amortisation	49,662	2,581	122,016	174,529
<b>Balance at the end of the year</b>	<b>642,022</b>	<b>111,280</b>	<b>258,694</b>	<b>1,011,996</b>
<b>Net book value at the end of the year</b>	<b>121,864</b>	<b>106,326</b>	<b>83,004</b>	<b>311,194</b>

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**8. INVESTMENT PROPERTY**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Fair value</b>		
Investment property	56,100,000	46,900,000
Balance at beginning of year	46,900,000	41,400,000
Additions	8,900	-
Movement in lease incentive assets	270,466	119,788
Gain on property fair value remeasurement	8,920,634	5,380,212
<b>Balance at the end of the year</b>	<b>56,100,000</b>	<b>46,900,000</b>

The fair values as at 31 December 2016 have been arrived at on the basis of a valuation determined principally on the income capitalisation method of valuation. The independent valuer LandMark White has applied capitalisation rates, which are derived based on recent sales data, to the market rent of the property. In estimating the fair value of the properties, the highest and best use of the properties has been used.

The fair value remeasurement gain is shown in the reconciliation note above.

The Association has classified its property assets as Level 3 hierarchy assets due to their fair value being based on unobservable inputs as follows:

Class of property	Fair value hierarchy	Fair value 2016	Fair value 2015	Valuation technique	Key unobservable inputs	Input range		Relationship of unobservable input to fair value
						2016	2015	
Commercial	Level 3	18,600,000	15,000,000	Income capitalisation method	• Market rent	\$476-\$483/m <sup>2</sup>	\$350-\$533/m <sup>2</sup>	The higher the market rent per square metre, the higher the fair value. The higher the capitalisation rate, the lower the fair value.
					• Capitalisation rate	6.25%	7.25%	
Industrial	Level 3	37,500,000	31,900,000	Income capitalisation method	• Market rent	\$107m <sup>2</sup>	\$83-\$106/m <sup>2</sup>	The higher the market rent per square metre, the higher the fair value. The higher the capitalisation rate, the lower the fair value.
					• Capitalisation rate	6.75%	7.5%	

A change in the income capitalisation rate of 0.25% would result in a fair value change (increase/decrease) of \$153,182 (2015: \$120,005).

There were no transfers between hierarchy levels during the year.

The valuation process adopted by the directors includes engagement of suitably qualified independent, external valuers to conduct property valuations on a periodic basis, but at least once every 3 years. During interim years (e.g. 2014 and 2015), an internal valuation assessment is performed using external market data relating to capitalisation rates and internal rental data relating to the properties.

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**9. TRADE AND OTHER PAYABLES**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade payables (i)	305,609	424,613
Sundry payables and accruals	589,298	862,578
GST Payable	71,648	76,353
	<u>966,555</u>	<u>1,363,544</u>
Amounts payable to or (receivable) from related parties:		
NSW Farmers' (Industrial) Association	17,699,592	10,246,761
	<u>17,699,592</u>	<u>10,246,761</u>
	<u>18,666,147</u>	<u>11,610,305</u>

(i) The average credit period on purchases of certain goods is 30 days (2015: 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.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>10. PROVISIONS</b>		
<b>Current:</b>		
Employee entitlements	311,334	373,175
Onerous lease provision (i)	55,248	107,493
	<u>366,582</u>	<u>480,668</u>
<b>Non-current:</b>		
Employee entitlements	67,400	58,242
Onerous lease provision (i)	-	65,511
	<u>67,400</u>	<u>123,753</u>

(i) The provision for onerous lease contracts represents the present value of the future lease payments that the Association is presently obliged to make under a non-cancellable onerous operating lease contract, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable.

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>11. OTHER LIABILITIES</b>		
<b>Current:</b>		
Unearned income	1,024,118	1,171,560
Lease incentives received	241,945	312,195
	1,266,063	1,483,755
<b>Non-current:</b>		
Lease incentives received	-	241,943
	-	241,943
	-	241,943
 <b>12. BORROWINGS</b>		
<b>Non-current (secured):</b>		
Commercial Bill Facility	2,265,000	2,500,000
Bank loans	18,150,000	18,150,000
	20,415,000	20,650,000
	20,415,000	20,650,000

The bank loans are secured by a first registered mortgage over the properties at 40 Oxley Street, St Leonards and Lot 231 Topham Road, Smeaton Grange NSW with a total carrying value of \$56,100,000 (2015: \$46,900,000) as of balance date.

	<b>Average Interest rate</b>	<b>2016</b>	<b>2015</b>
	<b>%</b>	<b>\$</b>	<b>\$</b>
<b>Financing facilities:</b>			
<u>Secured commercial bill facility</u>			
• Amount used	4.77%	2,265,000	2,500,000
• Amount unused		235,000	-
<b>Total available</b>		2,500,000	2,500,000
 <u>Bank loan facility</u>			
• Amount used	7.69%	18,150,000	18,150,000
• Amount unused		-	-
<b>Total available</b>		18,150,000	18,150,000
		18,150,000	18,150,000

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**13. 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:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Cash on hand	758	1,630
Cash at bank	336,906	835,517
	<u>337,664</u>	<u>837,148</u>

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Profit for the year</b>	2,776,205	1,667,018
Depreciation and amortisation expense	165,108	174,529
Gain on movement in fair value of investment property	(8,920,634)	(5,380,212)
Management fee expense to a related entity not paid in cash	3,741,240	1,821,947
<u>Changes in assets and liabilities</u>		
(Increase)/decrease in trade and other receivables and other current assets	(149,494)	136,306
(Increase)/decrease in other assets	(6,594)	26,547
Increase in deferred incentive fee	(270,466)	(119,788)
Decrease in payables and deferred income	(856,624)	(317,991)
Decrease in provisions	(170,439)	(69,323)
<b>Cash flows used in operating activities</b>	<u>(3,691,698)</u>	<u>(2,060,967)</u>

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**14. KEY MANAGEMENT COMPENSATION**

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	569,337	574,111
Post-employment Benefits	46,222	45,545
	<u>615,560</u>	<u>619,656</u>

**15. 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 and NSW Farmers' Association (Legal) Pty Limited. These entities had no material assets or liabilities at balance sheet date. Accordingly, these entities have not been consolidated in this financial report.

**(b) Transactions with key management personnel**

Details of key management personnel compensation are disclosed in Note 14 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:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Management fee (provided) / received</b>		
NSW Farmers' (Industrial) Association (i)	(3,766,140)	(1,821,947)
AS Burdekin	24,900	-
<b>Sponsorship and project funding provided</b>		
Australian Farm Institute Limited (ii)	<u>100,000</u>	<u>100,000</u>

(i) Amounts payable by NSW Farmers' Association to related entities are shown in note 9 to these financial statements. These loans and advances are unsecured, free of interest charges.

(ii) NSW Farmers' Association had committed to provide funding for the three years beginning 2 February 2011 incorporating Corporate Gold Sponsorship Funding in addition to capped Approved Research Project funding totalling \$450,000 over the 3 year period. The commitment was subsequently reduced to \$100,000 for 2015 and 2016.

In December 2012, the Association entered into a five year lease agreement with NSW Farmers' (Industrial) Association for the rental of the premises at 35 Chandos Street, St Leonards. The annual rental is \$ \$303,720 (2015: \$294,294) and has been disclosed as an operating lease commitment within note 17.

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**16. 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.

The Association's capital structure comprises bank loans, cash, short-term deposits 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.

**(c) Categories of financial instruments**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>		
Cash and cash equivalents	337,664	837,148
Loans and receivables	531,534	382,040
Other financial assets	3	3
	<u>869,201</u>	<u>1,219,191</u>
<b>Financial liabilities</b>		
Trade and other payables	18,666,147	11,610,305
Bank loans	20,415,000	20,650,000
	<u>39,081,147</u>	<u>30,260,305</u>

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**16. 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 assets. The objective of market risk management is to manage and monitor market risk exposures within acceptable parameters, whilst optimising the return on risk.

**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 with reference to funding generated by rental and other operational returns.

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 2016 would decrease/increase by \$100,390 (2015: decrease/increase by \$99,072). This is mainly attributable to the Association's exposure to interest rates on its variable rate borrowings.

**(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 trade receivables balance relates predominantly to members' subscriptions due. The credit risk is mitigated by the fact that no material balance is owed by any single member. The Association has adopted a policy in its commercial operations of only dealing with creditworthy counterparties.

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.

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**16. FINANCIAL INSTRUMENTS (continued)**

**(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 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.

	<b>Weighted average effective interest rate %</b>	<b>Less than 1 year \$</b>	<b>1 - 2 years \$</b>	<b>Longer than 2 years \$</b>
<b>2016</b>				
<b>Financial liabilities</b>				
Variable interest rate instruments	7.37	1,504,118	21,412,251	-
Non-interest bearing		11,610,305	-	-
		<u>13,114,423</u>	<u>21,412,251</u>	<u>-</u>
<b>2015</b>				
<b>Financial liabilities</b>				
Variable interest rate instruments	7.34	1,515,328	1,515,328	21,658,834
Non-interest bearing		11,610,305	-	-
		<u>13,125,633</u>	<u>1,515,328</u>	<u>21,658,834</u>

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**16. FINANCIAL INSTRUMENTS (continued)**

**(f) Liquidity risk management (continued)**

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.

	<b>Weighted average effective interest rate %</b>	<b>Less than 1 year \$</b>	<b>1 - 2 years \$</b>	<b>Longer than 2 years \$</b>
<b>2016</b>				
<b>Financial assets</b>				
Non-interest bearing		532,295	-	-
Variable interest rate instruments	1.70%	336,906	-	-
		<u>869,201</u>	<u>-</u>	<u>-</u>

	<b>Weighted average effective interest rate %</b>	<b>Less than 1 year \$</b>	<b>1 - 2 years \$</b>	<b>Longer than 2 years \$</b>
<b>2015</b>				
<b>Financial assets</b>				
Non-interest bearing		383,673	-	-
Variable interest rate instruments	2.04%	835,517	-	-
		<u>1,219,191</u>	<u>-</u>	<u>-</u>

**(g) Fair value measurements**

The Directors consider that the carrying amount of all financial assets and financial liabilities recognised in the financial statements approximate their fair values.

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**17. COMMITMENTS FOR EXPENDITURE**

Leasing Arrangements

Operating leases relate to the Association's office premises at Goulburn Street and Chandos Street with lease terms of 10 years and 5 years respectively.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements.		
Payable:		
- Less than 1 year:	692,188	974,890
- Greater than 1 year but less than 5 years	-	692,188
- Greater than 5 years	-	-
	692,188	1,667,078

**18. SUBSEQUENT EVENTS**

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

**19. 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 2016, there were 5,728 financial members (2015: 5,786). The total amount that could be called up for the purpose of winding up the company is \$114,560 (2015: \$115,720).

**20. CONTINGENT LIABILITIES**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Bank guarantee on rental lease commitments for 66 Goulburn Street premises	719,043	622,498

**21. REMUNERATION OF AUDITORS**

Auditor of the company:		
Audit services	47,000	45,800
Review of financial statements	14,000	13,600

The auditor of NSW Farmers' Association is Deloitte Touche Tohmatsu.

**NSW FARMERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**22. 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 6, 35-37 Chandos Street  
St Leonard's NSW 2065