



27 June 2017

Mr Derek Schoen
President
NSW Farmers' (Industrial) Association
35 Chandos Street
St Leonards NSW 2065

By e-mail: industrial@nswfarmers.org.au

Dear Mr Schoen

NSW Farmers' (Industrial) Association
Financial Report for the year ended 31 December 2016 - FR2016/360

I acknowledge receipt of the amended financial report for the year ended 31 December 2016 for the NSW Farmers' (Industrial) Association (NFIA). The financial report was lodged with the Registered Organisations Commission (ROC) on 26 June 2017.

The financial report has now been filed. You are not required to take any further action in respect of the report lodged.

Should you wish to discuss the matters raised in this letter, or if you require further information on the financial reporting requirements of the Act, I may be contacted on (03) 9603 0707 or by email at ken.morgan@roc.gov.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'K. Morgan'.

KEN MORGAN
Financial Reporting Advisor
Registered Organisations Commission

NSW FARMERS' (INDUSTRIAL) ASSOCIATION

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

31 May 2017

Dear Board Members

NSW Farmers' (Industrial) 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' (Industrial) Association

Opinion

We have audited the financial report of NSW Farmers' (Industrial) Association (the "Entity"), 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 committee of management statement, as set out on pages 6 to 42.

In our opinion the accompanying financial report presents fairly, in all material respects, the Entity's financial position as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and the financial reporting requirements under Section 253 of the Fair Work (Registered Organisations) Act 2009 ("the Act") and the requirements imposed by Part 3 of Chapter 8 of the Act.

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

Management are responsible for the other information. The other information comprises the information included in the annual report, 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.

Other Information

The directors are responsible for the other information. The other information comprises of the statement of operation 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.

The Director's Responsibilities for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the financial reporting requirements under Section 253 of the Fair Work (Registered Organisations) Act 2009 ("the Act") and the requirements imposed by Part 3 of Chapter 8 of the Act and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Entity'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 Entity 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 Entity'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 directors' 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 Entity'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. We have concluded that management's use of the going concern basis of accounting in the preparation of the reporting on its financial statements is appropriate. However, future events or conditions may cause the Entity 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 Timperley
Partner, Chartered Accountants
Sydney, 31 May 2017

Note: Deloitte Touche Tohmatsu is a firm where at least one member is an approved auditor. Gaile Timperley is a Partner of Deloitte Touche Tohmatsu and a member of Chartered Accountants Australia and New Zealand.

NSW FARMERS' (INDUSTRIAL) ASSOCIATION

s.268 *Fair Work (Registered Organisations) Act 2009*

CERTIFICATE BY PRESCRIBED DESIGNATED OFFICER

Certificate for the period ended 31 December 2016

I, *P Wilson*, being the Treasurer of NSW Farmers' (Industrial) Association certify:

- that the documents lodged herewith are copies of the full report for the NSW Farmers' (Industrial) Association for the period ended 31 December 2016 referred to in s.268 of the *Fair Work (Registered Organisations) Act 2009*; and
- that the full report will be available to Members on 30 May 2017; and
- that the full report was presented to a meeting of the committee of management of the reporting unit on 30 May 2017 in accordance with s.266 of the *Fair Work (Registered Organisations) Act 2009*.

Signature of prescribed designated officer:



Name of prescribed designated officer: P Wilson

Title of prescribed designated officer: Treasurer

Dated: 30 May 2017

NSW FARMERS' (INDUSTRIAL) ASSOCIATION

OPERATING REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The committee presents its report on the reporting unit for the financial year ended 31 December 2016.

Review of principal activities, the results of those activities and any significant changes in the nature of those activities during the year

Principal activities

The principal activities of NSW Farmers' (Industrial) Association ("the Association") are the provision of Industrial Relations Services, management of investment funds and investment property and receipting of Membership subscription funds. This is consistent with the principal activities of the Association in 2015.

Review of operations

The net profit for the year was:

	2016	2015
	\$	\$
NSW Farmers' (Industrial) Association	<u>8,601,691</u>	<u>5,140,331</u>

A number of factors have affected the financial performance of the Association.

A significant difference in operating expenditure was the increase in management fee income to \$3,766,140 (2015: \$1,821,947) paid by the NSW Farmers' Association to the Association. The method of calculation ensures that the proportion of net assets is maintained between the two associations.

The Association has leased all available floors at the 35 Chandos Street, St. Leonard's property. The result of the financial year has been significantly impacted by a fair value gain relating to this investment property of \$3,003,157 (2015: \$1,591,868).

The fair value gain on financial assets was \$506,125 (2015: gain of \$353,194) which was reflective of movement in local and international equity and bond markets. The returns of the Investment Manager was generally in line with the benchmarks relating to their portfolio allocations. The management of the investment portfolio is continually reviewed by the Board.

NSW FARMERS' (INDUSTRIAL) ASSOCIATION

OPERATING REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Review of operations (continued)

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.

Right of members to resign

Members can resign in accordance with Clause 13 of the Rules of the Association.

Officers & employees who are superannuation fund trustee(s) (include position details) or director of a company that is a superannuation fund trustee

No officer or member of the reporting unit holds a position as a trustee or director of a superannuation entity or exempt public sector superannuation scheme where the criterion for holding such position is that they are an officer or member of an organisation.

Number of members

Number of Members at 31 December 2016 – 4,370 (2015: 4,509).

Number of employees

Number of full-time employees who served for the complete financial year ended 31 December 2016 – 3 (2015: 3).

NSW FARMERS' (INDUSTRIAL) ASSOCIATION

OPERATING REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Names of Committee of Management members and period positions held during the financial year

Director	Date appointed	Date Resigned	Qualifications
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

Signature of designated officer:



Name and title of designated officer: D Schoen, President

Dated: 30 May 2017

NSW FARMERS' (INDUSTRIAL) ASSOCIATION

COMMITTEE OF MANAGEMENT STATEMENT

for the period ended 31 December 2016

On 30 May 2017 the Board of Directors of NSW Farmers' (Industrial) Association passed the following resolution in relation to the general purpose financial report (GPFR) for the year ended 31 December 2016:

The Board of Directors declares that in its opinion:

- (a) the financial statements and notes comply with the Australian Accounting Standards;
- (b) the financial statements and notes comply with the reporting guidelines of the General Manager;
- (c) the financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of the reporting unit for the financial year to which they relate;
- (d) there are reasonable grounds to believe that the reporting unit will be able to pay its debts as and when they become due and payable; and
- (e) during the financial year to which the GPFR relates and since the end of that year:
 - (i) meetings of the committee of management were held in accordance with the rules of the organisation including the rules of a branch concerned; and
 - (ii) the financial affairs of the reporting unit have been managed in accordance with the rules of the organisation including the rules of a branch concerned; and
 - (iii) the financial records of the reporting unit have been kept and maintained in accordance with the Fair Work (Registered Organisations) Act 2009; and
 - (iv) where the organisation consists of two or more reporting units, the financial records of the reporting unit have been kept, as far as practicable, in a consistent manner with each of the other reporting units of the organisation; and
 - (v) no information has been sought in any request by a member of the reporting unit or General Manager duly made under section 272 of the Fair Work (Registered Organisations) Act 2009; and
 - (vi) no order for inspection of financial records has been made by the Fair Work Commission under section 273 of the Fair Work (Registered Organisations) Act 2009.
- (f) no revenue has been derived from undertaking recovery of wages activity during the reporting period.

This declaration is made in accordance with a resolution of the Committee of Management.

Signature of designated officer:



Name and title of designated officer: D Schoen, President

Dated: 30 May 2017

NSW FARMERS' (INDUSTRIAL) ASSOCIATION
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 December 2016

	Notes	2016 \$	2015 \$
Revenue			
Membership subscription		709,331	700,980
Dividend income from investment portfolio		91,618	355,455
Project income		108,892	16,580
NFF House Unit Trust distribution		31,481	39,130
Capitation fees	3A	-	-
Levies	3B	-	-
Interest	3C	335,116	219,178
Rental revenue	3D	883,306	886,685
Total revenue		2,159,744	2,218,008
Other Income			
Grants and/or donations	3E	-	-
Market movement in investments at fair value through profit and loss		506,125	353,194
Management fee – NSW Farmers' Association		3,766,140	1,821,947
Gain on movement in fair value of investment property		3,003,157	1,591,868
Other income		14,789	13,489
Total other income		7,290,211	3,780,498
Total income		9,449,955	5,998,506
Expenses			
Employee expenses	4A	(269,883)	(275,852)
Capitation fees	4B	-	-
Promotional expenses		(20,000)	(20,000)
Investment expenses		(140,936)	(132,179)
Affiliation fees	4C	-	-
Administration expenses	4D	(389,226)	(367,401)
Grants or donations	4E	-	-
Depreciation	4F	(15,071)	(15,030)
Legal costs	4G	-	(4,743)
Audit fees	12	(14,200)	(13,800)
Total expenses		(849,316)	(829,005)
Profit (loss) for the year		8,600,639	5,169,501
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Revaluation of available-for-sale investment through investment revaluation reserve		1,052	(29,170)
Total comprehensive income for the year		8,601,691	5,140,331

The above statement should be read in conjunction with the notes.

NSW FARMERS' (INDUSTRIAL) ASSOCIATION
STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5A	1,076,211	1,839,959
Trade and other receivables	5B	17,750,132	10,296,187
Other current assets	5C	16,653	17,665
Total current assets		18,842,996	12,153,811
Non-Current Assets			
Property, plant and equipment	6A	41,121	38,096
Investment Property	6B	15,450,000	12,587,121
Other non-current assets	6C	19,370,812	19,316,268
Total non-current assets		34,861,933	31,941,485
Total assets		53,704,929	44,095,296
LIABILITIES			
Current Liabilities			
Trade payables	7A	804	7,783
Other payables	7B	71,928	46,336
Other liabilities	7C	765,180	188,900
Borrowings	7D	971,280	558,231
Employee provisions	8	-	-
Total current liabilities		1,809,192	801,250
Total liabilities		1,809,192	801,250
Net assets		51,895,737	43,294,046
EQUITY			
Retained earnings	9A	51,384,984	42,784,345
Reserves	9B	510,753	509,701
Total equity		51,895,737	43,294,046

The above statement should be read in conjunction with the notes.

NSW FARMERS' (INDUSTRIAL) ASSOCIATION
STATEMENT OF CHANGES IN EQUITY
for the period ended 31 December 2016

Consolidated		Retained earnings	Investment revaluation reserve	Total equity
	Notes	\$	\$	\$
Balance as at 1 January 2015		37,614,844	538,871	38,153,715
Profit for the year		5,169,501	-	5,169,501
Other comprehensive income for the year		-	(29,170)	(29,170)
Closing balance as at 31 December 2015		42,784,345	509,701	43,294,046
Profit for the year		8,600,639	-	8,600,639
Other comprehensive income for the year		-	1,052	1,052
Closing balance as at 31 December 2016		51,384,984	510,753	51,895,737

The above statement should be read in conjunction with the notes.

NSW FARMERS' (INDUSTRIAL) ASSOCIATION
CASH FLOW STATEMENT
for the period ended 31 December 2016

	Notes	2016 \$	2015 \$
OPERATING ACTIVITIES			
Cash received			
Member subscriptions		705,053	729,543
Rental income		913,883	886,685
Project funds received in advance		439,044	-
Interest		3,320	9,205
Other		79,487	30,068
Cash used			
Employees and suppliers		(674,343)	(634,066)
Net cash from (used by) operating activities	10A	1,466,444	1,021,435
INVESTING ACTIVITIES			
Cash received			
Dividend and trust distributions		454,895	604,558
Proceeds from sale of land and buildings		-	-
Other		-	-
Cash used			
Purchase of plant and equipment		(18,096)	-
Purchase of land and buildings		-	-
Net withdrawal / (re-investment in) from investment portfolio		1,019,700	(1,247,412)
Net cash from (used by) investing activities		1,456,499	(642,854)
FINANCING ACTIVITIES			
Cash used			
Net loan to a related party		(3,686,691)	(2,387,149)
Net cash from (used by) financing activities		(3,686,691)	(2,387,149)
Net increase (decrease) in cash held		(763,748)	(2,008,568)
Cash & cash equivalents at the beginning of the reporting period		1,839,959	3,848,527
Cash & cash equivalents at the end of the reporting period	5A	1,076,211	1,839,959

The above statement should be read in conjunction with the notes.

NSW FARMERS' (INDUSTRIAL) ASSOCIATION

RECOVERY OF WAGES ACTIVITY

for the period ended 31 December 2016

	2016	2015
	\$	\$
Cash assets in respect of recovered money at beginning of year	-	-
Receipts		
Amounts recovered from employers in respect of wages etc.	-	-
Interest received on recovered money	-	-
Total receipts	-	-
Payments		
Deductions of amounts due in respect of membership for:		
12 months or less	-	-
Greater than 12 months	-	-
Deductions of donations or other contributions to accounts or funds of:		
The reporting unit:		
name of account	-	-
name of fund	-	-
Name of other reporting unit of the organisation:		
name of account	-	-
name of fund	-	-
Name of other entity:		
name of account	-	-
name of fund	-	-
Deductions of fees or reimbursement of expenses	-	-
Payments to workers in respect of recovered money	-	-
Total payments	-	-
Cash assets in respect of recovered money at end of year	-	-
Number of workers to which the monies recovered relates	-	-
Aggregate payables to workers attributable to recovered monies but not yet distributed		
Payable balance	-	-
Number of workers the payable relates to	-	-
Fund or account operated for recovery of wages	-	-

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Note 1 Summary of Significant Accounting Policies

1.1 Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations and the requirements under Section 253 of the Fair Work (Registered Organisations) Act 2009.

The financial statements cover NSW Farmers' (Industrial) Association as an individual entity. For the purposes of preparing the financial statements, the Association is a not-for-profit entity.

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

The financial statements were authorised for issue by the Executive Committee on 30 May 2017.

1.2 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.

1.3 New Australian Accounting Standards

In the current year, the Association has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. No new and revised standards and interpretations that have been adopted in the current period have affected the amounts reported in these financial statements (refer note 1.18).

1.4 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 2 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

1.5 Foreign currency

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

Note 1 Summary of Significant Accounting Policies (continued)

1.6 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.

1.7 Revenue

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

Dividend and interest revenue

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

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

Membership subscription income

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

Project income

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

Distribution income

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

Other income

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

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.

1.8 Unearned revenue

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

Note 1 Summary of Significant Accounting Policies (continued)

1.9 Cash and cash equivalents

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

1.10 Financial assets

Investments are recognised and de-recognised 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 had no held to maturity investments.

Effective interest method

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

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset has been acquired principally for the purpose of selling in the near future; or

the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Association's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 13.

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.

Note 1 Summary of Significant Accounting Policies (continued)

1.10 Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets held by the Association consist of Units in NFF Unit Trust. Gains and losses arising from changes in fair value are recognised directly in the investment revaluation reserve with the exemption of impairment losses, interest calculated using the effective method and foreign exchange gains and losses which are recognised directly in profit or loss. Fair value is determined in the manner described in Note 13.

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 statement of financial position 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 Association neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Association recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Association retains substantially all the risks and rewards of ownership of a transferred financial asset, the Association continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Note 1 Summary of Significant Accounting Policies (continued)

1.11 Property, plant, and equipment

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

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

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

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

Plant and Equipment 3-5 years

1.12 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.

1.13 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.

Note 1 Summary of Significant Accounting Policies (continued)

1.13 Impairment of long-lived assets (continued)

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

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

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

1.15 Provisions

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

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

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

Note 1 Summary of Significant Accounting Policies (continued)

1.16 Financial instruments issued by the Association

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

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

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

1.17 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.

1.18 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

Note 1 Summary of Significant Accounting Policies (continued)

1.18 Adoption of new and revised Accounting Standards (continued)

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:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• 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 2019	31 December 2019
• AASB 1058 Income for Not-For-Profit entities	1 January 2019	31 December 2019
• 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
• Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	31 December 2018

Note 2 Critical accounting estimates and judgment

The Executive Committee of the Association evaluates estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Association. Key estimates and critical judgments include estimation of fair values of investment properties and classification of investments as “financial assets at fair value through profit or loss”.

Note 3 Income

	2016	2015
	\$	\$
Note 3A: Capitation fees		
Total capitation fees	-	-
Note 3B: Levies		
Total levies	-	-
Note 3C: Interest		
Deposits	335,116	219,178
Total interest	335,116	219,178
Note 3D: Rental revenue		
Properties	883,306	886,685
Total rental revenue	883,306	886,685
Note 3E: Grants or donations		
Grants	-	-
Donations	-	-
Total grants or donations	-	-

	2016	2015
	\$	\$
Note 4 Expenses		
Note 4A: Employee expenses		
Holders of office:		
Wages and salaries	-	-
Superannuation	-	-
Leave and other entitlements	-	-
Separation and redundancies	-	-
Other employee expenses	-	-
Subtotal employee expenses holders of office	<u>-</u>	<u>-</u>
Employees other than office holders:		
Wages and salaries	241,701	248,176
Superannuation	21,882	22,406
Leave and other entitlements	-	-
Separation and redundancies	-	-
Other employee expenses	6,300	5,270
Subtotal employee expenses employees other than office holders	<u>269,833</u>	<u>275,852</u>
Total employee expenses	<u>269,883</u>	<u>275,852</u>
 Note 4B: Capitation fees		
Total capitation fees	<u>-</u>	<u>-</u>
 Note 4C: Affiliation fees		
Total affiliation fees/subscriptions	<u>-</u>	<u>-</u>

	2016	2015
	\$	\$
Note 4D: Administration expenses		
Penalties imposed under RO Act	-	-
Consideration to employers for payroll deductions	-	-
Compulsory levies	-	-
Fees/allowances - meeting and conferences	-	-
Conference and meeting expenses	-	-
Property expenses	341,853	343,388
Other	47,373	42,013
Total administration expenses	389,226	367,401

Note 4E: Grants or donations

Grants:		
Total paid that were \$1,000 or less	-	-
Total paid that exceeded \$1,000	-	-
Donations:		
Total paid that were \$1,000 or less	-	-
Total paid that exceeded \$1,000	-	-
Total grants or donations	-	-

Note 4F: Depreciation

Depreciation		
Property, plant and equipment	15,071	15,030
Total depreciation	15,071	15,030

Note 4G: Legal costs

Litigation	-	-
Other legal matters	-	4,743
Total legal costs	-	4,743

	2016	2015
	\$	\$

Note 5 Current Assets

Note 5A: Cash and Cash Equivalents

Cash at bank	335,368	386,711
Cash held with investment manager	740,843	1,453,248
Total cash and cash equivalents	1,076,211	1,839,959

Note 5B: Trade and Other Receivables

Receivables from other reporting unit

NSW Farmers' Association (i)	17,699,592	10,246,761
Total receivables from other reporting unit (net)	17,699,592	10,246,761

Less provision for doubtful debts

NSW Farmers' Association (i)	-	-
Total provision for doubtful debts	-	-
Receivable from other reporting unit	17,699,592	10,246,761

(i) At the balance date, the related party receivable balance is repayable on demand. However the Directors have given an undertaking to NSW Farmers' Association that it will provide financial support to NSW Farmers' Association should they need it to enable them to repay their other debts as and when they fall due.

Other receivables:

GST receivable from the Australian Taxation Office	(7,119)	(5,810)
Other trade receivables	57,659	55,236
Total other receivables	50,540	49,426
Total trade and other receivables (net)	17,750,132	10,296,187

Note 5C: Other Current Assets

Prepayments	16,653	17,665
Total other current assets	16,653	17,665

2016	2015
\$	\$

Note 6 Non-current Assets

Note 6A: Property, Plant and equipment

Property, Plant and equipment:

at cost	119,443	101,347
accumulated depreciation	(78,322)	(63,251)
Total property plant and equipment	41,121	38,096

Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment

As at 1 January

Gross book value	101,347	101,346
Accumulated depreciation and impairment	(63,251)	(48,220)
Net book value 1 January	38,096	53,126

Additions:

By purchase	18,096	-
From acquisition of entities (including restructuring)	-	-
Impairments	-	-
Depreciation expense	(15,071)	(15,030)
Other movement	-	-
Disposals:		
From disposal of entities (including restructuring)	-	-
Other	-	-

Net book value 31 December	41,121	38,096
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Net book value as of 31 December represented by:

Gross book value	119,443	101,347
Accumulated depreciation and impairment	(78,322)	(63,251)
Net book value 31 December	41,121	38,096

2016
\$

2015
\$

Note 6B: Investment Property

Opening balance as at 1 January	12,587,121	11,187,126
Additions	-	-
Movement in lease incentive	(140,277)	(191,873)
Net gain from fair value adjustment	3,003,157	1,591,868
Closing balance as at 31 December	15,450,000	12,587,121

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 re-measurement 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	14,700,000	12,000,000	Income capitalisation method	<ul style="list-style-type: none"> Market rent 	\$430-445m ²	\$350-533m ²	The higher the passing and market rent per square metre, the higher the fair value.
					<ul style="list-style-type: none"> Capitalisation rate 	6.25%	7.25%	The higher the capitalisation rate, the lower the fair value.
Residential	Level 3	750,000	587,126	Market comparison method	<ul style="list-style-type: none"> Price per square metre 	\$9,740	\$7,488	Higher the price per square metre, the higher the fair value.

A change in the income capitalisation rate of 0.25% would result in a fair value change (increase/decrease) of \$39,121 (2015: \$34,132). 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 commercial property valuations on a periodic basis, but at least once every 3 years. During interim years, an internal valuation assessment is performed using external market data relating to capitalisation rates and internal rental data relating to the properties.

	2016	2015
	\$	\$

Note 6C: Other Financial Assets

Financial assets at fair value through profit or loss

Financial assets in quoted securities – at fair value	18,575,058	18,521,568
Available-for-sale financial assets		
Investment in NFF House Trust – at fair value	795,754	794,700
Total other current assets	19,370,812	19,316,268

Note 7 Current Liabilities

Note 7A: Trade payables

Trade creditors (i)	804	7,783
Subtotal trade creditors	804	7,783

(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 timetable.

Payables to other reporting unit

Subtotal payables to other reporting unit	-	-
Total trade payables	804	7,783

Settlement is usually made within 30 days.

Note 7B: Other payables

Consideration to employers for payroll deductions	-	-
Legal costs	-	-
Other	71,928	46,336
Total other payables	71,928	46,336

Total other payables are expected to be settled in:

No more than 12 months	71,928	46,336
More than 12 months	-	-
Total other payables	71,928	46,336

	2016 \$	2015 \$
Note 7C: Other liabilities		
Unearned income	611,166	188,900
Forward foreign exchange contracts	154,014	-
Total other liabilities	<u>765,180</u>	<u>188,900</u>

Note 7D: Borrowings

Margin lending facility (i)	971,280	558,231
Total other liabilities	<u>971,280</u>	<u>558,231</u>

(i) Assets secured over the margin lending facility include quoted securities (Note 6C) with a fair value of \$18,575,058 at balance date (2015: \$18,521,568).

Note 8 Employee Provisions

Employee provisions in relation to the 3 employees (2015: 3) are recorded in NSW Farmers' Association's books, hence the balance is Nil (2015: Nil).

Note 9 Equity

Note 9A: Retained Earnings

Balance as at start of year	42,784,345	37,614,844
Total comprehensive income for the year	8,600,639	5,169,501
Balance as at end of year	<u>51,384,984</u>	<u>42,784,345</u>

Note 9B: Investment Revaluation Reserve

Balance as at start of year	509,701	538,871
Transferred to reserve	1,052	-
Transferred out of reserve	-	(29,170)
Balance as at end of year	<u>510,753</u>	<u>509,701</u>
Total Reserves	<u>51,895,737</u>	<u>43,294,046</u>

	2016	2015
	\$	\$

Note 10 Cash Flow

Note 10A: Cash Flow Reconciliation

Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement:

Cash and cash equivalents as per:

Cash flow statement	1,076,211	1,839,959
Balance sheet	1,076,211	1,839,959
Difference	<u>-</u>	<u>-</u>

Reconciliation of profit/(deficit) to net cash from operating activities:

Profit/(deficit) for the year	8,600,639	5,169,501
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Adjustments for non-cash items

Depreciation/amortisation	15,071	15,030
Change in fair values of financial assets held at fair value through profit and loss	(506,125)	(353,194)
Dividend and interest income	(454,895)	(604,558)
Management fee to related entity (non-cash)	(3,766,140)	(1,821,947)
Gain on movement in fair value of investment property	(3,003,157)	(1,591,868)

Changes in assets/liabilities

(Increase)/decrease in net receivables	(1,114)	12,828
Decrease in other current asset	1,010	15,355
Increase in lease incentive	140,277	191,873
Increase in deferred income	422,266	15,735
Increase/(decrease) in trade and other payables	18,612	(27,320)
Net cash from (used by) operating activities	<u>1,466,444</u>	<u>1,021,435</u>

Note 10B: Cash flow information

Cash inflows	3,615,385	2,260,059
Total cash inflows	<u>3,615,385</u>	<u>2,260,059</u>
Cash outflows	(4,379,130)	(4,268,627)
Total cash outflows	<u>(4,379,130)</u>	<u>(4,268,627)</u>

Note 11 Related Party Disclosures

Note 11A: Related Party Transactions for the Reporting Period

- (a) Transactions with Key Management Personnel
- i. There are no employee benefits paid to any holders of office in the Association.
- (b) Transactions with other related parties:
- i. During the year, the entity received management fees of \$3,766,140 (2015: \$1,821,947) from NSW Farmers' Association, a related entity.
 - ii. The entity has provided loans to and received advances from NSW Farmers' Association, a related entity. These loans and advances are unsecured, interest free and repayable on demand. Refer Note 5B for balance outstanding at year end.
 - iii. In December 2012, the Association entered into a five year lease agreement with NSW Farmers' Association for the rental of the premises at 35 Chandos Street, St Leonard's. The annual rental is \$ 303,720 (2015: \$294,294).

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

Note 11B: Key Management Personnel Remuneration for the Reporting Period

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

Note 12 Remuneration of Auditors

	2016	2015
	\$	\$
Value of the services provided		
Audit services	12,500	12,200
Financial statements review	1,700	1,600
Total remuneration of auditors	<u>14,200</u>	<u>13,800</u>

The auditor of NSW Farmers' (Industrial) Association is Deloitte Touche Tohmatsu. No other services were provided by the auditors of the financial statements.

Note 13 Financial Instruments

(a) Financial risk management objectives

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

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

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

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

(b) Capital risk management

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

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

(c) Categories of financial instruments

	2016	2015
	\$	\$
Financial assets		
Cash and cash equivalents	1,076,211	1,839,959
Loans and receivables	17,750,132	10,296,188
Available-for-sale financial assets	795,754	794,700
Financial assets designated as fair value through profit or loss	18,575,058	18,521,568
Total Financial Assets	<u>38,197,155</u>	<u>31,452,415</u>
Financial liabilities		
Trade and other payables	72,732	54,119
Margin lending facility	971,280	558,231
Forward foreign exchange contracts	154,014	-
Total	<u>1,198,026</u>	<u>612,350</u>

Note 13 Financial Instruments (continued)

(d) Market risk

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

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

Interest rate risk management

The Association is exposed to interest rate risk as a consequence of its cash and deposits balances which attracts average variable interest rates as well as a margin lending facility exposed to variable interest rates.

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 \$5,381 (2015: decrease/increase by \$9,200). This is mainly attributable to the Association's exposure to interest rates on its variable rate deposits.

Equity price sensitivity

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

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

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

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

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

At reporting date, if market prices had been 5% higher or lower and all other variables were held constant, the Association's net profit would increase/decrease by approximately \$928,753 (2015: \$926,078).

Note 13 Financial Instruments (continued)

(d) Market risk (continued)

Foreign exchange risk sensitivity

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

The main currency exposure is US dollars (USD) with US denominated equity investments totalling to USD 4,012,396 (AUD 5,560,416) at balance date. This exposure is partially hedged through a USD denominated margin lending facility in place at balance date totalling USD 718,075 (AUD 971,280).

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

At reporting date if the AUD/USD currency rate had been 5% higher or lower and all other variables were held constant, the Association's net profit (reflected via market movement in investments at fair value) would increase/decrease by approximately \$ 278,021 (2015: \$271,565).

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Association. The Association has adopted a policy of only dealing with creditworthy counterparties. The main receivables balance relates to a related party – NSW Farmers' Association.

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.

(f) Liquidity risk management

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

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

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

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.

Note 13 Financial Instruments (continued)

	Weighted average effective interest rate %	Less than 1 year \$	1 - 2 years \$	Longer than 2 years \$
2016				
Financial liabilities				
Non-interest bearing	-	226,747	-	-
Variable interest rate instruments	2.45	971,280	-	-
		1,198,027	-	-
2015				
Financial liabilities				
Non-interest bearing	-	54,119	-	-
Variable interest rate instruments	4.50	558,231	-	-
		612,350	-	-

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

	Weighted average effective interest rate %	Less than 1 year \$	1 - 2 years \$	Longer than 2 years \$
2016				
Financial assets				
Non-interest bearing	-	32,605,462	-	-
Fixed interest rate instruments	5.10	1,590,069	-	-
Variable interest rate instruments	3.54	4,001,622	-	-
		38,197,153	-	-
2015				
Financial assets				
Non-interest bearing	-	24,582,152	-	-
Fixed interest rate instruments	5.75	257,650	-	-
Variable interest rate instruments	3.31	6,612,612	-	-
		31,452,414	-	-

Note 13 Financial Instruments (continued)

(g) Fair value of financial instruments

This note provides information about how the Association determines the fair values of various financial assets and financial liabilities.

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 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 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2016			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Non-derivative financial assets designated as at fair value through profit or loss	18,575,058	-	-	18,575,058
Available-for-sale financial assets				
Unquoted equities	-	-	795,754	795,754
Total	18,575,058	-	795,754	19,370,812

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

	31 December 2015			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Non-derivative financial assets designated as at fair value through profit or loss	18,521,568	-	-	18,521,568
Available-for-sale financial assets				
Unquoted equities	-	-	794,700	794,700
Total	18,521,568	-	794,700	19,316,268

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

Note 13 Financial Instruments (continued)

(g) Fair value of financial instruments (continued)

Fair value of the Association's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Association's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and inputs(s)	Significant un-observable input(s)	Relationship of un-observable inputs to fair value
	31/12/2016 \$	31/12/2015 \$				
Financial assets at fair value through profit or loss – Listed securities	18,575,058	18,521,568	Level 1	Quoted bid prices in an active primary market	N/A	N/A
Financial assets at fair value through profit or loss – Unlisted securities	-	-	Level 2	Quoted bid prices in a secondary market	N/A	N/A
Available-for-sale financial assets	795,754	794,700	Level 3	Proportionate net assets of investee company	Net assets of investee company	Higher the net assets, the higher the fair value

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

Reconciliation of Level 3 fair value measurements

	2016 \$	2015 \$
Available-for-sale financial assets		
Opening balance	794,700	823,872
Total gains or losses:	-	
In other comprehensive income	1,052	(29,170)
Closing balance	795,754	794,700
Total available-for-sale financial assets	<u>795,754</u>	<u>794,700</u>

Note 14: General Information

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

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

NSW Farmers' (Industrial) Association
Level 6
35-37 Chandos Street
St Leonard's NSW 2065

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

Note 15: Section 272 Fair Work (Registered Organisations) Act 2009

In accordance with the requirements of the *Fair Work (Registered Organisations) Act 2009*, the attention of members is drawn to the provisions of subsections (1) to (3) of section 272, which reads as follows:

Information to be provided to members or General Manager:

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

16. SUBSEQUENT EVENTS

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

17. OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancellable operating leases are due in the following periods:

	2016	2015
	\$	\$
No later than 1 year	291,687	303,720
Later than 1 year and not later than 5 years	-	291,687
Later than 5 years	-	-
	<u>291,687</u>	<u>595,407</u>