



**Australian Government**  
**Registered Organisations Commission**

8 October 2019

Mr James Jackson  
President  
NSW Farmers' (Industrial) Association

By e-mail: [industrial@nswfarmers.org.au](mailto:industrial@nswfarmers.org.au)

Dear Mr Jackson

**NSW Farmers' (Industrial) Association**  
**Financial Report for the year ended 31 December 2018 - FR2018/314**

I acknowledge receipt of the amended financial report for the year ended 31 December 2018 for the NSW Farmers' (Industrial) Association (**the reporting unit**). The financial report was lodged with the Registered Organisations Commission (**ROC**) on 2 October 2019.

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

Whilst the 2019 report has been filed the following should be addressed in the preparation of the next financial report.

Reporting guideline activities – not disclosed

Item 21 of the reporting guidelines states that if any activity described within items 10-20 of the reporting guidelines has not occurred in the reporting period, a statement to this effect must be included in the GPFR or in an officer's declaration statement.

The notes contained nil activity information for all prescribed reporting guideline categories except the following:

- Item 14(e)(i) – pay a grant that was \$1,000 or less
- Item 14(e)(ii) – pay a grant that exceeded \$1,000

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](mailto:ken.morgan@roc.gov.au)

Yours faithfully

A handwritten signature in black ink, appearing to read 'K. Morgan', with a stylized flourish at the end.

**KEN MORGAN**  
**Financial Reporting Specialist**  
**Registered Organisations Commission**

# **NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**  
**ABN 49 058 101 237**  
**FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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# Independent Auditor's Report

## To the Members of NSW Farmers' (Industrial) Association

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of NSW Farmers' (Industrial) Association (the "Association"), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, the committee of management statement, the subsection 255(2A) report and the officer declaration statement.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of NSW Farmers' (Industrial) Association as at 31 December 2018, and its financial performance and its cash flows for the year ended on that date in accordance with:

1. the Australian Accounting Standards; and
2. any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the Fair Work (Registered Organisations) Act 2009 ("the RO Act").

We declare that management's use of the going concern basis in the preparation of the financial statements of the Association is appropriate.

#### 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 Reporting Unit 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.

### **Emphasis of matter – Committee of Management Statement**

We draw attention to the Committee of Management Statement and the reference in that Statement to the Committee of Management awaiting Fair Work Commission's approval of certain rule changes of the Association to facilitate formal documentation regarding financial accommodation provided to NSW Farmers' Association. This approval is yet to be received. Our opinion is not modified in respect of this matter.

### **Responsibilities of Committee of Management for the financial report**

The Committee of Management of the Association is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the RO Act, and for such internal control as the Committee of Management 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 Committee of Management is 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 Committee of Management 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 Reporting Unit's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee of Management.
- Conclude on the appropriateness of the Committee of Management'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 Reporting Unit'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 Reporting Unit 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 Committee of Management 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.


We declare that James Winter is an approved auditor, a member of Chartered Accountants Australia and New Zealand and holds a current Public Practice Certificate.

**Other matter**

The Committee of Management Statement reflects that the Association has not undertaken any recovery of wages activity during the reporting period. As such, no opinion is provided in relation to recovery of wages activity.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



James Winter  
Partner – Audit & Assurance  
Sydney, 25 September 2019

Registration number AA2018/180

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**


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

**DESIGNATED OFFICER'S CERTIFICATE**

Certificate for the year ended 31 December 2018

I, R Reardon, 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 2018 referred to in s.268 of the *Fair Work (Registered Organisations) Act 2009*; and
- that the full report will be available to Members on 25 September 2019; and
- that the full report was presented to a meeting of the committee of management of the reporting unit on 25 September 2019 in accordance with s.266 of the *Fair Work (Registered Organisations) Act 2009*.

Signature of prescribed designated officer: 

Name of prescribed designated officer: R Reardon

Title of prescribed designated officer: Treasurer

Dated: 25 September 2019



**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

s.255(2A) Fair Work (Registered Organisations) Act 2009

**EXPENDITURE REPORT**


Report for the year ended 31 December 2018

The Committee of Management presents the expenditure report as required under subsection 255(2A) on NSW Farmers' (Industrial) Association (the "Association") for the financial year ended 31 December 2018

**Descriptive form**

Categories of expenditures	2019 (\$)	2018 (\$)
Remuneration and other employment-related costs and expenses – employees	394,826	314,722
Advertising	–	–
Operating costs	1,313,043	611,883
Donations to political parties	–	–
Legal costs	18,131	11,316

Signature of designated officer:



Name and title of designated officer: James Jackson, President

Dated: 25 September 2019

## NSW FARMERS' (INDUSTRIAL) ASSOCIATION

### FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

#### OPERATING REPORT

The Committee of Management presents its financial report and notes of NSW Farmers' (Industrial) Association (the "Association") for the financial year ended 31 December 2018.

#### **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 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 2017.

##### Review of operations and significant changes in financial plan

The net (deficit)/surplus for the year was:

	2018	2017
	\$	\$
NSW Farmers' (Industrial) Association	(277,796)	9,612,704

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

There has been no management fee received in current year (2017: \$0) from NSW Farmers' Association to this Association. The Committee is currently reviewing the basis for the fee.

The Association sold the 35 Chandos Street, St Leonards property in the prior year, the gain from which significantly increased the 2017 surplus.

The unrealised fair value loss on financial assets was \$878,470 (2017: gain of \$1,173,351) and was reflective of movement in local and international equity and bond markets. The returns of the Investment Manager were generally in line with the benchmarks relating to their portfolio allocations. The management of the investment portfolio is continually reviewed by the Committee. See Note 12 for further information regarding financial risk management policies.

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 the Committee 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.

#### **Right of members to resign**

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

## NSW FARMERS' (INDUSTRIAL) ASSOCIATION

### FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

#### Officers & employees who are superannuation fund trustee (s) or Director of a company that is a superannuation fund trustee

No officer or member of the Association 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 as at 31 December 2018 was 4,245 (2017: 4,292).

#### Number of employees

Number of full-time employees who served for the complete financial year ended 31 December 2018 was 3 (2017: 3).

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

Director	Date appointed	Date resigned	Qualifications
M Horan	21/07/2011	25/07/2018	Farmer
P Wilson	19/10/2012	25/07/2018	Farmer
D Schoen	19/07/2013	25/07/2018	Farmer
M Clapham	15/07/2015	25/07/2018	Farmer
J Jackson	15/07/2015		Farmer
R Reardon	20/07/2016		Farmer
L Minogue	20/07/2016		Farmer
A Shoker	20/07/2016		Farmer
T Duddy	25/07/2018		Farmer
C Kemp	25/07/2018		Farmer
D Mailler	25/07/2018		Farmer
S Russo	25/07/2018		Farmer
C Groves	25/07/2018		Farmer

Signature of designated officer:



Name and title of designated officer: James Jackson, President

Dated: 25 September 2019

## NSW FARMERS' (INDUSTRIAL) ASSOCIATION

### COMMITTEE OF MANAGEMENT STATEMENT

*for the year ended 31 December 2018*

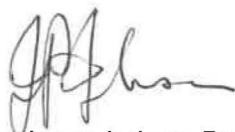
On 25 September 2019 the Committee of Management of NSW Farmers' (Industrial) Association (the "reporting unit") passed the following resolution in relation to the general purpose financial report (GPFR) for the year ended 31 December 2018:

The Committee of Management 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 any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the Fair Work (Registered Organisations) Act 2009 (the "RO Act");
- (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; and
  - (ii) the financial affairs of the reporting unit have been managed in accordance with the rules of the organisation; 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) no information has been sought in any request by a member of the reporting unit or Commissioner duly made under section 272 of the Fair Work (Registered Organisations) Act 2009; and
  - (v) 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.

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

Signature of designated officer:



Name and title of designated officer: James Jackson, President

Dated: 25 September 2019

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the year ended 31 December 2018

	Note	2018 \$	2017 \$
<b>Revenue</b>			
Membership subscriptions		680,185	668,467
Dividend income from investment portfolio		101,352	102,989
Project income		143,155	67,208
NFF House Unit Trust distribution		36,047	38,559
Interest income	3A	459,137	459,196
Rental income	3B	-	806,265
<b>Total revenue</b>	<b>3</b>	<b>1,419,876</b>	<b>2,142,684</b>
<b>Other income</b>			
Unrealised Gain in investments at fair value through profit and loss		-	1,173,351
Management fee – NSW Farmers' Association		3,900	3,900
Gain on sale of investment property		-	7,211,618
Other income		24,428	19,072
<b>Total other income</b>		<b>28,328</b>	<b>8,407,941</b>
<b>Total income</b>		<b>1,448,204</b>	<b>10,550,625</b>
<b>Expenses</b>			
Employee expenses	4A	(394,826)	(314,722)
Promotional expenses	4B	(20,500)	(20,500)
Investment expenses		(125,708)	(114,682)
Affiliation fees		-	(1,618)
Administration expenses	4C	(254,156)	(444,682)
Depreciation	4D	-	(14,966)
Legal costs	4E	(19,810)	(11,317)
Auditor remuneration	13	(15,351)	(15,434)
Property expense		(17,179)	-
Unrealised loss in investments at fair value through profit and loss		(878,470)	-
<b>Total expenses</b>		<b>(1,726,000)</b>	<b>(937,921)</b>
<b>(Deficit)/Surplus for the year</b>		<b>(277,796)</b>	<b>9,612,704</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss			
Revaluation of FVOCI investments		(18,256)	15,779
<b>Total comprehensive (loss)/income for the year</b>		<b>(296,052)</b>	<b>9,628,483</b>

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

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**STATEMENT OF FINANCIAL POSITION**

as at 31 December 2018

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5A	2,930,362	22,487,611
Trade and other receivables	5B	58,938	145,987
Other current assets	5C	-	-
<b>Total current assets</b>		<b>2,989,300</b>	<b>22,633,598</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6A	26,155	26,155
Investment property	6B	750,000	750,000
Other financial assets	6C	17,663,541	19,457,052
Other receivables	6D	41,275,645	19,652,756
<b>Total non-current assets</b>		<b>59,715,341</b>	<b>39,885,963</b>
<b>Total assets</b>		<b>62,704,641</b>	<b>62,519,561</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade payables	7A	297	2,592
Other payables	7B	14,000	49,367
Other liabilities	7C	391,300	265,967
Borrowings	7D	1,070,876	677,415
<b>Total current liabilities</b>		<b>1,476,473</b>	<b>995,341</b>
<b>Total liabilities</b>		<b>1,476,473</b>	<b>995,341</b>
<b>Net assets</b>		<b>61,228,168</b>	<b>61,524,220</b>
<b>EQUITY</b>			
Retained earnings	9A	60,719,892	60,997,688
Investment revaluation reserve	9B	508,276	526,532
<b>Total equity</b>		<b>61,228,168</b>	<b>61,524,220</b>

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

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION****STATEMENT OF CHANGES IN EQUITY***for the year ended 31 December 2018*

	<b>Note</b>	<b>Retained earnings \$</b>	<b>Investment revaluation reserve \$</b>	<b>Total equity \$</b>
<b>Balance as at 1 January 2017</b>		<b>51,384,984</b>	<b>510,753</b>	<b>51,895,737</b>
Surplus for the year		9,612,704	-	9,612,704
Other comprehensive income for the year		-	15,779	15,779
<b>Closing balance as at 31 December 2017</b>		<b>60,997,688</b>	<b>526,532</b>	<b>61,524,220</b>
Balance as at 1 January 2018		60,997,688	526,532	61,524,220
Deficit for the year		(277,796)	-	(277,796)
Other comprehensive income for the year		-	(18,256)	(18,256)
<b>Closing balance as at 31 December 2018</b>	<b>9</b>	<b>60,719,892</b>	<b>508,276</b>	<b>61,228,168</b>

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

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**STATEMENT OF CASH FLOWS**

*for the year ended 31 December 2018*

	Note	2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from member subscriptions		740,268	735,315
Receipts from rental income		-	886,892
Receipts from project funds received		276,424	67,208
Interest received and other income		474,407	498,297
Payments to suppliers and employees		(853,106)	(1,121,529)
<b>Net cash used in operating activities</b>	10A	<b>637,993</b>	<b>1,066,183</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividend and trust distributions received		137,399	141,548
Proceeds from the sale of land and buildings		-	21,347,808
Net withdrawal from (re-investment in) investment portfolio		1,290,248	809,025
Net increase in (repayment of) loan to a related party		(21,622,889)	(1,953,164)
<b>Net cash (provided by)/used in investing activities</b>		<b>(20,195,242)</b>	<b>20,345,217</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net cash provided by/(used in) financing activities</b>		<b>-</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>		<b>(19,557,249)</b>	<b>21,411,400</b>
Cash and cash equivalents at the beginning of the year		22,487,611	1,076,211
<b>Cash and cash equivalents at the end of the year</b>	5A	<b>2,930,362</b>	<b>22,487,611</b>

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



**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

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## **NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

### **FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **Note 1 Summary of Significant Accounting Policies**

##### **1.1 General information and statement of compliance**

The financial report is a general purpose financial report (tier 1 reporting requirements) which has been prepared in accordance with the requirements of the 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 (the "Association") as an individual entity incorporated and domiciled in Australia. 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 report for the year ended 31 December 2018 was approved and authorised for issue by the Executive Committee on 25 September 2019.

##### **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.

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 and the presentation currency for the financial statements.

##### **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 Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

## NSW FARMERS' (INDUSTRIAL) ASSOCIATION

### FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

#### Note 1 Summary of Significant Accounting Policies (continued)

##### 1.5 Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Association for goods supplied and services provided, excluding sales taxes, rebates, and trade discounts.

Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Association's different activities have been met. Details of the activity-specific recognition criteria are described below.

##### Membership subscription income

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

##### Project income

Project income is recognised by reference to the stage of completion of each project. Consideration received for those services is initially deferred, included in other liabilities and is recognised as revenue in the period when the milestone is performed.

##### Distribution income

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

##### 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.

##### 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.

##### 1.6 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. The services are usually provided or the conditions usually fulfilled within twelve (12) months of receipt of the grant. Where the amount received is in respect of services to be provided over a period that exceeds twelve (12) months after the reporting date or the conditions will only be satisfied more than twelve (12) months after the reporting date, the liability is discounted and presented as non-current.

##### 1.7 Cash and cash equivalents

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

## NSW FARMERS' (INDUSTRIAL) ASSOCIATION

### FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

#### Note 1 Summary of Significant Accounting Policies (continued)

##### 1.8 Financial assets

###### Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

###### Subsequent measurement financial assets

###### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Association's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

###### *Financial assets at fair value through profit or loss (FVPL)*

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL.

## NSW FARMERS' (INDUSTRIAL) ASSOCIATION

### FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

#### Note 1 Summary of Significant Accounting Policies (continued)

##### 1.8 Financial assets (continued)

###### *Equity instruments at fair value through other comprehensive income (Equity FVOCI)*

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity securities that were previously classified as 'available-for-sale' under AASB 139. The Association has not elected to apply FVOCI to its major investment portfolio, which are carried at FVPL.

###### *Debt instruments at fair value through other comprehensive income (Debt FVOCI)*

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI.

Any gains or losses recognised in OCI will be reclassified to profit or loss upon derecognition of the asset. This category includes corporate bonds that were previously classified as 'available-for-sale' under AASB 139.

###### *Impairment of Financial assets*

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Association considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

##### 1.9 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:

Property, plant and equipment: 3-5 years

## **NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

### **FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **Note 1 Summary of Significant Accounting Policies (continued)**

##### **1.10 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.

##### **1.11 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.

##### **1.12 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.

##### **1.13 Provisions**

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

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

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

## **NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

### **FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **Note 1 Summary of Significant Accounting Policies (continued)**

##### **1.14 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 except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

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.

##### **1.15 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.

##### **1.16 Income taxes**

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

##### **1.17 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 9 Financial Instruments**

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the Association has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 January 2018.

AASB 9 also contains new requirements on the application of hedge accounting. The new hedge accounting looks to align 'hedge accounting with entities' risk management activities' look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The adoption of AASB 9 has impacted the following areas:

##### **Classification and measurement of the Association's financial assets**

Unlisted investments - Available for sale financial assets under AASB 139 included listed equity investments of \$811,533 at 31 December 2017. These were reclassified to fair value through profit or loss (FVPL) under AASB 9. \$526,532 was transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

## NSW FARMERS' (INDUSTRIAL) ASSOCIATION

### FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

#### Note 1 Summary of Significant Accounting Policies (continued)

##### 1.18 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 15 Revenue from Contracts with Customers,- 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2019	31 December 2019
• AASB 1058 Income of Not-For-Profit entities, AASB 2016-8 Amendments to Australian Accounting Standards- Australian Implementation Guidance for Not-for-Profit Entities	1 January 2019	31 December 2019
• AASB 16 Leases	1 January 2019	31 December 2019
• AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	1 January 2019	31 December 2019

##### Note 2 Critical accounting judgements and key sources of estimation uncertainty

The Executive Committee of the Association evaluates estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Actual results may differ from these estimates. 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".

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.



**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**  
**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	\$	\$
<b>Note 3 Revenue</b>		
<b>Note 3A: Interest Income</b>		
Deposits	459,137	459,196
<b>Total interest income</b>	<b>459,137</b>	<b>459,196</b>
<b>Note 3B: Rental Income</b>		
Properties	-	806,265
<b>Total rental income</b>	<b>-</b>	<b>806,265</b>
<b>Note 4 Expenses</b>		
<b>Note 4A: Employee Expenses</b>		
<b>Employees other than office holders:</b>		
Wages and salaries	322,545	263,828
Superannuation expense	44,879	20,175
Leave and other entitlements	-	-
Separation and redundancies	-	-
Other employee expenses	27,402	30,720
<b>Total employee expenses</b>	<b>394,826</b>	<b>314,723</b>
<b>Holders of office:</b>		
Wages and salaries	-	-
Superannuation expense	-	-
Leave and other entitlements	-	-
Separation and redundancies	-	-
Other employee expenses	-	-
<b>Total employee expenses</b>	<b>-</b>	<b>-</b>
Refer also Note 8 – employee expenses represent staff related costs of persons who are employees of NSW Farmers' Association.		
<b>Note 4B: Promotional Expenses</b>		
Scholarships granted	20,000	20,000
Donations	-	-
Prizes granted	500	500
<b>Total Promotional Expenses</b>	<b>20,500</b>	<b>20,500</b>

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	\$	\$

**Note 4C: Administration Expenses**

Property expenses	206,419	399,523
Other expenses	47,737	45,159
<b>Total administration expenses</b>	<b>254,156</b>	<b>444,682</b>

**Note 4D: Depreciation**

Property, plant and equipment	-	14,966
<b>Total depreciation</b>	<b>-</b>	<b>14,966</b>

**Note 4E: Legal Costs**

Litigation	-	-
Other legal matters	19,810	11,317
<b>Total legal costs</b>	<b>19,810</b>	<b>11,317</b>

**Note 5 Current Assets**

**Note 5A: Cash and Cash Equivalents**

Cash at bank	283,979	336,334
Cash held with investment manager	2,646,383	1,151,277
Term deposit	-	21,000,000
<b>Total cash and cash equivalents</b>	<b>2,930,362</b>	<b>22,487,611</b>

**Note 5B: Trade and Other Receivables**

**Other receivables:**

GST receivable/(payable) from the Australian Taxation Office	6,460	(6,596)
Other trade receivables	52,478	152,583
<b>Total trade and other receivables</b>	<b>58,938</b>	<b>145,987</b>

**Note 5C: Other Current Assets**

Prepayments	-	-
<b>Total other current assets</b>	<b>-</b>	<b>-</b>

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	\$	\$
<b>Note 6 Non-Current Assets</b>		
<b>Note 6A: Property, Plant and Equipment</b>		
Property, plant and equipment:		
- at cost	101,348	101,348
- accumulated depreciation	(75,193)	(75,193)
<b>Total property, plant and equipment</b>	<b>26,155</b>	<b>26,155</b>

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

<b>As at 1 January</b>		
Gross book value	101,348	119,443
Accumulated depreciation and impairment	(75,193)	(78,322)
<b>Net book value as at 1 January</b>	<b>26,155</b>	<b>41,121</b>
Additions	-	-
Impairment	-	-
Depreciation expense	-	(14,966)
Other movement	-	-
Disposals	-	-
<b>Net book value as at 31 December</b>	<b>26,155</b>	<b>26,155</b>
<b>Net book value as of 31 December represented by:</b>		
Gross book value	101,348	101,348
Accumulated depreciation and impairment	(75,193)	(75,193)
<b>Net book value as at 31 December</b>	<b>26,155</b>	<b>26,155</b>

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	\$	\$
<b>Note 6B: Investment Property</b>		
<b>Opening balance as at 1 January</b>	750,000	15,450,000
Additions		-
Disposal	-	(14,502,624)
Movement in lease incentive	-	(197,376)
Net gain from fair value adjustment	-	-
<b>Closing balance as at 31 December</b>	<b>750,000</b>	<b>750,000</b>

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 2018	Fair value 2017	Valuation technique	Key unobservable inputs	Input range		Relationship of unobservable input to fair value
						2018	2017	
Commercial	Level 3	-	Nil (sold in 2017)	Income capitalisation method	Market rent	-	-	The higher the passing and market rent per square metre, the higher the fair value.
					Capitalisation rate	-	-	
Residential	Level 3	750,000	750,000	Market comparison method	Price per square metre	\$9,740	\$9,740	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 \$Nil (2017: \$nil). There were no transfers between hierarchy levels during the year.

The valuation process adopted by the Committee 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, and assessment of price per square metre.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	\$	\$
<b>Note 6C: Other Financial Assets</b>		
<b>Financial assets at fair value through profit or loss</b>		
Financial assets in quoted securities – at fair value	16,870,264	18,645,519
Financial assets at fair value through other comprehensive income (FVOCI):		
Investment in NFF House Trust – at fair value	793,277	811,533
<b>Total other financial assets</b>	<b>17,663,541</b>	<b>19,457,052</b>

**Note 6D: Other Receivables**

**Receivables from other reporting unit – related party receivable**

NSW Farmers' Association (i)	41,275,646	19,652,756
<b>Total receivables from other reporting unit (net)</b>	<b>41,275,646</b>	<b>19,652,756</b>
Less provision for doubtful debts	-	-
<b>Total provision for doubtful debts</b>	<b>-</b>	<b>-</b>
<b>Receivables from other reporting unit</b>	<b>41,275,646</b>	<b>19,652,756</b>

(i) At the balance date, the related party receivable balance is at call. However the Committee has given an undertaking to NSW Farmers' Association that it will provide financial support to NSW Farmers' Association should it be required, so as to enable that entity to meet their other debts as and when they fall due. The undertaking of this entity includes not calling the debt owed to it by NSW Farmers' Association for at least 12 months from the date of the signing of the 2018 financial statements of NSW Farmers' Association.

**Note 7 Current Liabilities**

**Note 7A: Trade payables**

Trade creditors	297	2,592
<b>Subtotal trade creditors</b>	<b>297</b>	<b>2,592</b>
Payables to other reporting unit	-	-
<b>Subtotal payables to other reporting unit</b>	<b>-</b>	<b>-</b>
<b>Total trade payables</b>	<b>297</b>	<b>2,592</b>

Settlement is usually made within 30 days.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	\$	\$
<b>Note 7B: Other Payables</b>		
Other payables	14,000	49,367
<b>Total other payables</b>	<b>14,000</b>	<b>49,367</b>

Total other payables are expected to be settled in:

No more than 12 months	14,000	49,367
More than 12 months	-	-
<b>Total other payables</b>	<b>14,000</b>	<b>49,367</b>

**Note 7C: Other Liabilities**

Unearned income	391,300	265,967
<b>Total other liabilities</b>	<b>391,300</b>	<b>265,967</b>

**Note 7D: Borrowings**

Margin lending facility (i)	1,070,876	677,415
<b>Total borrowings</b>	<b>1,070,876</b>	<b>677,415</b>

(i) Assets secured over the margin lending facility include quoted securities (refer Note 6C).

All above liabilities are short-term. The carrying values are considered to be a reasonable approximation of fair value.

**Note 8 Employee Provisions**

Employee provisions in relation to the 3 employees (2017: 3) are recorded in NSW Farmers' Association's financial statements, hence the balance is Nil as at 31 December 2018 (2017: Nil).

**Note 9 Equity**

**Note 9A: Retained Earnings**

Balance as at start of year	60,997,688	51,384,984
Total comprehensive income for the year	(277,796)	9,612,704
<b>Balance as at end of year</b>	<b>60,719,892</b>	<b>60,997,688</b>

**Note 9B: Investment Revaluation Reserve**

Balance as at start of year	526,532	510,753
Transferred to/from reserve	-	-
Fair value movement	(18,256)	15,779
<b>Balance as at end of year</b>	<b>508,276</b>	<b>526,532</b>
<b>Total equity</b>	<b>61,228,168</b>	<b>61,524,220</b>

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	\$	\$
<b>Note 10 Cash Flow</b>		
<b>Note 10A: Cash Flow Reconciliation</b>		
<b>Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement:</b>		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled in the statement of Financial Position as follows:		
Cash at bank	283,979	336,334
Cash held with investment manager	2,646,383	1,151,277
Term deposits	-	21,000,000
<b>Total cash and cash equivalents</b>	<b>2,930,362</b>	<b>22,487,611</b>
<b>Reconciliation of surplus to net cash flows from operating activities:</b>		
(Deficit)/Surplus for the year	(277,796)	9,612,704
<b>Adjustments for non-cash items</b>		
Depreciation	-	14,966
Change in fair values of financial assets held at fair value through profit and loss	878,470	15,779
Dividend and distribution income on investments	(137,399)	(1,173,351)
Gain on movement in fair value of investment property	-	(7,211,618)
<b>Changes in assets/liabilities</b>		
Decrease/(Increase) in net receivables	87,049	(95,447)
Decrease in other current assets	-	16,653
Increase in lease incentive liability	-	406,483
Increase/(Decrease) in trade and other payables	87,669	(519,986)
<b>Net cash from operating activities</b>	<b>637,993</b>	<b>1,066,183</b>

**Note 11 Related Party Disclosures**

**Note 11A: Related Party Transactions**

(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 \$Nil (2016: \$Nil) from NSW Farmers' Association, a related entity. No management fee was charged in the current year as the basis of the fee is under review by the Committee.
- 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 6D for balance outstanding at year end.
- iii. In November 2018, the Industrial Association entered into a five year lease with NSW Farmers' Association for the rental of the premises at 154 Pacific Highway, St Leonards. The annual rental is \$337,943. Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

## **NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

### **FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **Note 11 Related Party Disclosures (continued)**

##### **Note 11B: Key Management Personnel Remuneration**

Remuneration of key management personnel, including the Chief Executive, is borne by a related entity – NSW Farmers' Association. Committee members receive no remuneration. The Association meets the cost of or reimburses Committee members for travel and accommodation directly related to attendance at meetings associated with their role as Committee members. The President, Vice-President and Treasurer of the related entity NSW Farmers' Association (who are also Committee members of this entity), receive allowances for their specific additional duties of that entity and which are paid by that entity, and the President has the use of that related entity's property for accommodation regarding his duties.

#### **Note 12 Financial Instruments**

##### **(a) Financial risk management objectives and policies**

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.



**NSW FARMERS' (INDUSTRIAL) ASSOCIATION****FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018****Note 12 Financial Instruments (continued)****(c) Categories of financial instruments**

	2018	2017
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	2,930,362	22,487,611
Loans and receivables	41,334,583	19,798,743
Financial assets at fair value through other comprehensive income	793,277	811,533
Financial assets designated as fair value through profit or loss	16,870,264	18,645,519
<b>Total financial assets</b>	<u>61,928,486</u>	<u>61,743,406</u>
<b>Financial liabilities</b>		
Trade and other payables	14,297	51,959
Margin lending facility	1,070,876	677,415
Forward foreign exchange contracts	-	66,665
<b>Total financial liabilities</b>	<u>1,085,803</u>	<u>796,039</u>

**(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 2018 would decrease/increase by \$1,465 (2017: decrease/increase by \$112,438). This is mainly attributable to the Association's exposure to interest rates on its variable rate deposits.

## **NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

### **FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **Note 12 Financial Instruments (continued)**

##### **Equity price sensitivity**

The Association is exposed to equity price risk as a consequence of its fair value through profit and loss assets as set out in Note 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 \$883,177 (2017: \$932,276).

##### **(d) Market risk**

##### **Foreign exchange risk sensitivity**

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

The main currency exposure is US dollars (USD) with US denominated financial assets totalling to USD2,000,834 AUD2,840,561 (2017: USD2,550,222 (AUD3,266,650)) at balance date. This exposure is partially hedged through a USD denominated margin lending facility in place at balance date totalling USD754,298 AUD1,070,876 (2017: USD529,163 (AUD677,415)).

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 \$142,028 (2017: \$163,332).

##### **(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.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

**Note 12 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 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.

	<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>2018</b>				
<b>Financial liabilities</b>				
Non-interest bearing	-	-	-	-
Variable interest rate instruments	5.51	1,070,876	-	-
		<u>1,070,876</u>	-	-
<b>2017</b>				
<b>Financial liabilities</b>				
Non-interest bearing	-	-	-	-
Variable interest rate instruments	4.12	677,415	-	-
		<u>677,415</u>	-	-

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

**Note 12 Financial Instruments (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>2018</b>				
<b>Financial assets</b>				
Non-interest bearing	-	58,998,124	-	-
Fixed interest rate instruments	-	-	-	-
Variable interest rate instruments	5.51	2,930,362	-	-
		<b>61,928,486</b>	-	-
<b>2017</b>				
<b>Financial assets</b>				
Non-interest bearing	-	39,255,795	-	-
Fixed interest rate instruments	2.50	21,000,000	-	-
Variable interest rate instruments	4.12	1,487,611	-	-
		<b>61,743,406</b>	-	-

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

**Note 12 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 2018			Total \$
	Level 1 \$	Level 2 \$	Level 3 \$	
<b>Financial assets at fair value through profit or loss</b>				
Non-derivative financial assets designated as at fair value through profit or loss	16,870,264	-	-	16,870,264
<b>Financial assets at fair value through other comprehensive income</b>				
Unquoted equities	-	-	793,277	793,277
<b>Total</b>	<b>16,870,264</b>	<b>-</b>	<b>793,277</b>	<b>17,663,541</b>

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

	31 December 2017			Total \$
	Level 1 \$	Level 2 \$	Level 3 \$	
<b>Financial assets at fair value through profit or loss</b>				
Non-derivative financial assets designated as at fair value through profit or loss	18,645,519	-	-	18,645,519
<b>Financial assets at fair value through other comprehensive income</b>				
Unquoted equities	-	-	811,533	811,533
<b>Total</b>	<b>18,645,519</b>	<b>-</b>	<b>811,533</b>	<b>19,457,052</b>

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

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

**Note 12 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 December 2018 \$	31 December 2017 \$				
Financial assets at fair value through profit or loss – listed securities	16,870,264	18,645,519	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
Financial assets at fair value through other comprehensive income	793,277	811,533	Level 3	Proportionate net assets of investee company	Net assets of investee company	Higher the net assets, the higher the fair value

The Committee 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

	2018 \$	2017 \$
<b>Financial assets at fair value through other comprehensive income</b>		
Opening balance	811,533	795,754
Fair value (loss)/gain	(18,256)	15,779
Closing balance	793,277	811,533
<b>Total financial assets at fair value through other comprehensive income</b>	<b>793,277</b>	<b>811,533</b>

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

**Note 13 Auditor remuneration**

	2018	2017
	\$	\$
Audit services – Grant Thornton	13,551	12,000
Audit services – Deloitte	-	1,684
Review of financial statements	1,800	1,750
<b>Total auditor remuneration</b>	<b>15,351</b>	<b>15,434</b>

**Note 14 Subsequent Events**

There have not been any matters nor circumstances 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.

**Note 15 Operating Lease Commitments**

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

No later than 1 year	367,612	-
Later than 1 year and not later than 5 years	1,552,326	-
Later than 5 years	-	-
	<b>1,919,938</b>	<b>-</b>

**Note 16 General Information**

NSW Farmers' (Industrial) 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:

Level 4, 154 Pacific Highway  
St Leonards NSW 2065

**Note 17 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 Commissioner:

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

## **NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

### **OFFICER DECLARATION STATEMENT**

*for the year ended 31 December 2018*

I, James Jackson, being the President of the NSW Farmers' (Industrial) Association (the "reporting unit"), declare that the following activities did not occur during the reporting period ending 31 December 2018.


The reporting unit did not:

- agree to receive financial support from another reporting unit to continue as a going concern (refers to agreement regarding financial support not dollar amount)
- acquire an asset or liability due to an amalgamation under Part 2 of Chapter 3 of the RO Act, a restructure of the branches of an organisation, a determination or revocation by the General Manager, Fair Work Commission
- receive capitation fees or any other revenue amount from another reporting unit
- receive revenue via compulsory levies
- receive donations or grants
- receive revenue from undertaking recovery of wages activity
- incur fees as consideration for employers making payroll deductions of membership subscriptions
- pay capitation fees or any other expense to another reporting unit
- pay affiliation fees to other entity
- pay compulsory levies
- pay a donation that was \$1,000 or less
- pay a donation that exceeded \$1,000
- pay wages and salaries to holders of office
- pay superannuation to holders of office
- pay leave and other entitlements to holders of office
- pay separation and redundancy to holders of office
- pay other employee expenses to holders of office
- pay leave and other entitlements to employees (other than holders of office)
- pay separation and redundancy to employees (other than holders of office)
- pay to a person fees or allowances to attend conferences or meetings as a representative of the reporting unit
- incur expenses due to holding a meeting as required under the rules of the organisation
- pay legal costs relating to litigation
- pay a penalty imposed under the RO Act or the Fair Work Act 2009
- have a payable with other reporting unit(s)
- have a payable to an employer for that employer making payroll deductions of membership subscriptions
- have a payable in respect of legal costs relating to litigation
- have a payable in respect of legal costs relating to other legal matters
- have an annual leave provision in respect of holders of office
- have a long service leave provision in respect of holders of office
- have a separation and redundancy provision in respect of holders of office
- have other employee provisions in respect of holders of office
- have a separation and redundancy provision in respect of employees (other than holders of office)



- have other employee provisions in respect of employees (other than holders of office)
- have a fund or account for compulsory levies, voluntary contributions or required by the rules of the organisation or branch
- transfer to or withdraw from a fund (other than the general fund), account, asset or controlled entity
- have a balance within the general fund
- have another entity administer the financial affairs of the reporting unit
- make a payment to a former related party of the reporting unit

Signature of designated officer:

A handwritten signature in black ink, appearing to read 'J. Jackson', written over a horizontal line.

Name and title of designated officer: James Jackson, President

Dated: 25 September 2019



30 July 2019

Mr James Jackson  
President  
NSW Farmers' (Industrial) Association

By e-mail: [industrial@nswfarmers.org.au](mailto:industrial@nswfarmers.org.au)

Dear Mr Jackson

**NSW Farmers' (Industrial) Association**  
**Financial Report for the year ended 31 December 2018 - FR2018/314**

I acknowledge receipt of the financial report for the year ended 31 December 2018 for the NSW Farmers' (Industrial) Association (**the reporting unit**). The financial report was lodged with the Registered Organisations Commission (**ROC**) on 25 June 2019.

The financial report has not been filed. I have examined the report and identified a number of matters, the details of which are set out below, that you are required to address before the report can be filed.

The committee of management statement, general purpose financial report (GPFR) and auditor's statement will require amendments. The amended report will need to be provided to members, presented to a meeting of the committee of management, republished on the reporting unit's website and lodged with the ROC.

The matters identified should be read in conjunction with the *Fair Work (Registered Organisations) Act 2009* (the RO Act), *Fair Work (Registered Organisations) Regulations 2009* (the RO Regs), the 5th edition of the Reporting Guidelines (RG) made under section 255 of the RO Act and Australian Accounting Standards.

**1. Documents not lodged**

**Subsection 255(2A) report to be included**

A general purpose financial report prepared under section 253 of the RO Act also includes the expenditure report required to be prepared under subsection 255(2A) as prescribed by reporting guideline 22. The lodged financial report did not include a subsection 255(2A) expenditure report.

Please prepare, arrange the audit and provide to members a subsection 255(2A) expenditure report.

Please also note that the subsection 255(2A) report must be identified by title in the auditor's statement in accordance with paragraph 24(c) of Australian Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report*.

## **2. Committee of management statement**

### Reference to s.272

Following the enactment of the *Fair Work (Registered Organisations) Amendment Act 2016*, with effect from 1 May 2017, section 272 refers to Commissioner of the ROC instead of the General Manager, Fair Work Commission.

The committee of management statement, at reference (e)(iv), refers to 'General Manager'. Please amend this reference to the 'Commissioner'.

## **3. General Purpose Financial Report (GPFR)**

### Recovery of wages disclosure

Under the 5th edition of the Reporting Guidelines (RG) made under section 255 of the RO Act issued 4 May 2018 a statement in regard to recovery of wages activity in the committee of management statement is no longer required.

In place of the former requirements, item 13(e) of the RGs requires the disclosure of any revenue derived from undertaking recovery of wages activity in either the statement of comprehensive income or the notes to the financial statements.

Please remove the 'Wage Recovery Activity Declaration' from the GPFR and in its place include a nil disclosure as outlined below under 'Reporting guideline activities – not disclosed'.

### Disclosure of expenses to employees other than office holders

The employee expense note to the financial statements has disclosed wages and salaries, superannuation and other employee expenses but does not separately disclose leave and other entitlements and separation and redundancies.

The reporting guidelines require that all employee and office holder expenses be detailed separately (refer to items 14(f) and 14(g)).

Item 21 of the reporting guidelines states that if any of the activities identified within items 10-20 of the reporting guidelines have not occurred in the reporting period, a statement to this effect must be included either in the financial statements, the notes or in an officer's declaration statement.

### Reporting guideline activities – not disclosed

Item 21 of the reporting guidelines states that if any activity described within items 10-20 of the reporting guidelines has not occurred in the reporting period, a statement to this effect must be included the GPFR or in an officer's declaration statement.

The notes contained nil activity information for all prescribed reporting guideline categories except the following:

- Item 13(c) – receive revenue via compulsory levies
- Item 13(d) – receive donations or grants
- Item 13(e) – receive revenue from undertaking recovery of wages activity

- Item 14(a) – incur fees as consideration for employers making payroll deductions of membership subscriptions
- Item 14(d) – pay compulsory levies
- Item 14(e)(i) – pay a grants that was \$1,000 or less
- Item 14(e)(ii) – pay a grant that exceeded \$1,000
- Item 14(e)(iii) – pay a donation that was \$1,000 or less
- Item 14(e)(iv) – pay a donation that exceeded \$1,000
- Item 14(h) – pay to a person fees or allowances to attend conferences or meetings as a representative of the reporting unit
- Item 14(i) – incur expenses due to holding a meeting as required under the rules of the organisation
- Item 14(k) – pay a penalty imposed under the RO Act or *Fair Work Act 2009*
- Item 16(a) – have a payable to employer as consideration for that employer making payroll deductions of membership subscriptions
- Item 16(b)(i) – have a payable in respect of legal costs relating to litigation
- Item 20 - make a payment to a former related party of the reporting unit

#### **4. Auditor's statement**

##### Audit scope to include subsection 255(2A) report

A general purpose financial report prepared under section 253 of the RO Act includes the expenditure report required to be prepared under subsection 255(2A) as prescribed by reporting guideline 22.

Please note that the subsection 255(2A) report must be identified by title in the auditor's statement in accordance with paragraph 24(c) of Australian Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report*.

The auditor's report must be amended to include reference to the subsection 255(2A) report.

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](mailto:ken.morgan@roc.gov.au)

Yours faithfully



**KEN MORGAN**  
**Financial Reporting Specialist**  
**Registered Organisations Commission**

# **NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**  
**ABN 49 058 101 237**  
**FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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# Independent Auditor's Report

## To the Members of NSW Farmers' (Industrial) Association

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of NSW Farmers' (Industrial) Association (the "Association"), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity, 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.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of NSW Farmers' (Industrial) Association as at 31 December 2018, and its financial performance and its cash flows for the year ended on that date in accordance with:

1. the Australian Accounting Standards; and
2. any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the Fair Work (Registered Organisations) Act 2009 ("the RO Act").

We declare that management's use of the going concern basis in the preparation of the financial statements of the Association is appropriate.

#### 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 Reporting Unit 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.

### **Emphasis of matter – Committee of Management Statement**

We draw attention to the Committee of Management Statement and the reference in that Statement to the Committee of Management awaiting Fair Work Commission's approval of certain rule changes of the Association to facilitate formal documentation regarding financial accommodation provided to NSW Farmers' Association. This approval is yet to be received. Our opinion is not modified in respect of this matter.

### **Responsibilities of Committee of Management for the financial report**

The Committee of Management of the Association is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the RO Act, and for such internal control as the Committee of Management 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 Committee of Management is 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 Committee of Management 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 Reporting Unit's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee of Management.
- Conclude on the appropriateness of the Committee of Management'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 Reporting Unit'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 Reporting Unit 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 Committee of Management 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.

We declare that James Winter is an approved auditor, a member of Chartered Accountants Australia and New Zealand and holds a current Public Practice Certificate.

**Other matter**

The Committee of Management Statement reflects that the Association has not undertaken any recovery of wages activity during the reporting period. As such, no opinion is provided in relation to recovery of wages activity.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



James Winter  
Partner – Audit & Assurance  
Sydney, 22 May 2019

Registration number AA2018/180

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

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

**DESIGNATED OFFICER'S CERTIFICATE**

Certificate for the year ended 31 December 2018

I, R Reardon, 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 2018 referred to in s.268 of the *Fair Work (Registered Organisations) Act 2009*; and
- that the full report was made available to Members on 31 May 2019; and
- that the full report was presented to a meeting of the committee of management of the reporting unit on 24 June 2019 in accordance with s.266 of the *Fair Work (Registered Organisations) Act 2009*.

Signature of prescribed designated officer:



Name of prescribed designated officer: R Reardon

Title of prescribed designated officer: Treasurer

Dated: 24 June 2019

## NSW FARMERS' (INDUSTRIAL) ASSOCIATION

### FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

#### OPERATING REPORT

The Committee of Management presents its financial report and notes of NSW Farmers' (Industrial) Association (the "Association") for the financial year ended 31 December 2018.

#### **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 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 2016.

##### **Review of operations and significant changes in financial plan**

The net (deficit)/surplus for the year was:

	2018	2017
	\$	\$
NSW Farmers' (Industrial) Association	<u>(277,796)</u>	<u>9,612,704</u>

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

There has been no management fee received in current year (2017: \$0) from NSW Farmers' Association to this Association. The Committee is currently reviewing the basis for the fee.

The Association sold the 35 Chandos Street, St Leonards property in the prior year, the gain from which significantly increased the 2017 surplus.

The unrealised fair value loss on financial assets was \$878,470 (2017: gain of \$1,173,351) and was reflective of movement in local and international equity and bond markets. The returns of the Investment Manager were generally in line with the benchmarks relating to their portfolio allocations. The management of the investment portfolio is continually reviewed by the Committee. See Note 12 for further information regarding financial risk management policies.

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 the Committee 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.

##### **Right of members to resign**

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

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

**Officers & employees who are superannuation fund trustee (s) or Director of a company that is a superannuation fund trustee**

No officer or member of the Association 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 as at 31 December 2018 was 4,245 (2017: 4,292).

**Number of employees**

Number of full-time employees who served for the complete financial year ended 31 December 2018 was 3 (2017: 3).

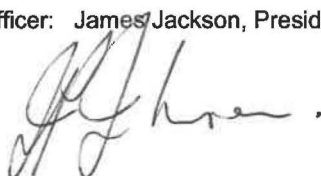
**Names of Committee of Management members and period positions held during the financial year**

Director	Date appointed	Date resigned	Qualifications
M Horan	21/07/2011	25/07/2018	Farmer
P Wilson	19/10/2012	25/07/2018	Farmer
D Schoen	19/07/2013	25/07/2018	Farmer
M Clapham	15/07/2015	25/07/2018	Farmer
J Jackson	15/07/2015		Farmer
R Reardon	20/07/2016		Farmer
L Minogue	20/07/2016		Farmer
A Shoker	20/07/2016		Farmer
T Duddy	25/07/2018		Farmer
C Kemp	25/07/2018		Farmer
D Mailler	25/07/2018		Farmer
S Russo	25/07/2018		Farmer
C Groves	25/07/2018		Farmer

Signature of designated officer:

Name and title of designated officer: James Jackson, President

Dated: 22 May 2019



**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**COMMITTEE OF MANAGEMENT STATEMENT**

*for the year ended 31 December 2018*

On 22 May 2019 the Committee of Management of NSW Farmers' (Industrial) Association (the "reporting unit") passed the following resolution in relation to the general purpose financial report (GPFR) for the year ended 31 December 2018:

The Committee of Management 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 any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the Fair Work (Registered Organisations) Act 2009 (the "RO Act");
- (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; and
  - (ii) the financial affairs of the reporting unit have been managed in accordance with the rules of the organisation; 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) 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
  - (v) 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.

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

In addition, the Committee of Management noted that in relation to point (e)(ii), the Committee of Management is currently awaiting for the Fair Work Commission to approve the rules changes approved at 2018 AGM to facilitate formal documentation to be executed in respect of the financial accommodation made by the Association to the NSW Farmers Association.

Signature of designated officer:

Name and title of designated officer: J Jackson, President

Dated: 22 May 2019



## NSW FARMERS' (INDUSTRIAL) ASSOCIATION

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Note	2018 \$	2017 \$
<b>Revenue</b>			
Membership subscriptions		680,185	668,467
Dividend income from investment portfolio		101,352	102,989
Project income		143,155	67,208
NFF House Unit Trust distribution		36,047	38,559
Interest income	3A	459,137	459,196
Rental income	3B	-	806,265
<b>Total revenue</b>		<b>1,419,876</b>	<b>2,142,684</b>
<b>Other income</b>			
Unrealised Gain in investments at fair value through profit and loss		-	1,173,351
Management fee – NSW Farmers' Association		3,900	3,900
Gain on sale of investment property		-	7,211,618
Other income		24,428	19,072
<b>Total other income</b>		<b>28,328</b>	<b>8,407,941</b>
<b>Total income</b>		<b>1,448,204</b>	<b>10,550,624</b>
<b>Expenses</b>			
Employee expenses	4A	(394,826)	(314,722)
Promotional expenses		(20,000)	(22,166)
Investment expenses		(125,708)	(114,682)
Affiliation fees		-	(1,618)
Administration expenses	4B	(254,656)	(443,015)
Depreciation	4C	-	(14,966)
Legal costs	4D	(19,810)	(11,317)
Auditor remuneration	13	(15,351)	(15,434)
Property expense		(17,179)	-
Unrealised loss in investments at fair value through profit and loss		(878,470)	-
<b>Total expenses</b>		<b>(1,726,000)</b>	<b>(937,921)</b>
<b>(Deficit)/Surplus for the year</b>		<b>(277,796)</b>	<b>9,612,704</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss			-
Revaluation of FVOCI investments		(18,256)	15,779
<b>Total comprehensive (loss)/income for the year</b>		<b>(296,052)</b>	<b>9,628,483</b>

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

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**STATEMENT OF FINANCIAL POSITION**

as at 31 December 2018

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5A	2,930,362	22,487,611
Trade and other receivables	5B	58,938	145,987
Other current assets	5C	-	-
<b>Total current assets</b>		<b>2,989,300</b>	<b>22,633,598</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6A	26,155	26,155
Investment property	6B	750,000	750,000
Other financial assets	6C	17,663,541	19,457,052
Other receivables	6D	41,275,645	19,652,756
<b>Total non-current assets</b>		<b>59,715,341</b>	<b>39,885,963</b>
<b>Total assets</b>		<b>62,704,641</b>	<b>62,519,561</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade payables	7A	297	2,592
Other payables	7B	14,000	49,367
Other liabilities	7C	391,300	265,967
Borrowings	7D	1,070,876	677,415
<b>Total current liabilities</b>		<b>1,476,473</b>	<b>995,341</b>
<b>Total liabilities</b>		<b>1,476,473</b>	<b>995,341</b>
<b>Net assets</b>		<b>61,228,168</b>	<b>61,524,220</b>
<b>EQUITY</b>			
Retained earnings	9A	60,719,892	60,997,688
Investment revaluation reserve	9B	508,276	526,532
<b>Total equity</b>		<b>61,228,168</b>	<b>61,524,220</b>

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

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION****STATEMENT OF CHANGES IN EQUITY***for the year ended 31 December 2018*

	<b>Note</b>	<b>Retained earnings \$</b>	<b>Investment revaluation reserve \$</b>	<b>Total equity \$</b>
<b>Balance as at 1 January 2017</b>		<b>51,384,984</b>	<b>510,753</b>	<b>51,895,737</b>
Surplus for the year		9,612,704	-	9,612,704
Other comprehensive income for the year		-	15,779	15,779
<b>Closing balance as at 31 December 2017</b>		<b>60,997,688</b>	<b>526,532</b>	<b>61,524,220</b>
Balance as at 1 January 2018		60,997,688	526,532	61,524,220
Deficit for the year		(277,796)	-	(277,796)
Other comprehensive income for the year		-	(18,256)	(18,256)
<b>Closing balance as at 31 December 2018</b>	<b>9</b>	<b>60,719,892</b>	<b>508,276</b>	<b>61,228,168</b>

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



**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**STATEMENT OF CASH FLOWS**

*for the year ended 31 December 2018*

	Note	2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from member subscriptions		740,268	735,315
Receipts from rental income		-	886,892
Receipts from project funds received		276,424	67,208
Interest received and other income		474,407	498,297
Payments to suppliers and employees		(853,106)	(1,121,529)
<b>Net cash used in operating activities</b>	10A	<b>637,993</b>	<b>1,066,183</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividend and trust distributions received		137,399	141,548
Proceeds from the sale of land and buildings		-	21,347,808
Net withdrawal from (re-investment in) investment portfolio		1,290,248	809,025
Net increase in (repayment of) loan to a related party		(21,622,889)	(1,953,164)
<b>Net cash (provided by)/used in investing activities</b>		<b>(20,195,242)</b>	<b>20,345,217</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net cash provided by/(used in) financing activities</b>		<b>-</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>		<b>(19,557,249)</b>	<b>21,411,400</b>
Cash and cash equivalents at the beginning of the year		22,487,611	1,076,211
<b>Cash and cash equivalents at the end of the year</b>	5A	<b>2,930,362</b>	<b>22,487,611</b>

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

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**WAGE RECOVERY ACTIVITY DECLARATION**

*for the period ended 31 December 2018*

	2018	2017
	\$	\$
<b>Cash assets in respect of recovered money at beginning of year</b>	-	-
<b>Receipts</b>		
Amounts recovered from employers in respect of wages etc.	-	-
Interest received on recovered money	-	-
<b>Total receipts</b>	-	-
<b>Payments</b>		
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	-	-
<b>Total payments</b>	-	-
<b>Cash assets in respect of recovered money at end of year</b>	-	-
Number of workers to which the monies recovered relates	-	-
<b>Aggregate payables to workers attributable to recovered monies but not yet distributed</b>		
Payable balance	-	-
Number of workers the payable relates to	-	-
<b>Fund or account operated for recovery of wages</b>	-	-

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

**Index to the Notes of the Financial Statements**

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## **NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

### **FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **Note 1 Summary of Significant Accounting Policies**

##### **1.1 General information and statement of compliance**

The financial report is a general purpose financial report (tier 1 reporting requirements) which has been prepared in accordance with the requirements of the 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 (the "Association") as an individual entity incorporated and domiciled in Australia. 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 report for the year ended 31 December 2018 was approved and authorised for issue by the Executive Committee on 22 May 2019.

##### **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.

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 and the presentation currency for the financial statements.

##### **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 Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

## **NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

### **FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **Note 1 Summary of Significant Accounting Policies (continued)**

##### **1.5 Revenue**

Revenue is measured by reference to the fair value of consideration received or receivable by the Association for goods supplied and services provided, excluding sales taxes, rebates, and trade discounts.

Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Association's different activities have been met. Details of the activity-specific recognition criteria are described below.

##### Membership subscription income

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

##### Project income

Project income is recognised by reference to the stage of completion of each project. Consideration received for those services is initially deferred, included in other liabilities and is recognised as revenue in the period when the milestone is performed.

##### Distribution income

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

##### 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.

##### 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.

##### **1.6 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. The services are usually provided or the conditions usually fulfilled within twelve (12) months of receipt of the grant. Where the amount received is in respect of services to be provided over a period that exceeds twelve (12) months after the reporting date or the conditions will only be satisfied more than twelve (12) months after the reporting date, the liability is discounted and presented as non-current.

##### **1.7 Cash and cash equivalents**

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

## NSW FARMERS' (INDUSTRIAL) ASSOCIATION

### FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

#### Note 1 Summary of Significant Accounting Policies (continued)

##### 1.8 Financial assets

###### Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

###### Subsequent measurement financial assets

###### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Association's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

###### *Financial assets at fair value through profit or loss (FVPL)*

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL.

## NSW FARMERS' (INDUSTRIAL) ASSOCIATION

### FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

#### Note 1 Summary of Significant Accounting Policies (continued)

##### 1.8 Financial assets (continued)

###### *Equity instruments at fair value through other comprehensive income (Equity FVOCI)*

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity securities that were previously classified as 'available-for-sale' under AASB 139. The Association has not elected to apply FVOCI to its major investment portfolio, which are carried at FVPL.

###### *Debt instruments at fair value through other comprehensive income (Debt FVOCI)*

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI.

Any gains or losses recognised in OCI will be reclassified to profit or loss upon derecognition of the asset. This category includes corporate bonds that were previously classified as 'available-for-sale' under AASB 139.

###### *Impairment of Financial assets*

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Association considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

##### 1.9 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:

Property, plant and equipment: 3-5 years

## **NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

### **FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **Note 1 Summary of Significant Accounting Policies (continued)**

##### **1.10 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.

##### **1.11 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.

##### **1.12 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.

##### **1.13 Provisions**

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

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

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



## NSW FARMERS' (INDUSTRIAL) ASSOCIATION

### FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

#### Note 1 Summary of Significant Accounting Policies (continued)

##### 1.14 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 except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

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.

##### 1.15 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.

##### 1.16 Income taxes

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

##### 1.17 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 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the Association has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 January 2018.

AASB 9 also contains new requirements on the application of hedge accounting. The new hedge accounting looks to align hedge accounting with entities' risk management activities look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The adoption of AASB 9 has impacted the following areas:

##### Classification and measurement of the Association's financial assets

Unlisted investments - Available for sale financial assets under AASB 139 included listed equity investments of \$811,533 at 31 December 2017. These were reclassified to fair value through profit or loss (FVPL) under AASB 9. \$526,532 was transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION****FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018****Note 1 Summary of Significant Accounting Policies (continued)****1.18 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>
<ul style="list-style-type: none"><li>AASB 15 Revenue from Contracts with Customers,- 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15</li></ul>	1 January 2019	31 December 2019
<ul style="list-style-type: none"><li>AASB 1058 Income of Not-For-Profit entities, AASB 2016-8 Amendments to Australian Accounting Standards- Australian Implementation Guidance for Not-for-Profit Entities</li></ul>	1 January 2019	31 December 2019
<ul style="list-style-type: none"><li>AASB 16 Leases</li></ul>	1 January 2019	31 December 2019
<ul style="list-style-type: none"><li>AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments</li></ul>	1 January 2019	31 December 2019

**Note 2 Critical accounting judgements and key sources of estimation uncertainty**

The Executive Committee of the Association evaluates estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Actual results may differ from these estimates. 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”.

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.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**  
**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	\$	\$
<b>Note 3 Revenue</b>		
<b>Note 3A: Interest Income</b>		
Deposits	459,137	459,196
<b>Total interest income</b>	<b>459,137</b>	<b>459,196</b>
<b>Note 3B: Rental Income</b>		
Properties	-	806,265
<b>Total rental income</b>	<b>-</b>	<b>806,265</b>
<b>Note 4 Expenses</b>		
<b>Note 4A: Employee Expenses</b>		
<b>Employees other than office holders:</b>		
Wages and salaries	322,545	263,828
Superannuation expense	44,879	20,175
Other employee expenses	27,402	30,720
<b>Total employee expenses</b>	<b>394,826</b>	<b>314,723</b>
<b>Note 4B: Administration Expenses</b>		
Property expenses	206,419	399,523
Other expenses	48,237	43,492
<b>Total administration expenses</b>	<b>254,656</b>	<b>443,015</b>
<b>Note 4C: Depreciation</b>		
Property, plant and equipment	-	14,966
<b>Total depreciation</b>	<b>-</b>	<b>14,966</b>
<b>Note 4D: Legal Costs</b>		
Litigation	-	-
Other legal matters	19,810	11,317
<b>Total legal costs</b>	<b>19,810</b>	<b>11,317</b>

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>

**Note 5 Current Assets**

**Note 5A: Cash and Cash Equivalents**

Cash at bank	283,979	336,334
Cash held with investment manager	2,646,383	1,151,277
Term deposit	-	21,000,000
<b>Total cash and cash equivalents</b>	<b>2,930,362</b>	<b>22,487,611</b>

**Note 5B: Trade and Other Receivables**

**Other receivables:**

GST receivable/(payable) from the Australian Taxation Office	6,460	(6,596)
Other trade receivables	52,478	152,583
<b>Total trade and other receivables</b>	<b>58,938</b>	<b>145,987</b>

**Note 5C: Other Current Assets**

Prepayments	-	-
<b>Total other current assets</b>	<b>-</b>	<b>-</b>

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	\$	\$
<b>Note 6 Non-Current Assets</b>		
<b>Note 6A: Property, Plant and Equipment</b>		
Property, plant and equipment:		
- at cost	101,348	101,348
- accumulated depreciation	(75,193)	(75,193)
<b>Total property, plant and equipment</b>	<b>26,155</b>	<b>26,155</b>

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

<b>As at 1 January</b>		
Gross book value	101,348	119,443
Accumulated depreciation and impairment	(75,193)	(78,322)
<b>Net book value as at 1 January</b>	<b>26,155</b>	<b>41,121</b>
Additions	-	-
Impairment	-	-
Depreciation expense	-	(14,966)
Other movement	-	-
Disposals	-	-
<b>Net book value as at 31 December</b>	<b>26,155</b>	<b>26,155</b>
<b>Net book value as of 31 December represented by:</b>		
Gross book value	101,348	101,348
Accumulated depreciation and impairment	(75,193)	(75,193)
<b>Net book value as at 31 December</b>	<b>26,155</b>	<b>26,155</b>

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 \$	2017 \$
<b>Note 6B: Investment Property</b>		
<b>Opening balance as at 1 January</b>	750,000	15,450,000
Additions	-	-
Disposal	-	(14,502,624)
Movement in lease incentive	-	(197,376)
Net gain from fair value adjustment	-	-
<b>Closing balance as at 31 December</b>	<b>750,000</b>	<b>750,000</b>

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 2018	Fair value 2017	Valuation technique	Key unobservable inputs	Input range		Relationship of unobservable input to fair value
						2018	2017	
Commercial	Level 3	-	Nil (sold in 2017)	Income capitalisation method	Market rent	-	-	The higher the passing and market rent per square metre, the higher the fair value.
					Capitalisation rate	-	-	The higher the capitalisation rate, the lower the fair value.
Residential	Level 3	750,000	750,000	Market comparison method	Price per square metre	\$9,740	\$9,740	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 \$Nil (2017: \$nil). There were no transfers between hierarchy levels during the year.

The valuation process adopted by the Committee 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, and assessment of price per square metre.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	\$	\$
<b>Note 6C: Other Financial Assets</b>		
<b>Financial assets at fair value through profit or loss</b>		
Financial assets in quoted securities – at fair value	16,870,264	18,645,519
Financial assets at fair value through other comprehensive income (FVOCI):		
Investment in NFF House Trust – at fair value	793,277	811,533
<b>Total other financial assets</b>	<b>17,663,541</b>	<b>19,457,052</b>

**Note 6D: Other Receivables**

**Receivables from other reporting unit – related party receivable**

NSW Farmers' Association (i)	41,275,646	19,652,756
<b>Total receivables from other reporting unit (net)</b>	<b>41,275,646</b>	<b>19,652,756</b>
Less provision for doubtful debts	-	-
<b>Total provision for doubtful debts</b>	<b>-</b>	<b>-</b>
<b>Receivables from other reporting unit</b>	<b>41,275,646</b>	<b>19,652,756</b>

(i) At the balance date, the related party receivable balance is at call. However the Committee has given an undertaking to NSW Farmers' Association that it will provide financial support to NSW Farmers' Association should it be required, so as to enable that entity to meet their other debts as and when they fall due. The undertaking of this entity includes not calling the debt owed to it by NSW Farmers' Association for at least 12 months from the date of the signing of the 2018 financial statements of NSW Farmers' Association.

**Note 7 Current Liabilities**

**Note 7A: Trade payables**

Trade creditors	297	2,592
<b>Subtotal trade creditors</b>	<b>297</b>	<b>2,592</b>
Payables to other reporting unit	-	-
<b>Subtotal payables to other reporting unit</b>	<b>-</b>	<b>-</b>
<b>Total trade payables</b>	<b>297</b>	<b>2,592</b>

Settlement is usually made within 30 days.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	\$	\$
<b>Note 7B: Other Payables</b>		
Other payables	14,000	49,367
<b>Total other payables</b>	<b>14,000</b>	<b>49,367</b>

Total other payables are expected to be settled in:

No more than 12 months	14,000	49,367
More than 12 months	-	-
<b>Total other payables</b>	<b>14,000</b>	<b>49,367</b>

**Note 7C: Other Liabilities**

Unearned income	391,300	265,967
<b>Total other liabilities</b>	<b>391,300</b>	<b>265,967</b>

**Note 7D: Borrowings**

Margin lending facility (i)	1,070,876	677,415
<b>Total borrowings</b>	<b>1,070,876</b>	<b>677,415</b>

(i) Assets secured over the margin lending facility include quoted securities (refer Note 6C).

All above liabilities are short-term. The carrying values are considered to be a reasonable approximation of fair value.

**Note 8 Employee Provisions**

Employee provisions in relation to the 3 employees (2017: 3) are recorded in NSW Farmers' Association's financial statements, hence the balance is Nil as at 31 December 2018 (2017: Nil).

**Note 9 Equity**

**Note 9A: Retained Earnings**

Balance as at start of year	60,997,688	51,384,984
Total comprehensive income for the year	(277,796)	9,612,704
<b>Balance as at end of year</b>	<b>60,719,892</b>	<b>60,997,688</b>

**Note 9B: Investment Revaluation Reserve**

Balance as at start of year	526,532	510,753
Transferred to reserve	-	15,779
Fair value movement	(18,256)	-
<b>Balance as at end of year</b>	<b>508,276</b>	<b>526,532</b>
<b>Total equity</b>	<b>61,228,168</b>	<b>61,524,220</b>



**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	\$	\$

**Note 10 Cash Flow**

**Note 10A: Cash Flow Reconciliation**

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

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled in the statement of Financial Position as follows:

Cash at bank	283,979	336,334
Cash held with investment manager	2,646,383	1,151,277
Term deposits	-	21,000,000
<b>Total cash and cash equivalents</b>	<b>2,930,362</b>	<b>22,487,611</b>

**Reconciliation of surplus to net cash flows from operating activities:**

(Deficit)/Surplus for the year	(277,796)	9,612,704
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**Adjustments for non-cash items**

Depreciation	-	14,966
Change in fair values of financial assets held at fair value through profit and loss	878,470	15,779
Dividend and distribution income on investments	(137,399)	(1,173,351)
Gain on movement in fair value of investment property	-	(7,211,618)

**Changes in assets/liabilities**

Decrease/(Increase) in net receivables	87,049	(95,447)
Decrease in other current assets	-	16,653
Increase in lease incentive liability	-	406,483
Increase/(Decrease) in trade and other payables	87,669	(519,986)
<b>Net cash from operating activities</b>	<b>637,993</b>	<b>1,066,183</b>

**Note 11 Related Party Disclosures**

**Note 11A: Related Party Transactions**

(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 \$Nil (2016: \$Nil) from NSW Farmers' Association, a related entity. No management fee was charged in the current year as the basis of the fee is under review by the Committee.
- 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 6D for balance outstanding at year end.
- iii. In November 2018, the Industrial Association entered into a five year lease with NSW Farmers' Association for the rental of the premises at 154 Pacific Highway, St Leonards. The annual rental is \$337,943. Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

## **NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

### **FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **Note 11 Related Party Disclosures (continued)**

##### **Note 11B: Key Management Personnel Remuneration**

Remuneration of key management personnel, including the Chief Executive, is borne by a related entity – NSW Farmers' Association. Committee members receive no remuneration. The Association meets the cost of or reimburses Committee members for travel and accommodation directly related to attendance at meetings associated with their role as Committee members. The President, Vice-President and Treasurer of the related entity NSW Farmers' Association (who are also Committee members of this entity), receive allowances for their specific additional duties of that entity and which are paid by that entity, and the President has the use of that related entity's property for accommodation regarding his duties.

#### **Note 12 Financial Instruments**

##### **(a) Financial risk management objectives and policies**

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.

## NSW FARMERS' (INDUSTRIAL) ASSOCIATION

### FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

#### Note 12 Financial Instruments (continued)

##### (c) Categories of financial instruments

	2018	2017
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	2,930,362	22,487,611
Loans and receivables	41,334,583	19,798,743
Financial assets at fair value through other comprehensive income	793,277	811,533
Financial assets designated as fair value through profit or loss	16,870,264	18,645,519
<b>Total financial assets</b>	<u>61,928,486</u>	<u>61,743,406</u>
<b>Financial liabilities</b>		
Trade and other payables	14,297	51,959
Margin lending facility	1,070,876	677,415
Forward foreign exchange contracts	-	66,665
<b>Total financial liabilities</b>	<u>1,085,803</u>	<u>796,039</u>

##### (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 2018 would decrease/increase by \$1,465 (2017: decrease/increase by \$112,438). This is mainly attributable to the Association's exposure to interest rates on its variable rate deposits.

## **NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

### **FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **Note 12 Financial Instruments (continued)**

##### **Equity price sensitivity**

The Association is exposed to equity price risk as a consequence of its fair value through profit and loss assets as set out in Note 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 \$883,177 (2017: \$932,276).

##### **(d) Market risk**

##### **Foreign exchange risk sensitivity**

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

The main currency exposure is US dollars (USD) with US denominated financial assets totalling to USD2,000,834 AUD2,840,561 (2017: USD2,550,222 (AUD3,266,650)) at balance date. This exposure is partially hedged through a USD denominated margin lending facility in place at balance date totalling USD754,298 AUD1,070,876 (2017: USD529,163 (AUD677,415)).

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 \$142,028 (2017: \$163,332).

##### **(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.

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

**Note 12 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 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.

	<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>2018</b>				
<b>Financial liabilities</b>				
Non-interest bearing	-	-	-	-
Variable interest rate instruments	5.51	1,070,876	-	-
		<u>1,070,876</u>	<u>-</u>	<u>-</u>
<b>2017</b>				
<b>Financial liabilities</b>				
Non-interest bearing	-	-	-	-
Variable interest rate instruments	4.12	677,415	-	-
		<u>677,415</u>	<u>-</u>	<u>-</u>

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

**Note 12 Financial Instruments (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>2018</b>				
<b>Financial assets</b>				
Non-interest bearing	-	58,998,124	-	-
Fixed interest rate instruments	-	-	-	-
Variable interest rate instruments	5.51	2,930,362	-	-
		61,928,486	-	-
<b>2017</b>				
<b>Financial assets</b>				
Non-interest bearing	-	39,255,795	-	-
Fixed interest rate instruments	2.50	21,000,000	-	-
Variable interest rate instruments	4.12	1,487,611	-	-
		61,743,406	-	-

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

**Note 12 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 2018			Total \$
	Level 1 \$	Level 2 \$	Level 3 \$	
<b>Financial assets at fair value through profit or loss</b>				
Non-derivative financial assets designated as at fair value through profit or loss	16,870,264	-	-	16,870,264
<b>Financial assets at fair value through other comprehensive income</b>				
Unquoted equities	-	-	793,277	793,277
<b>Total</b>	<b>16,870,264</b>	<b>-</b>	<b>793,277</b>	<b>17,663,541</b>

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

	31 December 2017			Total \$
	Level 1 \$	Level 2 \$	Level 3 \$	
<b>Financial assets at fair value through profit or loss</b>				
Non-derivative financial assets designated as at fair value through profit or loss	18,645,519	-	-	18,645,519
<b>Financial assets at fair value through other comprehensive income</b>				
Unquoted equities	-	-	811,533	811,533
<b>Total</b>	<b>18,645,519</b>	<b>-</b>	<b>811,533</b>	<b>19,457,052</b>

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

**NSW FARMERS' (INDUSTRIAL) ASSOCIATION**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

**Note 12 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 December 2018 \$	31 December 2017 \$				
Financial assets at fair value through profit or loss – listed securities	16,870,264	18,645,519	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
Financial assets at fair value through other comprehensive income	793,277	811,533	Level 3	Proportionate net assets of investee company	Net assets of investee company	Higher the net assets, the higher the fair value

The Committee 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

	2018	2017
	\$	\$
<b>Financial assets at fair value through other comprehensive income</b>		
Opening balance	811,533	795,754
Fair value (loss)/gain	(18,256)	15,779
Closing balance	793,277	811,533
<b>Total financial assets at fair value through other comprehensive income</b>	<b>793,277</b>	<b>811,533</b>



## NSW FARMERS' (INDUSTRIAL) ASSOCIATION

### FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

#### Note 13 Auditor remuneration

	2018	2017
	\$	\$
Audit services – Grant Thornton	13,551	12,000
Audit services – Deloitte	-	1,684
Review of financial statements	1,800	1,750
<b>Total auditor remuneration</b>	<b>15,351</b>	<b>15,434</b>

#### Note 14 Subsequent Events

There have not been any matters nor circumstances 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.

#### Note 15 Operating Lease Commitments

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

No later than 1 year	367,612	-
Later than 1 year and not later than 5 years	1,552,326	-
Later than 5 years	-	-
	<u>1,919,938</u>	<u>-</u>

#### Note 16 General Information

NSW Farmers' (Industrial) 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:

Level 4, 154 Pacific Highway  
St Leonards NSW 2065

#### Note 17 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 Commissioner:

- (1) A member of a reporting unit, or the Commissioner, 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).