

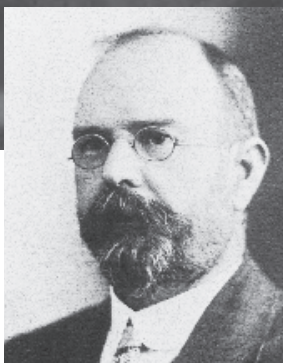
*FARRER  
MEMORIAL  
TRUST*

ANNUAL REPORT  
2007

FARRER MEMORIAL RESEARCH SCHOLARSHIP FUND

THE 2007 FARRER MEMORIAL ORATION





# *Farrer Memorial Research Scholarship Fund*

The Farrer Memorial Trust was established in 1911 to perpetuate the memory of William James Farrer and to encourage and inspire agricultural scientists. Initially it awarded scholarships for 'study or research in agricultural problems'. Later it included the delivery of an annual oration and the presentation of the Farrer Memorial Medal to a distinguished agricultural scientist for service rendered in the fields of research, education or administration.

The Director General of the NSW Department of Primary Industries, Mr B D Buffier, is the Chairman of the Trust. The other official Trustees are Dr N R Austin, Deputy Director-General (Science and Research) of the Department; Prof. L Copeland, Professor and Dean of the Faculty of Agriculture, University of Sydney; and Dr J C Radcliffe AO, CSIRO, Unley Park, South Australia. The non official Trustees, representing industry, are: Mr M J R Arnott, Boorowa and Ms R Clubb, Duffys Forest.

The 2007 Farrer Memorial Travelling Scholarships were awarded to:

- Mr Wayne Crismani, University of Adelaide
- Mr Scott Boden, University of Adelaide
- Mr Ryan Walker, University of Adelaide.

In addition, this year the Trust awarded two travelling scholarships to attend the 5th International Crop Science Congress in Korea in April 2008. These awards were made possible by a generous donation from the Organising Committee of the 4th International Crop Science Congress. The winners were:

- Dr Jason Brand, a pulse agronomist from the Victorian Department of Primary Industries
- Mr Jeffery McCormick, a canola researcher from Charles Sturt University.

The Farrer Memorial Travelling Scholarship is designed to support overseas travel by post-graduates enrolled for a PhD on any aspect of field crop research.



The 2007 Farrer Memorial Medal was awarded to Dr Tony Fischer AM, CSIRO in Canberra on 14 August 2007, and Dr Fischer delivered the Farrer Oration entitled 'Improvements in wheat yield: Farrer, physiology and functional genomics'.

The text of the 2007 Farrer Memorial Oration is reproduced on page 16 of this report.



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### Trustees of the Farrer Memorial Research Scholarship Fund

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Trustees of the Farrer Memorial Research Scholarship Fund (the Fund), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### *Auditor's Opinion*

In my opinion, the financial report:

- presents fairly the Fund's financial position as at 31 December 2007 and its performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

My opinion should be read in conjunction with the rest of this report.

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

The Trustees of the Farrer Memorial Research Scholarship Fund are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees of the Farrer Memorial Research Scholarship Fund, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Fund,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

### *Independence*

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



Ron Hegarty, FCPA  
Director, Financial Audit Services

11 April 2008  
SYDNEY

**TRUSTEES OF THE  
FARRER MEMORIAL RESEARCH SCHOLARSHIP FUND**

**STATEMENT IN ACCORDANCE WITH SECTION 41C(1B) OF  
PUBLIC FINANCE AND AUDIT ACT 1983**

Pursuant to the Public Finance and Audit Regulation 2005, we state that:

- (a) the financial statements and notes thereon exhibit a true and fair view of the financial position and transactions for the year ended 31 December 2007;
- (b) the financial statements have been prepared in accordance with the provisions of the Act, the Regulation and the Treasurer's Directions;
- (c) there are no circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.



**R.F. SHELDRAKE**  
Chairman  
**FARRER MEMORIAL TRUST**



**N.R. AUSTIN**  
Trustee

**SYDNEY**

**8 April 2008**

**TRUSTEES OF THE  
FARRER MEMORIAL RESEARCH SCHOLARSHIP FUND  
INCOME STATEMENT FOR YEAR ENDED 31 DECEMBER 2007**

	Note	2007 \$	2006 \$
<b>INCOME FROM ORDINARY ACTIVITIES</b>			
Interest Received		19,282	16,943
Dividends		15,747	4,032
Other Income	1(c)	7,165	7,165
Profit from Sale of Financial Assets		-	-
Change in Fair Value of Financial Assets	2.3	38,841	38,522
Donations Received		-	180,100
Tax Refund		4,228	-
<b>TOTAL INCOME</b>		<b>85,263</b>	<b>246,762</b>
Less:			
<b>EXPENDITURE FROM ORDINARY ACTIVITIES</b>			
Cost of Scholarship		5,500	10,500
Oration Expenses		1,778	2,825
Bank Charges		33	88
Brokerage		1,956	438
Administration Costs	1(c)	7,165	7,165
Loss on Sale of Financial Assets		-	595
<b>TOTAL EXPENDITURE</b>		<b>16,432</b>	<b>21,611</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>68,831</b>	<b>225,151</b>

The accompanying notes form part of these financial statements.

**TRUSTEES OF THE  
FARRER MEMORIAL RESEARCH SCHOLARSHIP FUND  
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED  
31 DECEMBER 2007**

	Note	2007 \$	2006 \$
<b>TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>		<b>-</b>	<b>-</b>
Surplus / (Deficit) for the Year	5	68,831	225,151
<b>TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR</b>		<b>68,831</b>	<b>225,151</b>
<b>EFFECT OF CHANGES IN ACCOUNTING POLICY AND CORRECTION OF ERRORS</b>		<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

**TRUSTEES OF THE  
FARRER MEMORIAL RESEARCH SCHOLARSHIP FUND  
BALANCE SHEET AS AT 31 DECEMBER 2007**

	Note	2007 \$	2006 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3.1	46,485	197,186
Financial Assets Held to Maturity	2.1, 4	36,000	36,000
Receivables		7,458	4,419
Inventories	2.2	3,954	4,101
<b>TOTAL CURRENT ASSETS</b>		<b>93,897</b>	<b>241,706</b>
<b>NON CURRENT ASSETS</b>			
Financial Assets Available for Sale	2.1, 2.3	547,562	330,922
<b>TOTAL ASSETS</b>		<b>641,459</b>	<b>572,628</b>
<b>NET ASSETS</b>		<b>641,459</b>	<b>572,628</b>
<b>EQUITY</b>			
Accumulated Funds	5	641,459	572,628
<b>TOTAL EQUITY</b>		<b>641,459</b>	<b>572,628</b>

The accompanying notes form part of these financial statements.

**TRUSTEES OF THE  
FARRER MEMORIAL RESEARCH SCHOLARSHIP FUND  
CASH FLOW STATEMENT FOR THE YEAR ENDED  
31 DECEMBER 2007**

	Note	2007 \$	2006 \$
<b>Cash Flows from Operating Activities</b>			
Interest Received		18,973	16,679
Dividends Received		13,015	4,032
Scholarship Costs		(5,500)	(10,500)
Oration Expenses		(1,630)	(2,677)
Bank Charges		(33)	(88)
Brokerage		(1,956)	(437)
Donations Received		-	180,100
Purchase of Medals			(3,954)
Tax Refund		4,228	-
<b>Net Cash Flows from Operating Activities</b>	<b>3.2</b>	<b>27,097</b>	<b>183,155</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from Sale of Financial Assets		-	35,000
Proceeds from Maturing Financial Assets		-	-
Purchases of Financial Assets		(177,798)	(50,760)
<b>Net Cash Flows from Investing Activities</b>		<b>(177,798)</b>	<b>(15,760)</b>
Net Increase/ (Decrease) in Cash		(150,701)	167,395
Opening Cash and Cash Equivalents		197,186	29,791
<b>Closing Cash and Cash Equivalents</b>	<b>3.1</b>	<b>46,485</b>	<b>197,186</b>

The accompanying notes form part of these financial statements.

**TRUSTEES OF THE  
FARRER MEMORIAL RESEARCH SCHOLARSHIP FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Purpose of Fund**

The *Farrer Memorial Research Scholarship Fund Act 1930* permits the Trustees of the Fund to use its earnings to assist study and research into agricultural problems, meet costs of the Farrer Memorial Oration and may provide an honorarium to the recipient of the Farrer Memorial Medal.

- (a) The accompanying financial report is a general purpose financial report and has been prepared on an accrual basis in accordance with historical cost principles, having regard to applicable Australian accounting standards, and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The Fund is a not-for-profit entity.
- (b) The financial report has been prepared in accordance with the requirements of the *Public Finance and Audit Act (1983) and Regulation*.
- (c) All administration costs and audit fees (including salary and wages) are met directly from the Recurrent Appropriations of the Minister for Primary Industries. Such costs are estimated to be \$7,165 inc. GST (\$7,165 in 2006) for the year and include audit fees of \$4,180 inc. GST (\$3,740 in 2006).
- (d) The Fund has designated Financial Assets as held for sale at fair value through profit and loss per the requirements of AASB139. Realised and unrealised gains and losses arising from changes in fair value of these assets are included in the income statement in the period in which they arise.
- (e) The financial report has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards including Australian Accounting Interpretations. Australian Accounting Standards contain requirements specific to not-for-profit entities that are inconsistent with International Financial Reporting Standard requirements.
- (f) The financial report for the year ended 31 December 2007 was authorised for issue by the Trustees on 8 April 2008.

**2. ASSETS**

**2.1 FINANCIAL ASSETS**

**Held to Maturity Investments**

Investment in Term Deposits are valued at amortised cost using the effective interest rate method and are held to maturity. Investments currently held are Rabobank Bonds.

They are not tradeable and not listed. These investments have fixed maturities, and it is the Trust's intention to hold these investments to maturity.

### Available For Sale Financial Assets through Profit and Loss

Investments in shares and income securities are valued at fair value and are quoted on the Stock Exchange and listed. Unrealised gains and losses arising from changes in the fair value are taken through profit and loss. Refer to note 2.3.

## 2.2 INVENTORIES

Inventories consist of Farrer Memorial Medals. Medals are valued at cost.

## 2.3 CURRENT MARKET VALUE (FAIR VALUE) OF PORTFOLIO

The following summary shows the market values (fair value) of all shareholdings as at 31 December 2007.

Company	Book Value	Market Value 2006	Market Value 2007
<b>Fixed Income Securities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
National Bank (NABHA)	36,107	37,888	37,396
Macquarie Bank (MBLHB)	36,191	37,080	36,896
Suncorp Metway (SUNHB)	35,949	40,795	39,262
<b>Total</b>	<b>\$108,247</b>	<b>\$115,763</b>	<b>\$113,554</b>
<b>Listed Trusts</b>			
DB Reef (DRT)	22,488	21,458	24,178
Good Group (GMG)	22,111	53,770	34,597
Macquarie Off Trust (MOF)	21,134	26,450	24,045
Conct East (CEU)	44,719	0	41,470
Macairport (MAP)	44,755	0	41,310
Duet (DUE)	44,973	0	38,940
<b>Total</b>	<b>\$200,180</b>	<b>\$101,678</b>	<b>\$204,540</b>
<b>TOTAL SECURITIES</b>	<b>\$308,427</b>	<b>\$217,441</b>	<b>\$318,094</b>
<b>Growth Securities (Shares)</b>			
National Bank (NAB)	16,014	20,200	18,895
Westpac Bank (WBC)	40,197	38,784	44,672
Leighton Holdings (LEI)	15,141	32,352	97,920
Westfarmer (WES)	45,307	0	42,525
Telstra (TLS)	14,918	14,076	15,946
Telstra (TLSCA)	6,000	8,070	9,510
<b>Total</b>	<b>\$137,577</b>	<b>\$113,482</b>	<b>\$229,468</b>
<b>PORTFOLIO TOTAL</b>	<b>\$446,004</b>	<b>\$330,923</b>	<b>\$547,562</b>

The \$38,841 represents the movement in the market value of financial assets available for sale.

The difference between 2006 and 2007 market value less purchase of investments has been recognised through profit and loss.

### 3. NOTES TO STATEMENT OF CASH FLOWS

	2007	2006
	\$	\$
3.1 Cash Balance Represented by		
Cash at Bank (St George Bank Account)	46,485	197,186
	<hr/> <b>46,485</b>	<hr/> <b>197,186</b>
	2007	2006
	\$	\$
3.2 Reconciliation of Operating Surplus to		
Net Cash Provided by Operating Activities		
Operating Surplus/ (Deficit)	68,831	225,151
Loss on Sale of Financial Assets	-	595
(Increase)/Decrease in Receivables	(3,039)	(263)
(Increase)/Decrease in Inventory	146	(3,806)
(Increase)/Decrease in Fair Value of		
Financial Assets	(38,841)	(38,522)
Net Cash Provided by Operating Activities	<hr/> <b>27,098</b>	<hr/> <b>183,155</b>

### 4. FINANCIAL INSTRUMENTS

Financial instruments give rise to situations that create a financial asset of the Trust and a financial liability (or equity instrument) of the other party, or vice versa. For the Trust, these financial instruments include cash at bank and financial assets such as fixed deposits and shares and accrued interest.

All financial instruments, including revenues, expenses, or other cash flows arising from instruments, are recognised on an accruals basis.

#### Cash

Cash comprises cash at bank. The value of the cash as at 31 December 2007 was \$46,485 (\$197,186 in 2006).

#### Financial Assets

As at 31 December 2007, investments amounting to \$36,000 (\$36,000 in 2006) were being held to maturity in Primary Industry Bank Bonds. The weighted effective interest rate as at 31 December 2007 was 5.86%. Refer note 2.1.

Other investments such as shares and securities are valued at fair value in the accounts. Refer note 2.3

#### Accrued Interest

All accrued interest is recognised as amounts receivable at balance date. The value of receivables as at 31 December 2007 was \$7,458 (\$4,419 in 2006).

## Financial Risk Management

The Fund's overall risk management program focuses on the risk V's return feature of financial markets and seeks to minimise adverse effects on the Fund's investment returns.

The Fund currently does not use derivative instruments such as foreign exchange contracts and interest swaps to hedge its risk exposure. The Fund uses a variety of risk mitigation measures to manage the types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and other price risks.

The Fund maintains a number of investment portfolios to address a variety of objectives:

- A long term growth portfolio representing the Fund's asset reserves and endowments and has a long term investment horizon. This portfolio has an investment profile oriented towards growth assets and is managed by external fund managers.
- A long term debt portfolio used to generate a fixed income stream. This portfolio invests in short to medium term fixed and floating rate securities.

### (a) Market Risk

#### (i) Foreign exchange risk

The Fund has no exposure to foreign exchange risk because there are no foreign currencies and balances.

#### (ii) Price risk

The Fund has exposure to equity securities price risk. This arises from investments held by the Fund and classified on the balance sheet as Financial Assets available for sale, such as the impact of a change in value of the securities would be reflected as either an increase or decrease in fair value of the security through equity.

To manage its price risk from investments in equity securities, the Fund has contracted out the management of the portfolio to external fund managers. These fund managers are mandated to diversify the investments of the portfolio under their management. The quantum of funds under management per external fund manager and the investment objectives of each external fund manager are in accordance with policies set by the Trustees.

A majority of the Fund's equity investments managed by external fund managers are denominated in AUD, are publicly traded and included in the ASX 300 Index. The impact of increases/decreases on the ASX 300 Index on the Fund's equity would be increase/decrease of \$54,756 (2006: \$33,092). The analysis is based on the assumption that the ASX 300 Index increased/ decreased by 10%, with all other variables held constant and the Fund's equity portfolio moves according to the historical correlation with the index.

#### (iii) Cash Flow and Fair Interest Rate Risk

The Fund's interest rate risk arises from the cash kept in the bank account subject to interest bearing at variable average rate of 6.84%. At 31 December 2007, if interest rates decreased/increased by 1.00% with all other variables held constant, equity would have been \$465 higher/\$465 lower (2006: \$1972 higher/\$1972 lower) as a result of an increase/decrease in fair value of the debt security.

## Sensitivity Analysis

The following tables summarise the sensitivity of the Fund's financial assets to interest risk and other price risk.

Interest rate risk					
31 December 2007	Carrying Amount \$'000	-1.00%		1.00%	
		Profit	Equity	Profit	Equity
Financial Assets					
Cash & Cash Equivalents	46,485		(465)		465
Financial Assets available for sale	547,562				
<b>Total increase/(decrease)</b>	<b>594,047</b>	<b>0</b>	<b>-465</b>	<b>0</b>	<b>465</b>

Interest rate risk					
31 December 2006	Carrying Amount \$'000	-1.00%		1.00%	
		Profit	Equity	Profit	Equity
Financial Assets					
Cash & Cash Equivalents	197,186		-1,972		1,972
Financial Assets available for sale	330,922				
<b>Total increase/(decrease)</b>	<b>528,108</b>	<b>0</b>	<b>-1,972</b>	<b>0</b>	<b>1,972</b>

Other Price risk					
31 December 2007	Carrying Amount \$'000	-1.00%		1.00%	
		Profit	Equity	Profit	Equity
Financial Assets					
Cash & Cash Equivalents	46,485				
Financial Assets available for sale	547,562		-54,756		54,756
<b>Total increase/(decrease)</b>	<b>594,047</b>	<b>0</b>	<b>-54,756</b>	<b>0</b>	<b>54,756</b>

Other Price risk					
31 December 2006	Carrying Amount \$'000	-1.00%		1.00%	
		Profit	Equity	Profit	Equity
Financial Assets					
Cash & Cash Equivalents	197,186				
Financial Assets available for sale	330,922		-33,092		33,092
<b>Total increase/(decrease)</b>	<b>528,108</b>	<b>0</b>	<b>-33,092</b>	<b>0</b>	<b>33,092</b>

## 5. CHANGES IN EQUITY

	Accumulated Funds	
	2007	2006
	\$	\$
Balance at the beginning of the financial year	572,628	347,477
Changes in Equity – Other than transactions With owners as owners		
Adjustment on adoption of AASB139	-	-
Surplus / (Deficit) for the Year	68,831	225,151
Balance at the End of the Financial Year	641,459	572,628

## 6. NEW AUSTRALIAN STANDARDS ISSUED BUT NOT EFFECTIVE

At reporting date, a number of Australian Accounting Standards adopted by the Australian Accounting Standards Board have been issued but are not yet operative and have not been adopted by the Trustee. NSW Treasury mandate precludes early adoption of these Accounting Standards.

The Trustee has reviewed the new Australian Accounting Standards and at this stage does not anticipate any impact on the figures reporting in this financial report.

**END OF AUDITED FINANCIAL STATEMENTS**