



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, Dr R F Sheldrake, 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. M. Adams, 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, Araluen.

The 2008 Farrer Memorial Travelling Scholarships were awarded to:

- Ms Carolyn Blomley, University of Sydney
- Ms Bernadette Vogelzang, University of Adelaide
- Mr Steven Coventry, University of Adelaide
- Mr Alasdair Grigg, University of Western Australia.

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 2008 Farrer Memorial Medal was awarded to Professor Phil Cocks, former Chief Executive Officer for Co-operative Research Centre for Plant-based Management of Dryland Salinity in Adelaide on 1 April 2008, and Professor Cocks delivered the Farrer Oration entitled 'Climate change – a failure of democracy?'

The text of the 2008 Farrer Memorial Oration is reproduced on page 17 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 2008, 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, in all material respects, the financial position of the Fund as at 31 December 2008, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005

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

The Trustees' Responsibility for the Financial Report

The Trustees of the 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 controls 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 controls relevant to the Fund'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 Fund's internal controls. 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 it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Barnes
Director, Financial Audit Services

4 June 2009
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 2008;
- (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



G.R. DAVEY
Trustee

SYDNEY

4 June 2009

**TRUSTEES OF THE
FARRER MEMORIAL RESEARCH SCHOLARSHIP FUND
INCOME STATEMENT FOR YEAR ENDED
31 DECEMBER 2008**

	Note	2008 \$	2007 \$
INCOME FROM ORDINARY ACTIVITIES			
Interest Received		13,763	19,282
Dividends		23,541	15,747
Other Income	1(c)	7,165	7,165
Profit from Sale of Financial Assets		-	-
Change in Fair Value of Financial Assets			
Unrealised	1(d),1(g), 1(h), 2	(277,359)	38,841
Donations Received		3,980	-
Tax Refund		1,427	4,228
TOTAL INCOME		(227,483)	85,263
Less:			
EXPENDITURE FROM ORDINARY ACTIVITIES			
Cost of Scholarship		26,776	5,500
Oration Expenses		1,214	1,778
Bank Charges		-	33
Brokerage		-	1,956
Administration Costs	1(c)	7,165	7,165
Loss on Sale of Financial Assets		-	-
TOTAL EXPENDITURE		35,155	16,432
(DEFICIT) /SURPLUS FOR THE YEAR		(262,638)	68,831

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 2008**

	Note	2008 \$	2007 \$
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
(Deficit)/Surplus for the Year	5	(262,638)	68,831
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR		(262,638)	68,831
EFFECT OF CHANGES IN ACCOUNTING POLICY AND CORRECTION OF ERRORS		-	-

The accompanying notes form part of these financial statements.

**TRUSTEES OF THE
FARRER MEMORIAL RESEARCH SCHOLARSHIP FUND
BALANCE SHEET AS AT
31 DECEMBER 2008**

	Note	2008 \$	2007 \$
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	3.1	46,796	46,485
Financial Assets Held to Maturity	1(g), 4	36,000	36,000
Receivables		6,652	7,458
Inventories	1(i)	3,689	3,954
TOTAL CURRENT ASSETS		93,137	93,897
NON-CURRENT ASSETS			
Assets held at fair value through the income statement	1(h), 2	285,684	547,562
TOTAL ASSETS		378,821	641,459
NET ASSETS		378,821	641,459
EQUITY			
Accumulated Funds	5	378,821	641,459
TOTAL EQUITY		378,821	641,459

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 2008**

	Note	2008 \$	2007 \$
Cash Flows from Operating Activities			
Interest Received		13,876	18,973
Dividends Received		21,447	13,015
Scholarship Costs		(26,776)	(5,500)
Oration Expenses		(950)	(1,630)
Bank Charges		-	(33)
Brokerage		-	(1,956)
Donations Received		3,980	-
Tax Refund		1,427	4,228
Net Cash Flows from Operating Activities	3.2	13,004	27,097
Cash Flows from Investing Activities			
Proceeds from Sale of Financial Assets		-	-
Proceeds from Maturing Financial Assets		-	-
Purchases of Financial Assets		(12,693)	(177,798)
Net Cash Flows from Investing Activities		(12,693)	(177,798)
Net Increase/ (Decrease) in Cash		311	(150,701)
Opening Cash and Cash Equivalents		46,485	197,186
Closing Cash and Cash Equivalents	3.1	46,796	46,485

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 2008**

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 2007) for the year and include audit fees of \$4,180 inc. GST (\$4,180 in 2007).
- (d) The Fund has designated Financial Assets as held for sale at fair value through the income statement 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 2008 was authorised for issue by the Trustees on 4 June 2009.
- (g) Held to Maturity Investments
Investments 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.

(h) Assets held at fair value through the income statement

Investments in shares and income securities are valued at fair value and are listed on the Stock Exchange. Unrealised gains and losses arising from changes in the fair value are taken through profit and loss. Refer to note 2.

(i) Inventories

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

2. CURRENT MARKET VALUE (FAIR VALUE) OF PORTFOLIO

The following summary shows the market values (fair value) of all shareholdings as at 31 December 2008.

Company	Book Value	Market Value 2007	Market Value 2008
Fixed Income Securities	\$	\$	\$
National Bank (NABHA)	36,107	37,396	27,055
Macquarie Bank (MBLHB)	36,191	36,896	22,914
Suncorp Metway (SUNHB)	35,949	39,262	21,935
Total	\$108,247	\$113,554	\$71,904
Listed Trusts			
Dexus Prop (DXS)	22,489	24,178	9,913
Good Group (GMG)	22,111	34,597	5,236
Macquarie Off Trust (MOF)	21,134	24,045	4,122
Conct East (CEU)	47,507	41,470	15,940
Macairport (MAP)	44,755	41,310	24,480
Duet (DUE)	44,973	38,940	22,836
Total	\$202,969	\$204,540	\$82,526
TOTAL SECURITIES	\$311,216	\$318,094	\$154,430
Growth Securities (Shares)			
National Bank (NAB)	16,014	18,895	10,435
Westpac Bank (WBC)	40,198	44,672	27,152
Leighton Holdings (LEI)	19,206	97,920	47,420
Westfarmer (WES)	49,135	42,525	21,276
Telstra (TLS)	25,718	15,946	24,971
Telstra (TLSCA)	-	9,510	-
Total	\$150,271	\$229,468	\$131,254
PORTFOLIO TOTAL	\$461,487	\$547,562	\$285,684

The movement in the market value of financial assets available for sale in 2008 was (\$277,359). The difference between 2007 and 2008 market value less purchase of investments has been recognised through profit and loss.

3. NOTES TO STATEMENT OF CASH FLOWS

	2008	2007
	\$	\$
3.1 Cash Balance Represented by Cash at Bank (St George Bank Account)	46,796	46,485
	<hr/> 46,796	<hr/> 46,485
	2008	2007
	\$	\$
3.2 Reconciliation of Operating Surplus to Net Cash Provided by Operating Activities		
Operating Surplus/ (Deficit)	(262,637)	68,831
Loss on Sale of Financial Assets	-	-
(Increase)/Decrease in Receivables	806	(3,039)
(Increase)/Decrease in Inventory	264	146
(Increase)/Decrease in Fair Value of Financial Assets	277,359	(38,841)
Non Cash Dividends received	(2,788)	-
Net Cash Provided by Operating Activities	<hr/> 13,004	<hr/> 27,097

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 2008 was \$46,796 (\$46,485 in 2007).

Financial Assets

As at 31 December 2008, investments amounting to \$36,000 (\$36,000 in 2007) were being held to maturity in Rabobank Bonds. The weighted effective interest rate as at 31 December 2008 was 6.57%. Refer note 1(g).

Other investments such as shares and securities are valued at fair value in the accounts. Refer note 2.

Accrued Interest

All accrued interest is recognised as amounts receivable at balance date. The value of receivables as at 31 December 2008 was \$6,652 (\$7,458 in 2007).

Financial Risk Management

The Fund's overall risk management program focuses on the risk versus 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 Assets held at fair value through the income statement, 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 \$28,568 (2007: \$54,756). 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 6.5%. At 31 December 2008, if interest rates decreased/increased by 1.00% with all other variables held constant, equity would have been \$468 higher/\$468 lower (2007: \$465 higher/\$465 lower) as a result of an increase/decrease in fair value of the debt security.

Sensitivity Analysis

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

	Carrying Amount \$	Interest rate risk				Other price risk			
		-1.00%		1.00%		-10.00%		10.00%	
		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
31 December 2008									
Financial Assets									
Cash & Cash Equivalents	46,796	(468)	(468)	468	468	-	-	-	-
Financial Assets Held to Maturity ⁽¹⁾	36,000	-	-	-	-	-	-	-	-
Receivables ⁽²⁾	6,652	-	-	-	-	-	-	-	-
Fixed Income Securities ⁽³⁾	71,904	-	-	-	-	(7,190)	(7,190)	7,190	7,190
Listed Trusts	82,526	-	-	-	-	(8,253)	(8,253)	8,253	8,253
Growth Securities	131,254	-	-	-	-	(13,125)	(13,125)	13,125	13,125
Total increase/(decrease)		(468)	(468)	468	468	(28,568)	(28,568)	28,568	28,568
31 December 2007									
Financial Assets									
Cash & Cash Equivalents	46,485	(465)	(465)	465	465	-	-	-	-
Financial Assets Held to Maturity ⁽¹⁾	36,000	-	-	-	-	-	-	-	-
Receivables ⁽²⁾	7,458	-	-	-	-	-	-	-	-
Fixed Income Securities ⁽³⁾	113,554	-	-	-	-	(11,335)	(11,335)	11,335	11,335
Listed Trusts	204,540	-	-	-	-	(20,454)	(20,454)	20,454	20,454
Growth Securities	229,468	-	-	-	-	(22,947)	(22,947)	22,947	22,947
Total increase/(decrease)		(465)	(465)	465	465	(54,756)	(54,756)	54,756	54,756

Notes:

1. Held to Maturity Term Deposits are not traded and are not subject to interest rate variation during the term.
2. Receivables include interest due on Fixed Securities and Term Deposits and dividends receivable. The value of these receivables will not change due to changes in market interest rates.
3. Fixed Income Securities are composed of Listed Fixed Interest Securities which are not subject to changes in market interest rates.

(b) Liquidity risk

Liquidity risk is the risk that the Fund will be unable to meet its payment obligations when they fall due. The Fund continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The Fund has no loans payable and no assets have been pledged as collateral. The Fund's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. The Fund has no liabilities and the majority of the assets are cash, cash equivalents or tradable shares and securities.

5. CHANGES IN EQUITY

	<u>Accumulated Funds</u>	
	2008	2007
	\$	\$
Balance at the beginning of the financial year	641,459	572,628
Changes in Equity – Other than transactions With owners as owners		
Adjustment on adoption of AASB139	-	-
Surplus / (Deficit) for the Year	(262,638)	68,831
Balance at the End of the Financial Year	378,821	641,459

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 reported in this financial report.

At the date of the financial report, the following Standards and Interpretations were on issue but not yet effective:

Accounting Standard	Effective
• AASB 3, AASB 127 and AASB 2008-3 (Mar 2008) regarding business combinations	1 Jul 2009
• AASB 8 and AASB 2007-3 regarding operating segments	1 Jan 2009
• AASB 101 (Sept 2007), AASB 2007-8 and AASB 2007-10 regarding presentation of financial statements	1 Jan 2009
• AASB 123 (June 2007) and AASB 2007-6 regarding borrowing costs	1 Jan 2009
• AASB 1039 (Aug 2008) regarding concise financial reports	1 Jan 2009
• AASB 2008-1 regarding share based payments	1 Jan 2009
• AASB 2008-2 regarding puttable financial instruments	1 Jan 2009
• AASB 2008-5 arising from the Annual Improvements Project	1 Jan 2009
• AASB 2008-6 arising from the Annual Improvements Project	1 Jul 2009
• AASB 2008-7 regarding costs of an investment in a subsidiary	1 Jan 2009
• AASB 2008-8 regarding eligible hedged items	1 Jul 2009
• AASB 2008-9 regarding whole of government and general government sector financial reporting	1 Jan 2009
• AASB 2008-11 regarding business combinations among not-for-profit entities	1 Jul 2009

7. EVENTS AFTER REPORTING DATE

The share market remained highly volatile after the reporting period ended 30 December 2008 and the effect on the value of investment is still uncertain.

the Fund incurred further unrealised losses (\$31,765) on its investments between 1 January and 22 May 2009.

END OF AUDITED FINANCIAL STATEMENTS