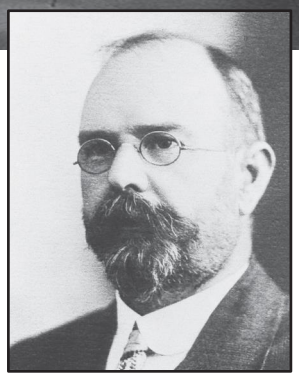
FARRER MEMORIAL TRUST

ANNUAL REPORT 2020

FARRER MEMORIAL RESEARCH SCHOLARSHIP FUND

THE 2020 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.

TRUSTEES

- Mr Scott Hansen, Director General, NSW Department of Primary Industries (Chair)
- Ms Kate Lorimer-Ward, Deputy Director General, Agriculture NSW Department of Primary Industries
- Prof. Alex McBratney, Professor and Dean of the Faculty of Agriculture, University of Sydney
- Dr John C Radcliffe AM, CSIRO.

NON-OFFICIAL TRUSTEES

- Mr Geoffrey Mason
- Mr Rohan Wilson
- Mr David Davidson

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

Due to the impacts of COVID-19 on international travel, the 2020 scholarship award winners delayed using the scholarship funding for travel until the 2021.

The 2020 Farrer Memorial Travelling Scholarships were awarded to:

- Mr Dhahi Turki Jadah Al-Shammari
- Ms Dipika Roy
- Mr Thomas O'Donaghue

The 2020 Farrer Memorial Medal was awarded to Doctor Tim Reeves Lindsay O'Brien at a ceremony in Narrabri for his valuable contribution to wheat breeding and cereal chemistry research that has improved Australia's cereal production.

Doctor O'Brien delivered the Farrer Oration entitled 'Wheat Breeders Make it Happen' at a ceremony in Narrabri in September 2020.

The text of Doctor O'Brien's Farrer Memorial Oration is reproduced from page 3 of this report.

The 2020 Farrer Memorial Oration

Wheat Breeders Make It Happen

Doctor Lindsay O'Brien

WHEAT BREEDERS MAKE IT HAPPEN. Dr. Lindsay O'Brien.

To demonstrate that wheat breeders make it happen some examples will be described. The first two are well known and documented. The main example, however, forms the basis for trading grain internationally so may not be obvious. The data that will be presented and a knowledge of the way the grain market operates will advance the case that the trading of milling grades of wheat is dependent on the focus on selecting for quality by wheat breeders.

William James Farrer, pioneering wheat breeder.

William Farrer laid the foundations for the growth of the wheat industry in Australia in the 20th century with the release of Federation. Prior to its release the wheats being grown were either direct introductions or farmer selections from introductions and they flowered and matured too late for Australian conditions. The release of Federation in 1901 set the developmental pattern of what was needed in a variety adapted to Australian conditions. Federation dominated the national wheat area for nearly twenty-five years. William Farrer made it happen.

Farrer was in regular contact with breeders around the world including Blount in the USA and Vilmorin in France. A germplasm exchange with Blount resulted in Federation being grown in the Pacific North West region of the United States. This unintentionally donated to the region the change in wheat starch composition that research some 70 years later would identify as being the result of a deletion in the gene sequence that altered the ratio of the two starch polymers, amylopectin and amylose. This change is responsible for giving the desired mouth feel of premium quality white salted noodles consumed in Japan (Udon) and Korea. Today, the two major markets that supply wheat for this product are Western Australia and the Pacific North West of the United States.

The wheat rusts and development of the industry.

The expansion of wheat production in Australia was being limited by the poor adaptation of the introduced varieties or the selections from them and their susceptibility to the wheat rusts, mainly stem rust. In the years when rust was prevalent, severe losses of production occurred resulting in the convening of a series of Intercolonial Rust in Wheat Conferences in the 1890's. Farrer made a written submission to the first and attended the second where those present, representing their respective colonies, committed to the breeding of rust resistant varieties.

Farrer was committed to this goal and the crosses he was making at his property Lambrigg, near Canberra were directed at that end, but a thorough knowledge of the pathology of the wheat rusts and the genetics of host plant resistance were yet to develop.

Cereal rust investigations were commenced at the University of Sydney about 1920 by W. L. Waterhouse (Watson, 1985). Germplasm obtained from McFadden in the United States included the varieties Webster and Hope. The resistance in both these varieties was backcrossed into Federation, resulting in the naming in 1937 of Fedweb (Federation/Webster) and Hofed (Hope/Federation) as the first rust resistant varieties (Macindoe and Walkden Brown, 1968). The resistance genes in the donor varieties were later catalogued (McIntosh, Wellings and Park, 1995) as Sr30 (Webster), and Sr2 (Hope) and are still being used by breeders today. Sr2 is a gene that gives an adult plant slow rusting reaction to stem rust and in combination with other genes forms effective resistance to the rust race complex Ug99 which poses a threat to global wheat production. Waterhouse the wheat breeder, made it

happen.

The University has maintained its commitment to rust research and the development of resistant varieties since the Waterhouse era. However, it was the vision of regional growers to establish a research centre on the rich black soil plains of the north west of NSW where the major impact would be delivered. Once at the mercy of the ravages of rust, losses as high as 51% in 1947-48 were experienced (Table 1). The industry suffered badly, not only through the loss of production, but the rust damaged grain was useless for milling or livestock feed (Figure 1).

Left: Figure 1. The impact of stem rust infection on wheat grains. Grain from healthy plants (top) and severely rusted plants (bottom).

Right: Table 1. Estimates of losses of production from stem rust in the north west of NSW up to 1974 (Derera, 1977) and since 1975 to the present day.

Year	% loss of production
1930-31	26
1934-35	46
1936-37	3.0
1939-40	25
1947-48	51
1948-64	None recorded
1964-65	0.5
1965-74	None recorded
1975-present	None recorded

No losses have been sustained in northern NSW and Queensland since 1965. Even in the disastrous stem rust epidemic that caused losses of production estimated at $100 million in southern Australia in 1973 no losses occurred because only resistant varieties are grown. Wheat breeders made it happen.

Australia a major wheat exporting country.

Australia is a top ten wheat producing and exporting nation. To maintain exports in an ever increasingly competitive world trading market, the wheat must meet the requirements of discriminating buyers.

Wheat is accumulated at receival points by grain trading companies into any one of a number of different grades based on growers declaring the name of the variety and grain quality measures, such as moisture and protein content, test weight, absence of foreign matter, low screenings (small and cracked grains) and freedom from weather damage (high Falling Number). This has resulted in Australian wheat having the reputation of being clean, dry and white.

Declaring the variety when grain is sold, provides the quality guarantee for the wheat in each grade. Each variety is a genetic package that can handle the wide range of environmental conditions of the Australian wheat belt but still deliver the functional quality (the wide range of end products that can be made from wheat) to customers that buy the wheat. How do wheat breeders make that happen?

To be eligible for receival into a milling grade, every variety is assessed by an expert panel appointed by the independent company, Wheat Quality Australia (WQA). Breeders need to submit data on grain, flour and end-products such as breads and noodles produced using WQA approved methods. Data from six sets of samples from at least three seasons, with end-product data for two of those years is examined. Breeders also must be able to understand and interpret such data to make selection decisions and progress materials in their breeding programs towards becoming a variety.

Every variety that gets received into a milling grade is thus the result of selection by wheat breeders using data over generations, sites and years. Using variety and receival specifications for each grade enables the market to sell wheat based on the difference between grades which is mostly seasonally driven variation in protein content and the quality measures correlated with protein content. However, the process is not as simple as just selecting for protein content. Variation in "protein quality" must also be considered.

"Protein quality" can be seen in Figure 2 which reproduces the work of Finney and Barmore (1948).

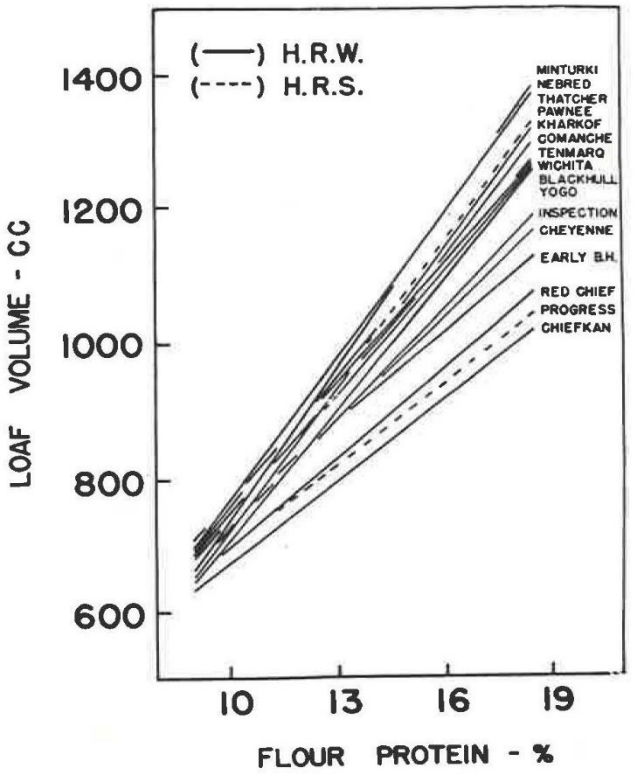


Figure 2. Demonstration of differences between wheat varieties from two classes of US wheat due to "protein quality" (Finney and Barmore, 1948). Reproduced, by permission, from Finney, K. F., and Barmore, M. A. 1948. Loaf volume and protein content of hard winter and spring wheats. Cereal Chem. 25:291-312.

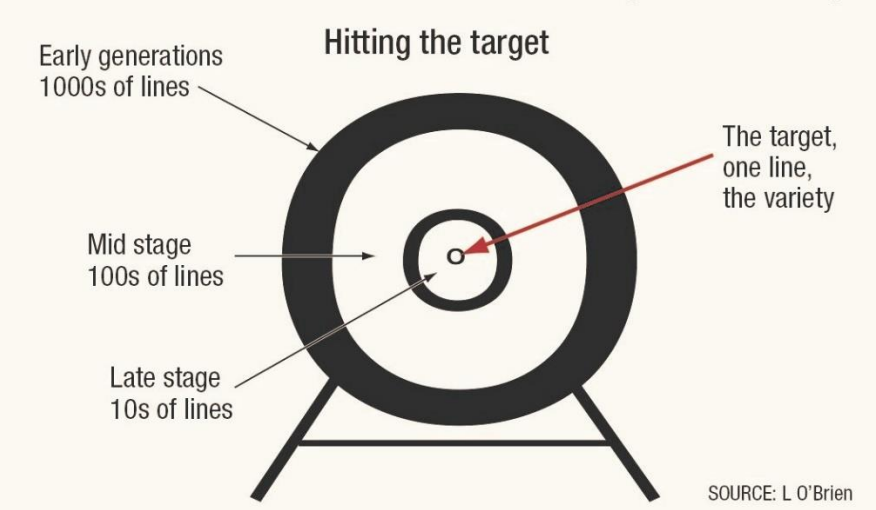
In the two classes of US wheat they demonstrated there was a wide range in bread loaf volume at the same protein content that was evident across a large spread in flour protein content. At 13% flour protein content, for example, loaf volume could vary by 25 %, a difference between the varieties in "protein quality". Breeders need to account for variation in protein quality by selecting for it on-route to developing every new variety.

Breeders need to actively select for protein quality because the relationships between protein content and dough properties and product quality like bread loaf volume, while strong in developed varieties, can be weak to non-existent in segregating early generation breeding populations. An example of the relationship between flour protein content and the dough properties Extensograph maximum resistance ($r = 0.344$) and extensibility ($r = 0.266$) in unselected F3 generation breeding lines had a wide range of values for protein content and each Extensograph measure.

Breeders need to work with these types of relationships in the thousands of early generation lines in their programs, with the limitations of having small amounts of seed (grams) for quality testing and for planting the next generation. This is achieved using high daily throughput tests, 50-100 tests per day. The development of Near Infrared Reflectance spectroscopy methodology resulted in breeders being able to predict grain hardness, protein content and potential protein quality from ground samples of as little as 10g of seed. Advances in spectroscopy to Near Infrared Transmission instrumentation permit non-destructive testing, meaning all seed is retained for planting. Advances in biotechnology in the last twenty years see breeders selecting at the gene level using molecular markers for key genes that determine differences in protein and starch composition. Molecular based approaches can be applied to select for the best gene combinations or to remove genes with adverse effects on quality and for selection at the whole genome level for quality in combination with superior agronomic traits and disease resistances.

Irrespective of which approach breeders chose, data is generated on protein content, grain hardness, potential milling yield, flour colour, and a prediction of each lines' potential dough and end-product properties. This strategy reduces the numbers of lines from thousands to hundreds which can then be assessed using larger scale tests and even bread baking and noodle assessments.

Application of these strategies is supported by many research studies, but two Australian based examples, Jardine Moss and Mullaly (1963) and Orth, O'Brien and Jardine (1976) demonstrated that as few as four or three key measures, respectively, could capture the essence of something as complex as wheat quality. Practical breeding experience validates the research findings.



Source: Understanding Australian Wheat Quality.

Figure 3. A graphical representation of how breeders work through the thousands of lines they handle using assessments of quality towards the eventual target of a new variety.

When numbers have been reduced to hundreds, extensive disease assessments and region wide yield testing further reduces numbers. Seed (kgs) is now available for detailed testing where daily throughput can be as low as 8-12 samples per day, involving milling, dough quality, baking and noodle quality. These tests produce data for the breeder to further select each breeding line towards the quality target while generating the data to get a receival classification.

Selection for quality takes place because wheat is a food grain, processed in various ways to make a wide range of nutritious and delicious products. If some of these products are arranged on a diagonal like in Figure 4, the optimum flour for each product increases in dough strength, combined with extensibility as we go up the diagonal from cakes to pan breads and pasta. The optimum flour can be further defined by differences in grain hardness in a vertical direction and protein content horizontally.

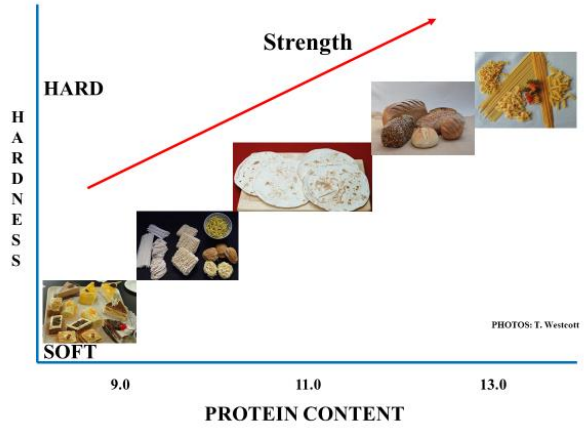


Figure 4. Some examples of wheat products arranged on a diagonal of increasing dough strength, with grain hardness vertically and protein content horizontally.

These relationships were first captured diagrammatically by Moss (1973). The boxes for each product category are important as they show that a range in protein and hardness values can be tolerated for each product grouping. The range allows for genetic variation between varieties and the effect of seasonal environment, a major determinant of final grain protein content.

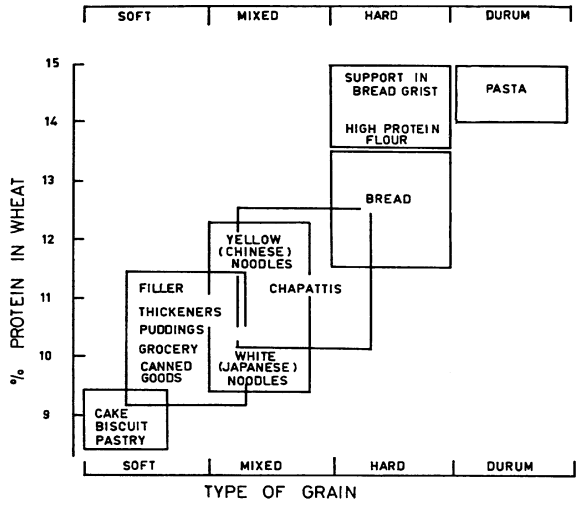


Figure 5. The relationship between grain hardness and protein content for products that can be made from Australian wheat. (Reproduced with permission of Ag Institute Australia).

What Moss first described in Figure 5, can be represented another way by replacing the boxes with end-products on the diagonal and Australian grades of wheat on the vertical axis (Figure 6) as was published in the NSW Department of Agriculture and Fisheries "Guide to Growing Better Wheat" (Anon, 1989).

Figure 6. The relationship between the wide range of end-products that can be made from Australian wheat, wheat protein content and the Australian wheat grades (Source: NSW Agriculture and Fisheries, 1989).

Conclusions.

The maximum receival classification of each variety is a major determinant in grower choice as its sets the maximum price that could be achieved should the wheat meet the receival standards for that grade.

Such an outcome is only possible because wheat breeders make it happen. Breeders produce the genetic package, the variety, that given the right seasonal conditions, will produce grain meeting the maximum grade for which it was classified and released.

Variety is the key within each grade. It is essentially a quality guarantee, made possible by wheat breeders selecting for quality which meet the standards set and assessed by an expert panel.

Grain is traded internationally using grain hardness as a major grade differentiator (Hard versus Soft) and variation in protein content between grades (Australian Prime Hard versus Australian Hard and Premium White). Variation within a grade is minimised via variety eligibility, thereby delivering to customers the functionality they need.

The market can operate using such quick, accurate and easy descriptors of quality because wheat breeders have selected in their breeding programs to make it happen.

Acknowledgements.

The Farrer Memorial Trust for the award of the 2020 Farrer Memorial Medal.

This award would not have been possible without the support of staff, colleagues, friends and family. Australian and international mentors too numerous to mention by name. Past managers who provided boundless opportunities and the chance for postgraduate study in Canada, to be able to run four generations of breeding lines in two years. To do this at the CIMMYT site at Cd. Obregon and to walk the plots with the CIMMYT trainees and Nobel Laureate Norman E Borlaug were transformative experiences. To my postgraduate students, thanks for teaching me so much and for now providing ongoing joy to see you making major contributions to Australian society and agriculture in a wide range of crops and industries as breeders, researchers and administrators.

Sources.

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INDEPENDENT AUDITOR'S REPORT

The Trustee for Farrer Memorial Research Scholarship Fund

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of The Trustee for Farrer Memorial Research Scholarship Fund (the Fund), which comprise the Statement of Comprehensive Income for the year ended 31 December 2020, the Statement of Financial Position as at 31 December 2020, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Fund in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Other Information

The Fund's annual report for the year ended 31 December 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. Trustees of the Fund are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement in accordance with Section 41C(1B) of the PF&A Act.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Trustees' Responsibilities for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Trustees determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Fund carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Min Lee
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

3 August 2021
SYDNEY

The Trustee for Farrer Memorial Research Scholarship Fund

Financial Statements
Year ended 31 December 2020

THE TRUSTEE FOR FARRER MEMORIAL RESEARCH SCHOLARSHIP FUND

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

Pursuant to Section 41C (1B) of the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Trustees of the Farrer Memorial Research Scholarship Fund, we declare on behalf of the Trust that, in our opinion:

(a) the accompanying financial statements have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the provisions of the *Public Finance and Audit Act 1983,* and the applicable clauses of the *Public Finance and Audit Regulation 2015.*

(b) the accompanying financial statements exhibit a true and fair view of the financial position and the financial performance of Farrer Memorial Research Scholarship Fund for the year ended 31 December 2020.

(c) at the date of signing we are not aware of any circumstances that would render the financial statements misleading or inaccurate.

Scott Hansen - Chair
Dated

Kate Lorimer-Ward - Trustee
Dated

Beginning of the Financial Statements

THE TRUSTEE FOR FARRER MEMORIAL RESEARCH SCHOLARSHIP FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 $	2019 $
Expenses excluding losses			
Personnel services	2a	34,497	34,922
Other operating expenses	2b	9,911	33,394
Total expenses excluding losses		**44,408**	**68,316**
Revenue			
Investment revenue	3a	15,063	30,240
In kind contribution	3b	42,277	42,622
Total revenue		**57,340**	**72,862**
Other Gains / (losses)	4	(31,327)	37,367
Net Result		**(18,395)**	**41,913**
Total Comprehensive Income		**(18,395)**	**41,913**

THE TRUSTEE FOR FARRER MEMORIAL RESEARCH SCHOLARSHIP FUND

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 $	2019 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	171,103	152,099
Receivables	6	43,857	13,905
Inventories	7	-	523
Other financial assets	8	71,256	70,357
Total Current Assets		**286,216**	**236,884**
Non-Current Assets			
Financial assets at fair value	9	414,321	481,648
Total Non-Current Assets		**414,321**	**481,648**
Total Assets		**700,537**	**718,532**
LIABILITIES			
Current Liabilities			
Payables to Department of Regional NSW		400	-
Total Current Liabilities		**400**	**-**
Total Liabilities		**400**	**-**
Net Assets		**700,137**	**718,532**
EQUITY			
Total Equity		**700,137**	**718,532**

The accompanying notes form part of these financial statements

THE TRUSTEE FOR FARRER MEMORIAL RESEARCH SCHOLARSHIP FUND

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Accumulated Funds	Total
	$	$
Balance at 1 January 2020	**718,532**	**718,532**
Net result for the year	(18,395)	(18,395)
Balance at 31 December 2020	**700,137**	**700,137**
Balance at 1 January 2019	**676,619**	**676,619**
Net result for the year	**41,913**	**41,913**
Balance at 31 December 2019	**718,532**	**718,532**

The accompanying notes form part of these financial statements

THE TRUSTEE FOR FARRER MEMORIAL RESEARCH SCHOLARSHIP FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Grants and subsidies		-	(24,375)
Other		(1,208)	(1,056)
Total Payments		**(1,208)**	**(25,431)**
Receipts			
Interest received		543	1,258
Dividends received		13,030	21,732
Franking Credits		6,639	-
Total Receipts		**20,212**	**22,990**
NET CASH FLOWS FROM OPERATING ACTIVITIES	11	**19,004**	**(2,441)**
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**19,004**	**(2,441)**
Opening Cash and Cash Equivalents		152,099	154,540
CLOSING CASH AND CASH EQUIVALENTS	5	**171,103**	**152,099**

The accompanying notes form part of these financial statements

1. Summary of Significant Accounting Policies

(a) Reporting Entity

The *Farrer Memorial Research Scholarship Fund Act 1930* permits the Trustees (the Trust) 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. The Trust is a not-for-profit entity as profit is not its principal objective and it has no cash generating units.

On 2 April 2020 the Trust was transferred from the Planning, Industry and Environment cluster to Regional NSW cluster. At balance date, Department of Regional NSW provide the administrative, secretarial support and operational assistance including the services depicted in Note 2 (a) and (b) of these financial statements.

These financial statements for the year ended 31 December 2020 have been authorised for issue by the Chair of the Trust on the date the accompanying statement by the Chair of the Trust was signed.

(b) Basis of Preparation

The Trust's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015.*

Financial assets at 'fair value through profit or loss' are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest dollar and are expressed in Australian currency which is the entity's presentation and functional currency.

(c) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards which include Australian Accounting Interpretations.

- amount of GST incurred by the Trust as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the Australian Taxation Office is included as part of receivables or payables respectively.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(e) Comparative Information

Except when Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

1. Summary of Significant Accounting Policies (continued)

(f) New Australian Accounting Standards issued and effective for the first time at 31 December 2020

The accounting policies applied in the preparation of these financial statements are consistent with those of the previous financial year unless otherwise stated. The following new and revised Accounting Standards were applicable for the first time in 2020.

The entity applied AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is nil/minimal.

Several other amendments and interpretations apply for the first time in FY2020-21, but do not have an impact on the financial statements of the entity.

2. Expenses Excluding Losses

		2020	2019
		$	$
(a)	**Employee related expenses**		
	Personnel expenses	34,497	34,922
		34,497	**34,922**

Recognition and Measurement

The Trust does not have any employees and receives administrative, secretarial support and operational assistance from the Principal Department. The Trust is not required to reimburse the Principal Department for personnel services.

(b)	**Other operating expenses include the following:**		
	Auditor's remuneration	7,780	7,700
	Scholarships*	-	24,375
	Other operating expenses	2,131	1,319
		9,911	**33,394**

***Scholarships**

Travelling scholarships were postponed in the current year due to COVID 19 and related travel restrictions.

Recognition and Measurement

Insurance

The Trust's insurance activities are covered by Department of Regional NSW insurance with the NSW Treasury Managed Fund Scheme of self-insurance for Government agencies.

3. Revenue

Recognition and Measurement

Income is recognised in accordance with the requirements of AASB 15

	2020 $	2019 $
(a) Investment revenue		
Interest income from financial assets at amortised cost	1,400	2,857
Dividends	11,058	21,680
Franking Credits	2,605	5,703
	15,063	**30,240**

Recognition and Measurement

Interest Income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Dividend Income

Dividend income is recognised when the Trust's right to receive payment has been established.

(b) In kind contribution

Personnel services contribution	34,497	34,922
Audit fee contribution	7,780	7,700
	42,277	**42,622**

The Principal Department pays for audit remuneration and personnel service on behalf of the Trust. Department of Regional NSW provides financial statement preparation services free of charge to the Trust.

As at 1 January 2019

Contributions (including grants and donations), without sufficiently specific performance obligations are recognised as income when the Trust obtains control over the assets comprising the contributions.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated.

4. Other Gains / (Losses)

	2020 $	2019 $
Gains / (losses) on financial assets at fair value through profit or loss	(31,327)	37,367
	(31,327)	**37,367**

5. Current Assets - Cash and Cash Equivalents

Cash at bank and on hand	171,103	152,099
	171,103	**152,099**

For the purposes of the financial statement of cash flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits, at call deposits and bank overdraft.

Cash and cash equivalent assets recognised in the statement of financial position, are reconciled at the end of the financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	171,103	152,099
Closing cash and cash equivalents (per statement of cash flows)	**171,103**	**152,099**

Refer Note 12 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. Current Assets - Receivables

MBLHB dividend receivable	232	
Receivables from investing activities	7,625	13,905
Accrued securities redemption	36,000	-
	43,857	**13,905**

Recognition and Measurement

Receivables are recognised initially at fair value plus any transaction costs. The Trust holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

7. Current Assets - Inventories

Medals held for distribution - at cost	-	523
	-	**523**

Inventories consist of Farrer Memorial Medals. Medals are valued at cost which approximates fair value.

Recognition and Measurement

Inventories held for distribution are stated at cost, adjusted when applicable, for loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount.

8. Current Assets - Other Financial Assets

	2020 $	2019 $
Macquarie bank term deposit	71,256	70,357
	71,256	**70,357**

Recognition and Measurement

All 'regular way' purchases or sales of other financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of other financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Other financial assets are initially measured at fair value plus any transaction costs.
Refer to Note 12 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

9. Non-Current Assets - Financial Assets at Fair Value

The following summary shows the market values (Fair value) of all shareholdings as at 31 December 2020.

Company	Market Value 2020 $	2019 $
Fixed Income Securities		
National Australia Bank (NABHA)	36,356	34,040
Macquarie Bank (MBLHB)	-	33,372
Suncorp Group (SBKHB)	32,841	33,050
	69,197	**100,462**
Listed Trusts		
Dexus Property Group (DXS)	18,941	23,576
Goodman Group (GMG)	26,758	18,919
Sydney Airport (SYD)	65,382	88,434
SP AusNet (AST)	25,448	24,650
	136,529	**155,579**
Growth Securities (Shares)		
National Australia Bank (NAB)	25,990	28,325
Virgin Money (VUK)	680	1,002
Westpac Banking Corporation (WBC)	30,992	38,704
Coles Group (COL)	20,825	17,036
Cimic Group (CIM)	41,795	56,835
Wesfarmers (WES)	57,857	47,526
Telstra (TLS)	30,456	36,179
	208,595	**225,607**
Portfolio Total	**414,321**	**481,648**

The movement in the market value of the financial assets at fair value through the income statement in 2020 was a loss of $67,327 (2019: gain of $37,367). We note during the year Macquarie Income Securities announced it would be repaying the MBLHB Income securities in accordance with the terms of the issue. This balance remains outstanding as at 31 December 2020 and presented as MBLHB dividend receivable and Accrued securities redemption.

Refer to Note 12 for further information regarding fair value measurement, credit risk, liquidity risk and market risk arising from financial instruments.

9. Non-Current Assets - Financial Assets at Fair Value (continued)

Recognition and Measurement

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Classification and measurement

The entity's financial assets at fair value are classified, at initial recognition, as subsequently measured at fair value through profit and loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value under AASB 9. Financial assets at fair value through profit or loss are initially and subsequently measured at fair value.

A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in net results and presented net within other gains/(losses).

Purchases or sales of investments under contract that require delivery of the asset within a timeframe established by convention or regulation are recognised on the trade date; i.e. the date the Trust commits to the purchase or sale of the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the statement of financial position date.

10. Equity

Recognition and Measurement

Accumulated Funds

The category accumulated funds includes all current and prior period retained funds.

11. Reconciliation of Cash Flows from Operating Activities to Net Result

	2020 $	2019 $
Net cash used on operating activities	**19,004**	**(2,441)**
Increase/(decrease) in inventories	(523)	(264)
Increase/(decrease) in receivables	29,952	5,597
Increase/(decrease) in fair value of financial assets	(67,326)	37,367
Increase/(decrease) in other financial assets	898	1,654
(Increase)/decrease in payable	(400)	-
Net result	**(18,395)**	**41,913**

12. Financial Instruments

The Trust's principal financial instruments are outlined below. These financial instruments arise directly from the Trust's operations or are required to finance the Trust's operations. The Trust does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Trust's main risks arising from financial instruments are outlined below, together with the Trust's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial statements.

The Trustees have overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Trust, to set risk limits and controls and to monitor risks.

The Trust's overall risk management program focuses on the risk versus return feature of financial markets and seeks to minimise adverse effects on the Trust's investment returns. The Trust currently does not use derivative instruments such as foreign exchange contracts and interest swaps to hedge its risk exposure. The Trust 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 Trust maintains a number of investment portfolios to address a variety of objectives:

- A long term growth portfolio representing the Trust'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) Financial Instrument Categories

Financial Assets	Note	Category	Carrying Amount	Carrying Amount
Class:			**2020**	**2019**
			$	**$**
Cash and cash equivalents	5	Amortised cost	171,103	152,099
Financial assets at fair value	9	At fair value through profit or loss - designated as such upon initial recognition	414,321	481,648
Receivables	6	Loans and receivables (at amortised cost)	43,857	13,905
Other financial assets	8	Fair value through profit or loss - designated as such upon initial recognition	71,256	70,357

(b) Credit Risk

Credit risk arises when there is the possibility that the counter party will default on their contractual obligations, resulting in a financial loss to the Trust. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets.

Credit risk arises from the financial assets of the Trust, including cash, receivables and other financial assets. No collateral is held by the Trust. The Trust has not granted any financial guarantees.

Credit risk associated with the Trust's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

12. Financial Instruments (continued)

(b) Credit Risk (continued)

Cash

Cash comprises cash on hand and bank balances with St George Bank. St George interest is earned on the daily bank balance at market rates and Rabobank interest was earned at a flat 0.05% rate during 2020 (2019: 0.05%).

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date.

Other financial assets

The Trust has placed funds on deposit with Macquarie Bank Limited for a fixed term. The interest rate payable is fixed for the term of the deposit. The deposits at balance date were earning an interest rate of 0.90% (2019: 2.40%).

(c) Liquidity risk

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

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust's exposure to market risk are primarily through price risk and cash flow and fair interest rate risk.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk.

Interest rate risk

The Trust's interest rate risk arises from the cash kept in the bank account subject to interest bearing at variable average rate of 0.05%. At 31 December 2020, if interest rates decreased/increased by 1.00% with all other variables held constant, equity would have been $1,711 lower/higher (2019: $1,521 lower/higher) as a result of an increase/decrease in fair value of debt security.

Other price risk

The Trust has exposure to equity securities price risk. This arises from investments held by the Trust and classified on the balance sheet as "Assets held at fair value" through the income statement, such that 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 the income statement.

To manage its price risk from investments in equity securities, the Trust has contracted out the management of the portfolio to external fund managers, Macquarie Equities Limited. 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 Trust'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 Trust's equity would be increase/decrease of $41,433 (2019: $48,165). The analysis is based on the assumption that the ASX 300 Index increased/decreased by 10%, with all other variables held constant and the Trust's equity portfolio moves according to the historical correlation with the index.

12. Financial Instruments (continued)

(d) Market risk (continued)

	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 2020									
Financial Assets									
Cash & Cash Equivalents	171,103	(1,711)	(1,711)	1,711	1,711	-	-	-	-
Financial Assets Held to Maturity (1)	71,256	-	-	-	-	-	-	-	-
Receivables (2)	43,857	-	-	-	-	-	-	-	-
Fixed Income Securities (3)	69,197	-	-	-	-	(6,920)	(6,920)	6,920	6,920
Listed Trusts	136,529	-	-	-	-	(13,653)	(13,653)	13,653	13,653
Growth Securities	208,595	-	-	-	-	(20,860)	(20,860)	20,860	20,860
Total increase / (decrease)		(1,711)	(1,711)	1,711	1,711	(41,433)	(41,433)	41,433	41,433
31 December 2019									
Financial Assets									
Cash & Cash Equivalents	152,099	(1,521)	(1,521)	1,521	1,521	-	-	-	-
Financial Assets Held to Maturity (1)	70,357	-	-	-	-	-	-	-	-
Receivables (2)	13,905	-	-	-	-	-	-	-	-
Fixed Income Securities (3)	100,462	-	-	-	-	(10,046)	(10,046)	10,046	10,046
Listed Trusts	155,579	-	-	-	-	(15,558)	(15,558)	15,558	15,558
Growth Securities	225,607	-	-	-	-	(22,561)	(22,561)	22,561	22,561
Total increase / (decrease)		(1,521)	(1,521)	1,521	1,521	(48,165)	(48,165)	48,165	48,165

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 Interest 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.

(e) Fair value measurement

(i) Fair value compared to carrying amount

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

(ii) Fair value recognised in the statement of financial position

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Trust categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices in active markets for identical assets/liabilities that the Trust can access at the measurement date.
- Level 2 - inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly.
- Level 3 - inputs that are not based on observable market data (unobservable inputs).

The Trust recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

12. Financial Instruments (continued)

(e) Fair value measurement (continued)

(ii) Fair value recognised in the statement of financial position (continued)

	Level 1 $	Level 2 $	Level 3 $	2020 Total $
Financial assets at fair value				
Fixed Income Securities	69,197	-	-	69,197
Listed Trusts	136,529	-	-	136,529
Growth Securities	208,595	-	-	208,595
	414,321	**-**	**-**	**414,321**

	Level 1 $	Level 2 $	Level 3 $	2019 Total $
Financial assets at fair value				
Fixed Income Securities	100,462	-	-	100,462
Listed Trusts	155,579	-	-	155,579
Growth Securities	225,607	-	-	225,607
	481,648	**-**	**-**	**481,648**

13. Related Parties

During the year, the Trust incurred $5,482 (2019: $5,323) in respect of the key management personnel services that were provided by a separate management entity, Department of Regional NSW. All other services received from the Department of Regional NSW were free of charge.

During the year, the Trust did not enter into any transactions with key management personnel, their close family members and/or controlled and jointly controlled entities thereof.

During the year, the Trust entered into transactions with other entities that are controlled / jointly controlled / significantly influenced by NSW Government. These transactions (incurred in the normal course of business) in aggregate are a significant portion of the Trust's revenue and expenses, and the nature of these significant transactions are detailed below:

Entity	Nature of Transactions
Audit Office of NSW	Provides independent audit services on the Trust's financial statements.
Department of Planning, Industry and Environment (1 January 2020 - 1 April 2020)	Provision of administrative, secretarial support and operational assistance.
Department of Regional NSW (2 April 2020 - 31 December 2020)	Provision of administrative, secretarial support and operational assistance.

14. Commitments for Expenditure

The Trust has no commitments for expenditure as at 31 December 2020 (2019: NIL).

15. Contingent Assets and Liabilities

The Trust has no contingent assets or liabilities as at 31 December 2020 (2019: NIL).

16. After Balance Date Events

The Trust is unaware of any significant events after balance date that would impact the financial statements and the notes to the financial statements.

END OF FINANCIAL STATEMENTS


FARRER MEMORIAL TRUST