

VICTORIA

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*Report*

of the

**RURAL FINANCE COMMISSION**

for the

Year ended 30 June 1986

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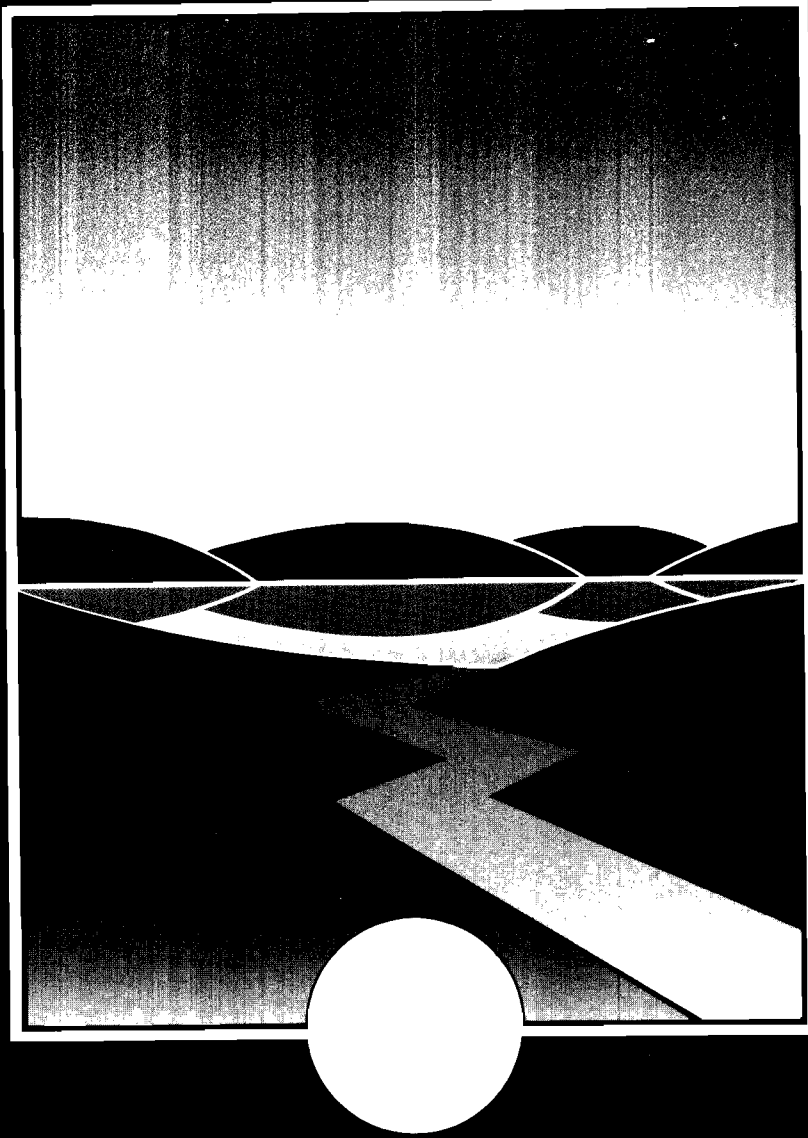
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MELBOURNE  
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1985-86

ANNUAL REPORT

AND STATEMENT OF ACCOUNTS 1985-86



*Rural Finance  
Commission*

**VICTORIA**  
**REPORT OF THE**



**RURAL FINANCE COMMISSION**

**FOR THE**  
**PERIOD FROM 1ST JULY, 1985, TO 30TH JUNE, 1986.**

**STATUTORY ROLE:**

The Commission's statutory role is described in the Rural Finance Act 1958 as follows:

"... the Commission may, in any case where it thinks that such a course would assist country industry or promote decentralization of industry throughout the State or assist the fishing industry, grant a loan . . . to any person or body establishing or carrying on any country industry or a fishing industry . . ."

"...where any money is provided from the Public Account for any special purpose, the Treasurer of Victoria may, subject to such directions and conditions as he thinks fit to give or impose, direct the Commission to take charge of the administration of the money for such purpose."

**Ordered by the Legislative Assembly to be printed**



## SENIOR MANAGEMENT

IAN K. MORTON, A.M., B.Com. Chairman  
MALCOLM McG. SMITH, A.A.I.V. Member & General Manager  
C. JOHN FOX Member & Manager Operations  
& Development

FRANCES A. BUTLER  
DUGALD C. GRAHAM, Manager, Administration &  
Dip.Ag.Sci., B.Ec., A.A.I.V., A.A.S.A. Corporate Development

ROBERT J. KNIGHT, Manager Lending  
F.A.I.V., Dip.Ag.Sci.

BARRY D. KEANE, B.Bus., A.A.S.A. Accountant

ROBERT C. DOUGLAS, A.A.I.V. Chief Valuer

JOSEPH, A. EDMONDS, LL.B. Solicitor

SHARON E. BEAMAN, B.Ec. E.D.P. Manager

MARK F. McLOUGHLAN, Dunoon's Building,  
A.A.I.V. 270 Campbell Street,  
North Western Region Swan Hill, Vic. 3585

31-33 Deakin Avenue,  
Mildura, 3500

GEOFF E. WALSGOTT, L.D.A. 164 Welsford Street,  
North Eastern Region Shepparton, Vic. 3630

HEC. A. FISHER 132 Koroit Street,  
Western Region Warrnambool, Vic. 3280

BRUCE M. DWERRYHOUSE 325 Collins Street,  
Gippsland & Central Regions Melbourne, Vic. 3000

325 Collins Street,  
Melbourne, Vic. 3000.



The Honourable R. A. Jolly, M.P., Treasurer of Victoria,  
1 Treasury Place, MELBOURNE, 3002.

Rural Finance Commission submits herewith its 25th Annual Report for the year ended 30th June, 1986.

Dear Treasurer,

On behalf of my fellow members, management and staff of the Rural Finance Commission, it gives me great pleasure to report that the Commission, in its role as a primary development agency, successfully concluded another year of support to the agricultural industries in Victoria.

The Rural Finance Commission's strategic objectives, established some years ago and again stated in this report, are primarily all completed. Objectives achieved include the installation of new procedures, improvement in internal procedures, management and the level of funding available for a wider variety of end-users. The Commission has broadened and clarified its image throughout the Victorian rural community.

Significant profits have been achieved in a period where profit incentives needed to be balanced against a harsh rural climate and increased activity from other lenders to the agricultural industry.

As you are aware, during the last twelve months the problems of farmers and related industries have increased. This is especially so for rural industries facing reduced revenues, increased operating costs and a significant increase in financing costs, especially from traditional sources of finance. Rising interest rates and the uncertainty of longer term trends justifiably concern farmers selling in international markets. The problems are heightened by competition from heavily subsidised producers competing within these same markets.

Most farms in the dairy and cereal industries have reduced levels of income, due to overseas countries disposing of surplus commodity stocks at subsidized prices. It is made even more difficult within the dairying industry by internal discounting within Australia. This is done to maximise market share within Australia in order to reduce produce available to export markets which produced minimal returns.

Rural sales of equipment and other competitive items were low, creating significant problems for smaller country towns and communities whose population predominantly provided services to the local agricultural economy.

The Rural Finance Commission judiciously contained interest rates to a reasonable level, a level hopefully in line with longer term trends. However, other financial institutions were forced to increase rates to record high levels, creating significant problems for farmers with debt equity ratios previously reasonably manageable. The increasing interest bore little relationship to returns from export markets. In fact, the depressed export markets and lower returns from these markets exerted an upward pressure on interest rates, a particular result of continued pressure on Australia's currency.

In the grains industry land values have fallen sharply, slowing or bringing to a halt the normal economic process of adjustment for those seriously in debt.

As a result of the increased pressure on farmers and their families, a more aggressive and unified attitude is being shown by farmer groups.

During the year the Rural Finance Commission provided a level of support to rural industries by carefully directed lending in conjunction with loans from traditional sources of finance. These loans were made to the more efficient farmers to whom a stable rate of interest and a longer term of repayment was important to their long term prospects.



This selective lending, which sustains the Commission's reputation among the professional farming community, also provides a profit margin that enables the Commission to pay its way in loan activity. It is also thus able to administer, without cost to Government, the various schemes of adjustment and relief through such emergency finance as Federal and State Governments may from time to time adopt, either jointly or separately.

The Commission's ability to provide specialised funding and counselling was pressed significantly with response to the plight of cereal growers in the Mallee. Growers have faced below average seasons in three of the past four years, a situation made worse by severe market conditions.

At Government request, the Rural Finance Commission was able to provide \$4 million to assist Mallee cereal growers. Without this assistance, these growers did not have access to funds necessary to produce the 1986/87 crop.

In addition, the Commission administered the Commonwealth Rural Adjustment Scheme. Rural Adjustment funds were, for a while, primarily directed to the dairy industry. As the crisis in the grains industry gathered momentum, further funds were directed there.

The Mallee cereal growers plight, when added to normal Commission activity, increased the rate of applications processed at the Rural Finance Commission's regional offices to record levels, which peaked at over 350 applications per week.

The level of loan activity by the Rural Finance Commission in the last twelve months shows an increase from \$31.2 million to \$93.7 million. These loan values include both direct loans by the Commission and loans negotiated through normal sources of finance, with the aid of an interest subsidy by the Commission. This is the highest increase ever experienced by the Rural Finance Commission, with the exception of the 1982/83 drought and bushfire years.

The Commission's 1985/86 profit of \$16.4 million has totally been made available for lending to the rural sector.

In addition to the significant level of development and financial assistance given to rural Victoria in this most difficult year, the Commission continued to improve its efficiency and productivity through the continuing introduction of advanced data processing techniques. The 'on-line' computer system being developed is on schedule for implementation during the next financial year. This system will enable greater access of data capacity to respond quickly to the needs of Victoria's rural community.

An Audit Committee, made up of two Members of the Commission and an external adviser, has streamlined both internal and external auditing. Internal control procedures have been significantly improved. This has enabled early preparation of annual financial results.

Again the Commission acknowledges the enthusiasm, flexibility and work ethics of staff who have enabled the Commission to complete a successful year in severely adverse conditions.

We look forward to the challenges that face us in the year ahead, which is expected to be as difficult, if not more so, than the last. Given clear objectives and stability for the longer term, our staff have the enthusiasm and motivation to meet these challenges.

We thank you Sir, as Treasurer, for your help and encouragement. That help, together with a close relationship with our Minister, Hon. Evan Walker, has enabled the Commission to attain extremely difficult goals.

Yours sincerely,

I. K. MORTON  
Chairman

The Rural Finance Commission is an organization operating under various Acts of Parliament as a major Victorian development organization administered by a Commission comprising three persons appointed by the Governor-in-Council.

The Commission's major area of influence is in rural primary production. Complementary secondary industries also qualify for development assistance.

The Commission's main charter is to encourage:—

- a better utilization and development of the State's rural resources and communities
- stability of rural industry and communities by creating a more economically viable rural sector
- the State's fishing and aquacultural industries
- the State of Victoria as a leading centre for rural production
- the more efficient use of essential farm resources, especially water, both rainfall and irrigation
- changes of land use where economically appropriate with a minimum of social disruption
- development and re-development of particular geographic areas or industries as deemed to be important for State Government objectives.

The main objective of the Commission is to maintain and further enhance its reputation for integrity, energy, co-operation and quality of assistance in the continuing development of the State's rural resources, and to be vigilant in the identification of additional creative opportunities to expand the range of services to a wider circle of recipients.

To this end, the Commission will:—

1. Maintain an efficient, cost effective organization.
2. Ensure financial stability for lenders of funds, government and clients.
3. Maintain accurate records of all transactions.
4. Retain sound commercial relationships with members of the financial community ensuring integrity at all times.
5. Be continuously available as an agent of the State Treasurer to administer at his direction various rural based financial activities and elsewhere as required.
6. Act as a responsible employer, capable of attracting high calibre, multi disciplined staff.
7. Ensure all creditors' claims are researched and paid promptly.
8. Maintain frequent, sound contacts with governments, parliamentarians, and rural industry leaders.



To further develop these aims the Commission will:—

1. Promote the services of the Commission to the widest range of recipients and associated organizations.
2. Develop and maintain an information base for the better evaluation of projects.
3. Research and evaluate alternative financial initiatives.
4. Expand the nature and purpose of loans.
5. Ensure the organization is always staffed with competent officers.
6. Provide loan monies to eligible borrowers on two basic premises:—
  - (a) Mortgage loans at suitable terms to finance principal assets.
  - (b) Development or special purpose loans at higher rates to finance assets required for greater financial stability or to increase production
7. Consider all forms of borrowings to provide an adequate level of funds.
8. Maintain specialized personnel skills and techniques for use by other government departments.

1. Ensure all potential clients are aware of the services available.
2. Act in a manner designed to generate friendliness, help and confidentiality.
3. Maintain accurate records of commitments, payments and arrears.
4. Ensure that all transactions are legally recorded and the relevant documents maintained in safe custody.
5. Provide a financial advisory service to clients.
6. Act in a consistent manner, assessing each application in turn without prejudice.



The Rural Finance Commission is a statutory authority responsible for the administration of the Rural Finance Act, Land Settlement Act and Soldier Settlement Act. Its main function is to provide finance to primary and secondary or processing industries located in rural Victoria. The Commission derives its authority to provide this facility from Part III of the Rural Finance Act 1958.

Most of the funds required to meet the Commission's annual lending are generated from interest and capital repayments on loans outstanding which, as at the 30th June, 1986, represented some \$257 million. Funding is provided by the Treasurer of Victoria mainly for special purpose lending, such as young farmers and salinity control, while funding is obtained from the Federal Government for rural adjustment.

The Commission is also able to raise funds in the open market and in line with the Government's desire to give the Commission financial independence, there is expected to be less restraint on the Commission as a financial intermediary so far as global limits on Government borrowings are concerned. The Commission will be recommending amendments to the Rural Finance Act which, inter alia, will increase the Commission's borrowing powers and further enhance its capacity to discharge its responsibilities.

Apart from special schemes administered by the Commission for the State and Federal Governments, the Commission's lending to the rural community is provided at responsible rates of interest, often as part of the development of suitable financial packages on the best terms that can be arranged having regard to an applicant's individual circumstances.

In fulfilling its responsibilities, the Commission carefully evaluates farms and businesses and the personal equation acting always as a responsible lender in furthering the more efficient use of resources and in achieving growth and increased productivity. The Commission has been careful not to become a party to lending which may subsequently prove to have been unwise and beyond the capacity of the borrower to manage.

In pursuing its responsibilities within Victoria the Commission has become a significant influence in rural primary production and complementary secondary industry.

As Agent for the Treasurer of Victoria, the Commission has responsibility for administering a series of rural adjustment schemes. This is a Commonwealth initiative and has been in existence since 1971, the latest scheme having been enacted by the Federal Parliament in 1985. It allows for loans to farmers, pursuant to the States and Northern Territory Grants (Rural Adjustment) Act 1985, for such purposes as Debt Reconstruction, Farm Build-up or Farm Improvement. As an alternative to making loans for these purposes, the Commission may offer an interest subsidy on loans obtained through commercial channels. To receive rural adjustment finance farmers are required to be in need of the assistance and meet eligibility criteria detailed in the Act, the principal criterion being that the farming operation has prospects to return to commercial type financing.

The scheme also provides welfare assistance in the form of Household Support and Rehabilitation for primary producers who do not have a long term future in the industry and who are in need of assistance to alleviate hardship.

Despite the currency devaluation of our dollar which, in principle, provided a basis for increased returns for our exporting industries, 1985/86 has seen the terms of trade move further against our primary producers generally.

Interest rates charged by the commercial sector rose to an all time high, adding to the already excessive cost pressures the farmer has endured in recent years. The Commission, however, by careful management of its funds was able to maintain its rates at a competitive level. Against a background of rising world wheat stocks, made worse by the anticipated good harvest in the northern hemisphere countries and discounted wheat sales by the heavily subsidized EEC and United States, the outlook for Australian wheat growers is far from encouraging in the short term.

Growers whose financial positions are more precariously placed are likely to experience increasing difficulty in paying their way and some may find it necessary to adjust out of the industry.

For wheat growers in some parts of the State, particularly the Mallee, 1985 harvest was below average giving those growers their third below average harvest out of the last four.

In response to this situation the Victorian Government initiated a special loan scheme whereby the Commission made loans to growers unable to obtain funds from any other source to at least have the opportunity given the co-operation of creditors to produce another crop irrespective of the seriousness of their financial position.

One of the attributes of this assistance was to stem a potentially disastrous upturn in forced sales on to a real estate market which was already showing signs of collapse. There were few land sales although it was evident from the sales that did take place, that land prices have fallen quite markedly against the higher prices paid following the record production year of 1983/84.

Seasonal prospects are currently very good although export grain prices are expected to be well down.

The dairy industry experienced a difficult year. New marketing arrangements have been introduced by the Commonwealth Government which should see the industry stabilize over the next few years and give better opportunities to Victorian producers. Already there are indications of improved prospects in the year ahead.

The wool industry has remained quite strong as has the beef industry where returns have continued at a relatively high level. The lamb position has shown signs of improvement, giving rise to optimism for better prospects ahead.

Producers in these industries with little or no debt are able to operate profitably.

The horticultural industries have had mixed success. Dried fruit growers experienced better returns although the outlook for the dried fruit industry remains uncertain in the longer term. There were limited sales of wine grapes due to stocks held by wineries and the consequent lower price offered.

Export markets for fresh grapes are being developed with a potential for increased sales.

During the year the Commission provided financial support in the form of loans or interest subsidies to 1,774 farmers and complementary industries involving capital sums totalling \$93.7 million.

Loans to farmers and secondary industry accounted for \$59.7 million while subsidies were provided on the borrowings of farmers obtained through normal commercial channels amounting to \$34 million.

The level of activity represents almost a threefold increase in the amount of Commission involvement in 1984/85 in capital terms, an indication that more and more farmers are turning to the Commission for more stability in their financial arrangements.

An important feature of the Commission's long term lending is the setting of a specific interest rate for a pre-determined period of time. This enables the borrower to plan ahead with greater certainty.

#### LOANS UNDER PART III OF THE RURAL FINANCE ACT

Lending under Part III of the Rural Finance Act derives its authority from Section 37 of the Rural Finance Act 1958. Loans may, where the Commission thinks fit, be made to any person establishing or operating any country industry or a fishing pursuit.

Funding for this part of the Commission's activities during 1985/86 was essentially from within its working capital together with a limited issue of inscribed stock.

Primary loans were approved for a variety of purposes covering a wide range of agricultural and fishing industries. The kinds of proposals assisted included refinance of existing liabilities, maturing mortgages, farm purchase, housing, structures, stock, plant and equipment.

The Commission continued to play a role in lending to secondary industry outside the metropolitan area, particularly in servicing its existing range of clients.

Lending under Part III of the Rural Finance Act represented 61% of the Commission's overall lending activity and amounted to \$56.4 million.

Loans are essentially directed to the younger more efficient farmers who have all their assets committed to the farming operation and whose personal skills and attributes show a good record.

Under the new arrangements for the Rural Adjustment Scheme which became effective from 1st July, 1985, the Commonwealth moved the capital funding for debt reconstruction, farm build-up, farm improvement and carry-on assistance from the Commonwealth budget and placed the responsibility with the States. The Commonwealth's contribution is the provision of an interest subsidy funded through the Commonwealth budget and payable on borrowings raised by a State or its administering authority.

Alternatively, States may subsidize interest on suitable and eligible borrowings from normal sources of credit.

The interest subsidy available from the Commonwealth allows for up to 50% of an approved interest rate and costs of borrowings for a maximum period of seven years on funds borrowed or subsidized for the purpose of debt reconstruction, farm build-up and farm improvement. For carry-on loans the interest subsidy is 25% of interest and associated costs with the State providing a matching 25%.

The Commission is not obliged to pass on to the farmer a 50% interest concession in every case. The level of assistance is dependent upon the individual circumstances of the applicant, and the aim is to spread assistance as equitably as possible.

The Commonwealth continues to fund household support and rehabilitation measures under the Rural Adjustment Scheme.

During the year the Commission approved interest subsidies on existing borrowings of \$2.6 million in respect of capital sums amounting to just over \$34 million.

Generally the interest rate was reduced to an effective rate of around 10%, the actual rate depending on the borrower's circumstances. Of the 312 farmers approved for a subsidy 70% were engaged in the wheat industry and 25% in the dairy industry.

Some 330 farmers received Household Support assistance involving payments totalling \$1.8 million. 50% of the recipients were dairy farmers and 22% cereal growers.

It is likely that significant increases in demand will be received from cereal growers in the coming year.

	1985/86		1984/85	
	Number	Amount \$000's	Number	Amount \$000's
<b>PART III RURAL FINANCE</b>				
Primary.....	932	47,216	418	21,630
Secondary.....	7	3,441	5	1,400
Fishing.....	11	490	6	309
Young Farmers.....	32	1,600	27	1,147
Mallee Cereal.....	111	3,634	—	—
<b>SUB-TOTAL</b>	<b>1,093</b>	<b>56,381</b>	<b>456</b>	<b>24,486</b>
<b>AGENCY</b>				
<b>Rural Adjustment Scheme</b>				
<b>Capital Value of loans subsidized</b>				
Farm Build-up.....	12	979*		
Debt Reconstruction.....	300	33,028x		
<b>Loans &amp; Advances</b>				
Farm Build-up.....	—	—	41	2,910
Debt Reconstruction.....	—	—	40	1,997
Farm Improvement.....	—	—	19	435
Rehabilitation.....	16	127	10	45
Household Support.....	271	1,795	63	421
<b>Natural Disasters</b>				
(Drought, Bushfire, Storm & Flood, etc.).....	23	297	55	949
<b>Soil &amp; Water</b> .....	6	66	3	21
<b>Dairy Assistance</b> .....	7	86	—	—
<b>Vine Pull</b> .....	46	945	—	—
<b>SUB-TOTAL</b>	<b>681</b>	<b>37,323</b>	<b>231</b>	<b>6,778</b>
<b>TOTAL</b>	<b>1,774</b>	<b>93,704</b>	<b>687</b>	<b>31,264</b>

\* Amount of subsidy approved for year is \$43,000

x Amount of subsidy approved for year is \$2,559,000

The Commission finalized the sale of a further three properties involving 235.7 hectares at Heytesbury during the year. The total sales value of these properties was \$336,000 and further sales are planned for 1986/87.

The disposal of this land is carried out in accordance with the statutory provisions of the Land Settlement Act. Public notice is given regarding the availability of land for sale, and offers are invited to purchase the land.

While enquiry during the year was limited, reflecting the prevailing economic pressures being experienced in agriculture, all of these sales showed a good margin over the costs of development.

A further 105 settlers sold or transferred their properties pursuant to the terms of the Soldier Settlement Act during 1985/86. This brings to 4,957 the number of farmers who have now repaid in full their liabilities to the Commission out of 5,956 original settlers. Principal repayments during the year amounted to \$860,086 with \$10,717,976 still outstanding.

At 30th June, 1986, the value of improvements insured was \$153,137,499 and insurance fund resources amounted to \$4,103,353.

The Commission's management philosophy has been to develop an organization that is efficient and able to expand its level of output to cope with the vagaries of primary industry. Against this background Head Office and Regional staff have been trained to be sensitive to the circumstances of individuals as well as develop an understanding of rural issues.

Staff are required to be capable of conducting an evaluation of a farmer's or a secondary industry's financial situation and to establish, in conjunction with the potential borrower and his normal sources of commercial credit, the most appropriate financial package. Timeliness, efficiency and attention to detail, as well as technical and professional abilities, are attributes staff are expected to develop.

The regional offices are linked to a modern EDP system which allows access to relevant facts pertaining to a farmer's record with the Commission. Further development of the Commission's new EDP system continued during 1985/86 and is on target to 'go live' in the early part of 1986/87.

During the year the Commission continued to hold regular meetings with Regional Officers to ensure all staff are kept up-to-date with the latest developments and issues relating to their responsibilities and the directions the Commission is to take to meet the particular circumstances of primary industry.

The Commission employs 114 people of which almost half are involved in the processing and evaluation of loan applications. The Commission is an equal opportunity employer and has been for over twenty years. It currently has 51 females on staff.

Following recommendations made by the Commission it is anticipated legislation will be introduced in the forthcoming session of Parliament to broaden the Commission's borrowing powers as well as other machinery changes.

The following senior officers have completed statements of pecuniary interests:

I.K. Morton	Chairman
M.McG. Smith	Member
C.J. Fox	Member
F.A. Butler	Secretary
D.C. Graham	Manager Administration & Corporate Development
R.J. Knight	Manager Lending
B.D. Keane	Accountant
R.C. Douglas	Chief Valuer
J.A. Edmonds	Solicitor
S.E. Beaman	Manager EDP

The Freedom of Information Act came into operation on the 5th July, 1983, giving the public a legally enforceable right of access to a wide range of documents created and held by government agencies. Part II of the Act requires agencies like the Commission to publish annually details of certain important categories of information held.

The Act contains safeguards to preserve the confidentiality of the personal and financial affairs of borrowers and the like.

During 1985/86, the Commission received a total of nine Freedom of Information requests for access to documents. In five cases access was granted in full. Of the others, one was refused on the grounds that the request related to the confidential affairs of another party. In another case, there were no documents of the type requested. In the remaining two cases access to the documents requested was granted in part. Information of a commercial nature supplied in confidence to the Commission by other financial undertakings is regarded as exempt from disclosure under the Freedom of Information Act and was withheld.

The cost of administering Freedom of Information during 1985/86 is calculated to be \$17,000.

Requests in the first instance are dealt with by the Commission's Freedom of Information Officer, Mr. J.A. Edmonds.

The following publications dealing with the functions and activities of the Commission are currently available at all Commission offices:

Rural Finance Commission — Young Farmer Finance

Rural Finance Commission — Loan Information

Rural Finance Commission Insurance

Rural Finance Commission — Rural Adjustment Scheme 1985

Rural Finance Commission — Special Assistance for Mallee Cereal Growers, March 1986

Rural Finance Commission — Adjustment Assistance for Vine Fruit Growers, Revised June 1986



The Commission has continued to monitor the safety of the environment in which its employees work. During the year evacuation procedures were updated in conjunction with the Metropolitan Fire Brigade. As a further development an emergency communication facility was installed in the Commission's Head Office premises.

Plans were also finalized for the early installation of a security system.

**ACKNOWLEDGEMENTS**

The Commission is again appreciative of the co-operation and assistance it has received from banks, pastoral houses, primary producer groups, State and Commonwealth departments and members of the accounting and consulting community.

The Commission has continued to receive the privilege of a good understanding and working relationship with organizations and people whose responsibilities also lie in serving the rural community.

In what has proven to be a very busy year the Commission wishes to record its gratitude for the support given by its staff and those who assisted in a temporary capacity to meet the challenges presented during the year.

**I.K. MORTON**

**Chairman**



**M.McG. SMITH**

**Member**



**C.J. FOX**

**Member**



	NOTE	1986 \$000's
<b>OPERATING INCOME</b>		
Interest Earned on Loans .....		25,206
Interest Earned on Fund Investments.....		4,212
Other Income.. .....	2	<u>1,219</u>
		<u>30,637</u>
<b>OPERATING EXPENSES</b>		
Interest Paid and Payable .....		8,580
Administration Costs .....	2	<u>5,662</u>
		<u>14,242</u>
<b>OPERATING PROFIT</b>		16,395
<b>Plus:</b> Non Operating Income Earned on Investments for Provisions, Reserves, Insurance Fund and Rural Adjustment Interest Susbsidy Scheme.....	1(g)	<u>2,467</u>
<b>PROFIT</b>		18,862
<b>Less:</b> Non operating income transfers to:.....	1(g)	
Provision for Employee benefits.....		95
Provision for Superannuation .....		1,101
General Reserve .....		634
Rural Finance Insurance Fund.....		612
Rural Adjustment Interest Subsidy Scheme.....		<u>25</u>
		<u>2,467</u>
		16,395
Retained Earnings at beginning of year .....		<u>25</u>
<b>TOTAL AVAILABLE FOR APPROPRIATION</b>		16,420
Transfer to:		
Loan Equalization Account.....		—
Transfer from:		
Loan Equalization Account.....	3(e)	<u>45,480</u>
		<u>45,480</u>
<b>RETAINED EARNINGS AT END OF YEAR</b> .....	3(e)	<u><u>61,900</u></u>

The accompanying notes form an integral part of these accounts.

	NOTE	1986 \$000's
<b>RURAL FINANCE FUND</b> .....	3	104,090
<b>RURAL FINANCE INSURANCE FUND</b> .....	4	4,103
		<u>108,193</u>
<b>Represented by:</b>		
<b>Current Assets</b>		
Cash at Bank and on Hand .....		633
Prepayments and Miscellaneous Debtors .....	5	184
Interest Due and Accrued .....		8,970
		<u>9,787</u>
Investments at cost .....	6	<u>31,430</u>
<b>Non Current Assets</b>		
Debtors for Loans .....	7	232,435
Residences, Office Equipment & Motor Vehicles .....	8	815
		<u>233,250</u>
<b>TOTAL ASSETS</b> .....		<u>274,467</u>
<b>Less:</b>		
<b>Current Liabilities</b>		
Sundry Creditors .....	9	744
Interest Accrued on Loan Liabilities .....		2,809
Loan Liabilities Payable within one year .....	10	10,950
Provision for Employee Benefits .....	1(e)	474
Provision for Superannuation .....	1(f)	1,136
		<u>16,113</u>
<b>Non Current Liabilities</b>		
Loan Liabilities .....	10	135,086
Other Advances .....	11	9,081
Provision for Employee Benefits .....	1(e)	105
Provision for Superannuation .....	1(f)	5,889
		<u>150,161</u>
<b>TOTAL LIABILITIES</b> .....		<u>166,274</u>
<b>NET ASSETS</b> .....		<u>108,193</u>

The accompanying notes form an integral part of these accounts

	NOTE	1986
		\$000's
<b>SOURCES OF FUNDS</b>		
<b>Funds from Operations</b>		
	(a)	
Inflows of Funds from Operations.....		30,623
Less Outflows of Funds from Operations.....		<u>(13,581)</u>
		17,042
<b>Income Earned on Account of Provisions and Reserves</b>		
Employee Benefits.....		95
Superannuation.....		1,101
General Reserve.....		<u>634</u>
		18,872
<b>Decrease in Assets</b>		
Current Assets		
Prepayments and Miscellaneous Debtors.....		—
Proceeds from Sale of Non Current Assets.....		109
Investments at Cost.....		<u>5,611</u>
<b>Increase in Liabilities</b>		
Current Liabilities		
Sundry Creditors.....		113
Interest Accrued on Loan Liabilities.....		86
Non Current Liabilities		
Other Advances.....		5,907
<b>Increase in Insurance Fund.....</b>		<u>573</u>
<b>Growth in Equity in Rural Finance Fund.....</b>		<u>—</u>
		<u>31,271</u>

	1986 \$000's
<b>APPLICATIONS OF FUNDS</b>	
<b>Increase in Assets</b>	
Current Assets	
Cash at Bank and on Hand .....	201
Prepayments and Miscellaneous Debtors .....	145
Interest Due and Accrued .....	791
Non Current Assets	
Debtors for Loans .....	20,230
Purchase of Fixed Assets .....	290
<b>Decrease in Liabilities</b>	
Current Liabilities	
Loan Liabilities payable within 1 year .....	560
Non Current Liabilities	
Loan Liabilities .....	3,910
Other Advances .....	—
Long Service Leave Paid .....	54
Superannuation Paid .....	939
<b>Decrease in Equity in Rural Finance Fund .....</b>	<u>4,151</u>
	<u>31,271</u>

**NOTES:**

- (a) Reconciliation of funds from operations with operating profit is as follows:

	1986 \$000's
Funds from Operations .....	17,042
<b>Add:</b> Profit on Sale of Non Current Assets .....	<u>14</u>
	17,056
<b>Less:</b> Depreciation .....	262
Provision for Employee Benefits .....	(28)
Provision for Superannuation .....	<u>427</u>
	661
Operating Profit .....	<u>16,395</u>

The accompanying notes form an integral part of these accounts

Notes to and forming part of the accounts for year ended 30 June, 1986.

The following summary explains the significant accounting policies that have been adopted in the preparation of the accounts. The accounting policies are consistent with those used in the previous year except as stated in Notes (i) and (j) below.

(a) Basis of Accounting

The accompanying financial statements have been prepared under the historical cost convention using the accrual basis, but modified as necessary in the case of State Government Agency and Carry-on Schemes where the agreements under the schemes have been negotiated on a cash basis.

(b) Depreciation

Depreciation is provided as follows.

Residences:— based on the straight line method. Depreciation is calculated at 5% of cost and written down to a minimum balance of \$6,000.

Office Equipment:— based on the straight line method. Depreciation is calculated at 20% of cost (with the exception of Computer Equipment which is calculated at 25% of cost) and written down to a minimum value of \$1. Furniture and Leasehold Improvements are written off in the year of purchase and the effect is to increase Administration Costs by \$143,000 (\$63,000 — 1985).

Motor Vehicles:— based on the straight line method. Depreciation is calculated at 10% of cost. (Note 8).

Pro-rata depreciation is applied for assets acquired and/or retired during the year.

(c) Rural Finance Fund

The Rural Finance Fund as established under Section 25 of the Rural Finance and Settlement Commission Act 1961 has no rights to surpluses nor any obligation in respect to deficiencies under the Land Settlement Act 1959 or the Soldier Settlement Act 1958. The Commission is authorised to use the Rural Finance Fund to meet the costs of administering the two Acts, which this year amounted to \$460,000 (\$474,000 — 1985). The Commission received \$262,000 (\$280,000 — 1985), from the Treasurer under Section 25(5) of the Rural Finance and Settlement Commission Act 1961 as a contribution towards such costs. The receipt from the Treasurer and the full administration cost are both shown in the Rural Finance Fund Profit and Loss Statement, however, to give a fair view as to the state of the Soldier Settlement and Land Settlement Accounts the costs have also been shown in their respective financial statements.

(d) Administration Costs

The Administration Costs of all schemes and funds including those administered on behalf of the Treasurer pursuant to Section 35 of the Rural Finance Act 1958 are borne by the Commission through the Rural Finance Fund.

These costs have been allocated on an activity basis and the comparative costs for the year reflect the varying level of activity within each Scheme.

(e) Employee Benefits

Long Service Leave

Long Service Leave is based on the liability of employees with ten or more years service together with a proportion of the liability accruing for those employees with four but less than ten years service. This year the proportion due to employees with ten or more years service has been shown as a Current Liability and the balance as a Non Current Liability. For comparative purposes the 1985 figures have been amended.

The amount written back to Administration Costs this year is \$28,000 (\$103,000 charged 1985) which represents the difference between the actual balance of the provision at 30 June, 1986 in respect of Long Service Leave of \$607,000, and the estimated liability of \$579,000. The amount provided is fully funded and is represented by Investments in approved securities. (Note 6).

Annual Leave

The liability accruing for all employees has been brought to account. An amount of \$145,000 (\$122,000 — 1985) has been charged to Administration Costs and is included in Sundry Creditors. (Note 9).

(f) Provision for Superannuation

The Provision for Superannuation was established to fund the liability in respect of past and present contributors (with the exception of those contributors who retired prior to 1st July, 1963, and whose liability is funded by the Treasurer of Victoria).

The amount provided each year and charged to Administration Costs is calculated as a percentage of current contributors salaries and this year is \$427,000 (\$415,000 — 1985). The provision is credited with interest earned on assets equal to the provision and a payment is made by the Commission to reimburse the State Government's share of pensions paid each year. This year the estimated amount of pensions payable within twelve months has been shown as a Current Liability and the balance as a Non Current Liability. For comparative purposes the 1985 figures have been amended.

Last year, an actuarial assessment was completed by the Office of the Government Statist and Actuary, which supports the general level of the provision. (Note 6).

(g) Non Operating Income

Interest earned on funds invested on account of Reserves, Provisions and the Insurance Fund have been transferred in accordance with Sections 28(4) and 29(9) of the Rural Finance and Settlement Commission Act 1961. Interest earned on financial assistance provided by the Commonwealth has been transferred in accordance with Section 15(3) of the States and Northern Territory Grants (Rural Adjustment) Act 1985.

(h) Sources and Applications of Funds

This year the funds statement has been amended to comply with the revised requirements of Australian Accounting Standard AAS 12.

(i) Other Income

Previously the non repayable portion of advances made by the Commonwealth for the Rural Adjustment Scheme were taken direct to the Rural Finance Fund. This year, in accordance with the requirements of Australian Accounting Standard AAS 1, the non repayable portion of advances received (\$313,000) is included in other income under the heading of Commonwealth Grants. (Note 2).

(j) Non Repayable Portion of Advances — State Government

The balance of \$4,167,000 represents the State portion of Carry-on Scheme repayments from borrowers, less Administration Costs incurred by the Commission. No specific request for payment has been made by the Treasurer in relation to this amount. The Commission has this year transferred the above amount from the Rural Finance Fund to Other Advances so as to reflect the Commission's opinion that the amount is a liability to the Treasurer. Present arrangements with the Treasurer are that these funds are not required to be paid at this time. (Notes 3 & 11).

(k) Inscribed Stock

Inscribed Stock issued by the Commission is guaranteed by the Treasurer of Victoria in accordance with Section 23(2) of the Rural Finance Act 1958. (Note 10).

(l) Leases

Lease payments in respect of premises the Commission occupies are classified as operating leases and are charged to Administration Costs. (Note 12(b)).

Other Income included in Operating Income comprises:

	NOTE	1986 \$000's
Amount provided by Consolidated Fund pursuant to Act 6846 Sect. 25(5) .....		262
Administration Costs recouped from Rural Finance Insurance Fund .....		73
Profit on Sale of Assets .....		14
Loan Establishment Fees .....		307
Legal Fees .....		55
Commonwealth Contribution to Rural Adjustment Administration Costs .....		177
Sundry .....		18
Commonwealth Grants .....	1(i)	313
		<u>1,219</u>



## Operating Expenses

Administration Costs included in Operating Expenses comprises:

	1986 \$000's
Rural Finance Fund.....	5,129
Soldier Settlement Act .....	296
Land Settlement Act.....	164
Rural Finance Insurance Fund.....	<u>73</u>
	<u>5,662</u>

As stated in Note 1(d), costs for Rural Finance Fund have been allocated to the following activities.

	1986 \$000's
Rural Finance General Business.....	2,734
General State Government Agency Schemes .....	91
Rural Adjustment Scheme.....	1,092
Rural Adjustment Interest Subsidy Scheme.....	458
Rural Reconstruction Scheme .....	185
Natural Disaster Schemes .....	428
Dairy Adjustment Program .....	48
Commonwealth/State Carry-on Schemes.....	7
Commonwealth Drought Fodder Subsidies .....	2
Commonwealth Tree Pull Scheme .....	19
Commonwealth/State Apple and Pear Assistance.....	3
Commonwealth/State Vine Pull Scheme .....	<u>62</u>
Total Administration Costs Rural Finance Fund.....	<u>5,129</u>

- (a) The Fund represents the excess of assets over liabilities of the Rural Finance Commission. All components of the Fund can be utilised for the purpose of making loans to the rural communities of Victoria and for the Commission's operations.

	1986	
	\$000's	\$000's
<b>General Reserve</b>		
Balance 1 July.....	3,727	
<b>Plus:</b> Interest earned .....	<u>634</u>	
Balance 30 June .....		4,361
<b>Debtors Risk Reserve.....</b>		
		5,114
<b>Equity realised in National Debt Sinking Fund.....</b>		
		5,967
<b>Non Repayable Portion of Advances Received from Commonwealth Government:</b>		
Rural Adjustment Scheme, Rural Reconstruction Scheme, and Dairy Adjustment Program		
Balance 1 July.....	26,758	
<b>Plus:</b> Commonwealth Grant Received.....	—	
Transfers from Rural Rehabilitation Fund .....	<u>5</u>	
	26,763	
<b>Less:</b> Grants paid .....	<u>15</u>	
Balance 30 June .....		26,748
<b>Carry-on Schemes</b>		
Beef, Dairy Adjustment, Wine Grape Growers, Canning Fruit Growers		
Balance 1 July.....	4,141	
<b>Plus:</b> State proportion of Advances not Repayable.....	26	
<b>Less:</b> Transfer to Other Advances.....	<u>4,167</u>	
Balance 30 June .....		—
<b>Loan Equalization Account</b>		
Balance 1 July.....	45,480	
<b>Plus:</b> Transfer from Appropriation Account .....	—	
<b>Less:</b> Transfer to Appropriation Account .....	<u>45,480</u>	
Balance 30 June .....		—
<b>Retained Earnings at end of year .....</b>		
		<u>61,900</u>
		<u>104,090</u>

(b) The purpose and criteria of the General Reserve is to fund contingencies.

- (c) The Debtors Risk Reserve is a judgement of the Commission based on the overall risk factors of particular classes of Debtors.
- (d) In 1984, the Treasurer of Victoria altered the repayment arrangements of the Commission's liability in respect of National Debt Sinking Fund loans made prior to 1970. The Equity realised represents securities and cash brought to account at the 1st July, 1983 and utilised in the lending activities of the Commission.
- (e) This year the Loan Equalization Account has been transferred to the Appropriation Account and the Retained Earnings together with the Non Repayable Portion of Advances from the Commonwealth Government are utilised in the lending activities of the Commission.

The purpose of the Rural Finance Insurance Fund is to insure borrowers' structural improvements and the Commission's assets in accordance with Section 29 of the Rural Finance and Settlement Commission Act 1961.

	1986 \$000's
Balance 1 July .....	3,530
<b>Plus:</b> Premiums Receivable.....	342
Interest on Investments .....	611
	<u>4,483</u>
<b>Less:</b> Claims Admitted .....	171
Fire Authority Contributions .....	135
Administration Costs.....	73
Insurance Assessment Expenses .....	1
	<u>380</u>
	4,103
<b>Plus:</b> Claims Recovered.....	—
Balance 30 June.....	<u><u>4,103</u></u>

	1986 \$000's
Debtors for Insurance Premiums.....	28
Other Debtors.....	156
	<u>184</u>

	1986 \$000's
Deposits with:	
Victorian Development Fund .....	12,950
Banks .....	18,100
Inscribed Stock Victorian Semi-Government Authorities	371
SEC Extension Deposits.....	<u>9</u>
	<u>31,430</u>
These Investments were in respect of:	
Provision for Employee Benefits .....	579
Provision for Superannuation .....	7,025
General Reserve.....	4,361
Rural Finance Insurance Fund.....	<u>4,103</u>
	16,068
Temporary Investments.....	<u>15,362</u>
	<u>31,430</u>

Due to the nature of the Commission's activities, it is difficult at this stage to accurately assess the amount due from Debtors within the next 12 months. However, based on current revenue percentages it is estimated that \$12,000,000 will be repaid during the 1986/87 financial year.

	1986 \$000's
Rural Finance Act Part III .....	163,535
Rural Finance Act Part IV.....	—
Rural Reconstruction Scheme .....	11,093
Dairy Adjustment Program — Vats .....	1
— Other .....	2,203
Rural Adjustment Scheme.....	36,968
Beef Industry Assistance Carry-on Scheme .....	17
General Government Agency Schemes.....	1,795
Natural Disaster Schemes .....	15,970
Fruitgrowing Reconstruction Schemes.....	<u>853</u>
	<u>232,435</u>

	Cost	Depreciation For	Accumulated Depreciation	Written Down	Written Down
	1986	1985/86	1986	1986	1985
	\$000's	\$000's	\$000's	\$000's	\$000's
Residences .....	133	5	61	72	78
Office Equipment ..	1,729	245	1,106	623	699
Motor Vehicles.....	126	12	6	120	105
	<u>1,988</u>	<u>262</u>	<u>1,173</u>	<u>815</u>	<u>882</u>

Depreciation for the year amounting to \$262,000 (\$222,000 – 1985), was charged to Administration Costs.

	1986 \$000's
Accrued Annual Leave .....	145
Accrued Expenses .....	236
Interest Bearing Deposits from Borrowers .....	20
Amounts due to the Commonwealth in respect of Carry-on and Other Schemes .....	12
Amounts in Suspense .....	195
Insurance Claims admitted but not paid .....	136
	<u>744</u>

	NOTE	1986 \$000's
Inscribed Stock issued by the Commission .....	1(k)	12,567
Advances repayable by Fixed Instalments:		
State:		
– Rural Finance Act .....		25,017
– Natural Disaster Schemes .....		19,572
Commonwealth:		
– Natural Disaster Schemes .....		23,648
– Dairy Adjustment Program .....		3,712
– Rural Reconstruction Scheme .....		20,216
– Rural Adjustment Scheme .....		41,304
		<u>146,036</u>

	Inscribed Stock	State	Cwealth	Total
	\$000's	\$000's	\$000's	\$000's
Not later than one year.....	151	3,552	7,247	10,950
Later than one year and not later than two years.....	1,503	3,644	7,486	12,633
Later than two years and not later than five years.....	2,657	10,992	24,581	38,230
Later than five years.....	<u>8,256</u>	<u>26,401</u>	<u>49,566</u>	<u>84,223</u>
	<u>12,567</u>	<u>44,589</u>	<u>88,880</u>	<u>146,036</u>

Repayments to the Treasurer of Victoria for the following advances are based upon repayments from borrowers, with the exception of Rural Adjustment Household Support, Rehabilitation, Interest Subsidy and Fruitgrowing Reconstruction Schemes which are convertible to grants.

	NOTE	1986 \$000's
Carry-on Loans:		
Treasurer of Victoria.....	1(j)	4,167
Beef Industry Assistance.....		17
Wine Grape Growers.....		—
Canning Fruitgrowers.....		12
Schemes:		
General Government Agency.....		1,651
Rural Adjustment Household Support and Rehabilitation.....		1,581
Rural Adjustment Interest Subsidy.....		900
Fruitgrowing Reconstruction.....		753
Farmer's Debt Adjustment Act 1935.....		—
		<u>9,081</u>

(a) Loan Commitments

The Commission has a commitment to clients in respect of loans approved but not yet paid out of \$27,000,000 (\$9,006,000 — 1985).

(b) Lease Commitments

The Commission has a contingent liability in the form of leasehold premises it occupies.

	1986 \$000's
Not later than one year .....	527
Later than one year and not later than two years ....	527
Later than two years and not later than five years ...	1,571
Later than five years .....	303
Rental included in Administration Costs this year amounted to \$500,000 (\$534,000 — 1985).	

(c) Capital Commitments

The Commission has placed orders for the supply of various computer equipment amounting to \$54,000.

We, the undersigned hereby certify that:

- (a) in our opinion the financial statements present fairly the financial transactions during the financial year and the financial position of the Commission at the end of the year; and
- (b) at the date of signing the statements we are not aware of any circumstances which would render any particulars included in the statements to be misleading or inaccurate.

	I.K. MORTON	Chairman
	C.J. FOX	Member
	B.D. KEANE	Accountant
MELBOURNE		
25/8/1986		

The accompanying financial statements comprising a Balance Sheet, Profit and Loss Statement and Statement of Sources and Applications of Funds of the Rural Finance Commission — Rural Finance Fund have been audited as required by Section 27 of the Rural Finance and Settlement Commission Act 1961 and in accordance with Australian Auditing Standards.

In my opinion, the financial statements present fairly the state of affairs of the Rural Finance Fund as at 30 June 1986 and the results of its operations for the year ended on that date.

MELBOURNE	R.G. HUMPHRY
29/8/1986	Auditor-General

	NOTE	1986 \$000's
<b>OPERATING INCOME</b>		
Interest Earned on Loans .....		1,074
Profit on Livestock Trading .....	2	238
Surplus on Sale of Land .....	3	204
Other Income.....		3
Amount Provided for Costs of Administration.....	1(g),5(b)	<u>164</u>
		<u>1,683</u>
<b>OPERATING EXPENSES</b>		
Interest on Loan Liability.....	5(c)	469
Costs of Administration .....	1(e)	<u>164</u>
		<u>633</u>
<b>OPERATING PROFIT</b> .....		<u>1,050</u>
<b>Add: Extraordinary Items</b>		
Realisation of Equity in National Debt Sinking Fund....		—
Amount Provided for Costs of Administration in Relation to Previous Years.....	1(g),5(b)	<u>5,108</u>
<b>OPERATING PROFIT AND EXTRAORDINARY ITEMS</b> .....		<u>6,158</u>
Accumulated Surplus from the previous year.....		<u>3,428</u>
<b>ACCUMULATED SURPLUS 30 JUNE</b> .....	4	<u><u>9,586</u></u>

The accompanying notes form an integral part of these accounts



	NOTE	1986 \$000's
<b>ACCUMULATED SURPLUS</b> .....	4	9,586
<b>GRANTS PROVIDED FOR INTEREST AND COSTS OF ADMINISTRATION</b> .....	5	<u>1,530</u>
		<u>11,116</u>
<b>Represented by:</b>		
<b>Current Assets</b>		
Interest Due and Accrued.....		373
Cash at Bank.....		13
Livestock Proceeds held in Treasury Trust Fund.....		576
Livestock at Valuation .....	6	<u>163</u>
		<u>1,125</u>
<b>Non Current Assets</b>		
Debtors for Loans .....	7	14,063
Land and Improvements at cost .....		2,258
Plant and Vehicles .....	8	<u>23</u>
		<u>16,344</u>
<b>TOTAL ASSETS</b> .....		<u>17,469</u>
<b>Less:</b>		
<b>Non Current Liabilities</b>		
Liability to Treasurer of Victoria.....	9	<u>6,353</u>
<b>TOTAL LIABILITIES</b> .....		<u>6,353</u>
<b>NET ASSETS</b> .....		<u>11,116</u>

The accompanying notes form an integral part of these accounts

	NOTE	1986 \$000's
<b>SOURCES OF FUNDS</b>		
<b>Funds from Operations</b>		
Inflows of Funds from Operations .....	(a)	1,697
Less Outflows of Funds from Operations.....		<u>(634)</u>
		1,063
<b>Decrease in Assets</b>		
Current Assets		
Livestock at Valuation .....		9
Cash at Bank.....		19
Livestock Proceeds.....		365
Interest Due and Accrued.....		32
Non Current Assets		
Debtors for Loans .....		625
Land and Improvements.....		88
Proceeds from Sale of Non Current Assets .....		—
<b>Realisation of Equity in National Debt Sinking Fund .....</b>		<b>—</b>
<b>Amount Provided for Costs of Administration in Relation to Previous Years .....</b>		<u>5,108</u>
		<u><u>7,309</u></u>

1986  
\$000's

**APPLICATIONS OF FUNDS**

**Increase in Assets**

Current Assets	
Cash at Bank.....	—
Livestock Proceeds.....	—
Interest Due and Accrued.....	—
Non Current Assets	
Plant and Vehicles.....	—

**Decrease in Liabilities**

Non Current Liabilities	
Liability to the Treasurer of Victoria.....	876

**Decrease in Grants Provided for Interest and Costs of Administration**

6,433  
7,309

**NOTES:**

(a) Reconciliation of funds from operations with operating profit is as follows:

	1986 \$000's
Funds from Operations.....	1,063
<b>Add:</b> Profit on sale of non current assets.....	—
	<u>1,063</u>
<b>Less:</b> Depreciation .....	13
Operating Profit.....	<u>1,050</u>

The accompanying notes form an integral part of these accounts



## LAND SETTLEMENT ACT 1959

Notes to and forming part of the accounts of the Rural Finance Commission in respect of Land Settlement for year ended 30 June, 1986.

### 1. Summary of Accounting Policies

The following summary explains the significant accounting policies that have been adopted in the preparation of the accounts. Unless otherwise stated, such accounting policies are consistent with those used in the previous year.

(a) Basis of Accounting

The accompanying financial statements have been prepared under the historical cost convention using the accrual basis.

(b) Depreciation

Depreciation is provided as follows.

Plant and Motor Vehicles:— based on the straight line method and at varying rates so as to reduce the asset to 10% of cost after seven years.

Pro-rata depreciation is applied for assets acquired and/or retired during the year.

(c) Land Disposal

By legislation enacted in 1977 alternate procedures for the disposal of land developed for settlement have been available to the Rural Finance Commission. Under these procedures land has been disposed of by way of sale by tender and auction (Note 3). Pending disposal, livestock operations are being carried out on the land (Note 2).

(d) Doubtful Debts

Having regard to the increase in farming land values since Purchase Lease liabilities were established, and to the 40% deposit or more required in respect to land sold by the Commission it has not been considered necessary to make provision for doubtful debts.

(e) Costs of Administration

The costs of administration of Land Settlement are paid out of the Rural Finance Fund in accordance with Section 25 of the Rural Finance and Settlement Commission Act 1961. So as to show a fair view as to the operating expenses of Land Settlement, the costs of administration are also shown in the Profit and Loss Statement. The Rural Finance Fund has no rights to surpluses nor any obligation in respect to deficiencies under the Land Settlement Act 1959.

(f) Sources and Applications of Funds

This year the funds statement has been amended to comply with the revised requirements of Australian Accounting Standard AAS 12.

(g) Change in Accounting Policy

Since 1 July, 1963 the costs of administration of Land Settlement have been provided by the Rural Finance Fund and shown as an expense in the Land Settlement Profit and Loss Statement.

This year, so as to better reflect the nature of the notional benefit to Land Settlement the amounts provided for costs of administration which were

previously shown as grants provided for interest and costs of administration in the Balance Sheet (Note 5) has now been transferred to the Profit and Loss Statement. The effect has been to increase the Accumulated Surplus by \$5,272,000.

Operating details of Livestock Trading are:

	1986 \$000's	1985 \$000's
Sales .....	624	624
Gross Profit .....	585	585
<b>Less:</b> Operating Expenses.....	347	347
Net Profit for Year .....	238	238

The average selling price received for livestock during the year was \$421.74 per head, (\$418.58 – 1985).

Operating Expenses include the cost of pasture and property maintenance which in the year amounted to \$137,000 (\$264,000 – 1985). Proceeds received from cattle sales are paid to the Treasurer of Victoria, firstly in repayment of loan funds advanced for livestock operations and secondly as general revenue.

### 3. Surplus on Sale of Land

Sales of land finalised during the year at Heytesbury under Section 5A of the Land Settlement Act 1959 totalled \$336,000 (\$722,000 – 1985). The surplus realized for the year over the cost of the land and improvements amounted to \$204,000 (\$202,000 – 1985). Receipts in respect of sales are paid to the Treasurer of Victoria.

Under provisions of the Act surpluses on sales made under Section 5A totalling \$6,623,000 to date are applied against the Accumulated Deficiency and are not applied against amounts previously transferred and borne by the State pursuant to Section 41 of the Act (Note 9). These amounts previously transferred pursuant to Section 41 represent the difference between the gross costs of allotments including public roading and other indirect costs, and the Purchase Lease liabilities of settlers.

The net capital surplus on land development to date is:

	1986 \$000's	1985 \$000's
Surpluses on sales of land under Section 5A of the Act.....	6,623	6,623
<b>Less:</b> Amounts transferred and borne by the State under Section 41 of the Land Settlement Act 1959.....	4,811	4,811
	<u>1,812</u>	<u>1,812</u>

### 4. Accumulated Surplus

The Accumulated Surplus is increased by \$5,272,000 as the costs of administration for Land Settlement are borne by the Rural Finance Fund.

Prior to 1 July, 1983 the Accumulated Deficiency was mainly brought about by the provisions of the Land Settlement Act 1959 which was designed to establish settlers on the land. These concessions have been offset by profits on livestock operations, the sale of land and the transfer of the equity in the

National Debt Sinking Fund as at 1 July, 1983, resulting in a net surplus of \$9,586,000 (\$3,428,000 — 1985). Estimated cost of concessions to date are:

	1986 \$000's
(a) Interest Concessions — the net loss on account of interest and estate earnings since 1 July, 1966.....	4,081
(b) The costs of administration borne directly by the State up to 30 June, 1963 are:.....	626
(c) The costs of administration borne by the Rural Finance Fund since 1 July, 1963 and notionally taken to account herein are:.....	<u>5,272</u>
Total Estimated Cost of Concessions .....	<u><u>9,979</u></u>

	1986 \$000's
(a) Grants provided by Consolidated Fund for Costs of Administration to 30 June, 1963 and for interest charges less payments made to 30 June	2,855
<b>Add:</b> Interest on Loan Liability for the year .....	<u>469</u>
	3,324
<b>Less:</b> Interest received from Debtors and paid to the Treasurer of Victoria .....	1,101
Cash Surplus on Livestock operations .....	480
Cash Surplus from Palpara Estate Debtors	<u>213</u>
	<u>1,794</u>
	1,530
(b) Grants from the Rural Finance Fund for Costs of Administration from 1 July, 1963 to 30 June.....	—
<b>Add:</b> Costs of Administration borne by the Rural Finance Fund.....	<u>—</u>
	<u>—</u>
	<u><u>1,530</u></u>

(c) Interest on Loan Liability is a notional calculation which up to 30 June, 1983 was based on an amount advised by the Department of Management and Budget. Since 1 July, 1983 it has been agreed with the Department of Management and Budget that the calculation be based on a rate set on that date plus .5% for each six months until the rate reaches the average rate of State borrowings. This rate is applied against the liability to the State at the beginning of the year with adjustments for advances from Works and Services and repayments from borrowers throughout the year based on the ruling average rate of State borrowings at that time.

Due to the volatile nature of cattle prices, the Commission has consistently used 1975 average market prices when accounting for livestock, being \$10 per head in respect of calves and \$55 in respect of all other cattle. The Commission elects to record the actual profit or loss when the livestock are sold.

At 30 June, 1986 the approximate market value of the livestock was \$1,052,000. Cattle on hand as at 30 June, are:

1986 No.		1986 \$000's
1,336	Calves @ \$10	13
2,729	Cattle @ \$55	150
<u>4,065</u>		<u>163</u>

Due to the nature of the Commission's activities it is difficult to accurately assess the amount due from Debtors within twelve months. Based on the previous three years experience it is estimated that \$315,000 will be repaid during the 1986/87 financial year.

	1986 \$000's
Settlers' Liabilities under Purchase Leases.....	7,475
<b>Less:</b> Settler's Credit Accounts.....	<u>105</u>
	7,370
Settlers' Liabilities for Purchase Leases converted to Mortgages under Section 23(2) of the Land Settlement Act 1959.....	546
Settlers' Liabilities for Advances made for Stock, Plant and Improvements.....	—
Amounts due from Purchasers of Land under Contracts of Sale.....	3,396
Amounts due from Purchasers of Land under Mortgages.....	<u>2,751</u>
	<u>14,063</u>

#### V. Finance and Vehicles

	Cost	Depreciation For	Accumulated Depreciation	Written Down	Written Down
	1986	1985/86	1986	1986	1985
	\$000's	\$000's	\$000's	\$000's	\$000's
Motor Vehicles.....	51	5	40	11	16
Plant and Equipment.....	<u>69</u>	<u>8</u>	<u>57</u>	<u>12</u>	<u>20</u>
	<u>120</u>	<u>13</u>	<u>97</u>	<u>23</u>	<u>36</u>

Depreciation for the year 1985/86 amounting to \$13,000 (\$7,000 — 1985), (including an adjustment for prior periods of \$7,000), was charged against Livestock Trading



9.4 Liability to Treasurer of Victoria

	1986 \$000's	1987 \$000's
Amounts Advanced.....	46,924	46,924
<b>Less:</b> Amounts transferred and borne by State under Section 41 of the Land Settlement Act 1959.....	<u>4,811</u>	<u>4,811</u>
	42,113	42,113
<b>Less:</b> Repayments.....	32,621	32,621
Realization of equity in National Debt Sinking Fund.....	<u>3,970</u>	<u>3,970</u>
	<u>36,591</u>	<u>36,591</u>
	5,522	5,522
<b>Add:</b> Liability for Crown Lands taken over.....	9	9
Liability to Consolidated Fund for Interest Capitalized.....	<u>822</u>	<u>822</u>
	<u><u>6,353</u></u>	<u><u>6,353</u></u>

LAND SETTLEMENT  
CERTIFICATION OF FINANCIAL STATEMENTS

We, the undersigned hereby certify that:

- (a) in our opinion the financial statements present fairly the financial transactions during the financial year and the financial position in respect of Land Settlement at the end of the year; and
- (b) at the date of signing the statements we are not aware of any circumstances which would render any particulars included in the statements to be misleading or inaccurate.

I.K. MORTON	Chairman
C.J. FOX	Member
B.D. KEANE	Accountant

MELBOURNE  
25/8/1986

AUDITOR-GENERAL'S REPORT

The accompanying financial statements comprising a Balance Sheet, Profit and Loss Statement and Statement of Sources and Applications of Funds of the Rural Finance Commission — Land Settlement have been audited as required by Section 27 of the Rural Finance and Settlement Commission Act 1961 and in accordance with Australian Auditing Standards.

In my opinion, the financial statements present fairly the state of affairs of Land Settlement as at 30 June 1986 and the results of its operations for the year ended on that date.

MELBOURNE  
29/8/1986

R.G. HUMPHRY  
Auditor-General





**SOLDIER SETTLEMENT**  
**PROFIT AND LOSS STATEMENT FOR YEAR ENDED 30 JUNE, 1986**

	NOTE	1986 \$'000	1985 \$'000
<b>OPERATING INCOME</b>			
Interest Earned on Loans .....		217	257
Fees and Charges .....		3	4
Amount Provided for Costs of Administration.....	1(f),3(b)	296	—
		<u>516</u>	<u>261</u>
<b>OPERATING EXPENSES</b>			
Interest on Loan Liabilities .....		385	491
Costs of Administration .....	1(d)	296	283
		<u>681</u>	<u>674</u>
<b>OPERATING LOSS</b> .....		(165)	(413)
<b>Less:</b> Realization of Equity in National Debt Sinking Fund...		—	57
Amount Provided for Costs of Administration in Relation to previous Years.....	1(f),3(b)	5,919	—
<b>OPERATING PROFIT (LOSS)</b>			
<b>AFTER EXTRAORDINARY ITEMS</b> .....		5,754	156
Accumulated Deficiency from the previous year .....		(11,330)	(10,964)
<b>ACCUMULATED DEFICIENCY 30 JUNE</b> .....	2	<u>5,576</u>	<u>(11,110)</u>

The accompanying notes form an integral part of these accounts

	NOTE	1986 \$000's
<b>ACCUMULATED DEFICIENCY</b> .....	2	(5,576)
<b>GRANTS PROVIDED FOR INTEREST AND COSTS OF ADMINISTRATION</b> .....	3	6,336
		<u>760</u>
 <b>Represented by:</b>		
<b>Current Assets</b>		
Cash at Bank .....		3
Interest Due and Accrued .....		65
		<u>68</u>
 <b>Non Current Assets</b>		
Debtors for Loans .....	4	10,718
<b>TOTAL ASSETS</b> .....		<u>10,786</u>
 <b>Less:</b>		
<b>Current Liabilities</b>		
Loan Liability to Commonwealth Government .....		253
 <b>Non Current Liabilities</b>		
Loan Liability to Commonwealth Government .....		9,773
<b>TOTAL LIABILITIES</b> .....		<u>10,026</u>
<b>NET ASSETS</b> .....		<u>760</u>

The accompanying notes form an integral part of these accounts

	1986
	\$000's
<b>SOURCES OF FUNDS</b>	
<b>Funds from Operations</b>	
Inflows of Funds from Operations.....	516
Less Outflows of Funds from Operations.....	(681)
	<u>(165)</u>
<b>Decrease in Assets</b>	
Current Assets	
Cash at Bank.....	1
Interest Due and Accrued.....	5
Non Current Assets	
Debtors for Loans.....	800
<b>Realisation of Equity in National Debt Sinking Fund</b> .....	—
<b>Amount Provided for Costs of Administration in Relation to Previous Years</b> .....	5,919
<b>Increase in Liabilities</b>	
Current Liabilities	
Loan Liability to Commonwealth Government.....	9
	<u>6,569</u>
<b>APPLICATIONS OF FUNDS</b>	
<b>Decrease in Liabilities</b>	
Non Current Liabilities	
Loan Liability to Commonwealth Government.....	253
<b>Decrease in Grants Provided for Interest and Costs of Administration</b> .....	6,316
	<u>6,569</u>

The accompanying notes form an integral part of these accounts

Notes to and forming part of the accounts of the Rural Finance Commission in respect of Soldier Settlement for year ended 30 June, 1986.

The following summary explains the significant accounting policies that have been adopted in the preparation of the accounts. Unless otherwise stated, such accounting policies are consistent with those used in the previous year.

(a) Basis of Accounting

The accompanying financial statements have been prepared under the historical cost convention using the accrual basis.

(b) Settlement Program

Settlement under the provisions of the Soldier Settlement Act 1958 has been completed for a number of years and administration by the Rural Finance Commission is confined to collection of debtors instalments and repayment of Commonwealth Loan Advances to the Treasurer of Victoria.

(c) Doubtful Debts

Having regard to the increase in farming land values since Purchase Lease liabilities were established and Single Unit loans were made it has not been considered necessary to make any provision for doubtful debts.

(d) Costs of Administration

The costs of administration of Soldier Settlement are paid out of the Rural Finance Fund in accordance with Section 25 of the Rural Finance and Settlement Commission Act 1961. So as to show a fair view as to the operating expenses of Soldier Settlement, the costs of administration are also shown in the Profit and Loss Statement. The Rural Finance Fund has no rights to surpluses nor any obligation in respect to deficiencies under the Soldier Settlement Act 1958.

(e) Sources and Applications of Funds

This year the funds statement has been amended to comply with the revised requirements of Australian Accounting Standard AAS 12.

(f) Change in Accounting Policy

Since 1 July, 1963 the costs of administration of Soldier Settlement have been provided by the Rural Finance Fund and shown as an expense in the Soldier Settlement Profit and Loss Statement.

This year, so as to better reflect the nature of the notional benefit to Soldier Settlement the amounts provided for costs of administration which were previously shown as grants provided for interest and costs of administration in the Balance Sheet (Note 3) has now been transferred to the Profit and Loss Statement. The effect has been to decrease the Accumulated Deficiency by \$6,215,000.

The Accumulated Deficiency is reduced by \$6,215,000 as the costs of administration for Soldier Settlement are borne by the Rural Finance Fund.

The provisions of the agreement between the Commonwealth and the State of Victoria and of State Legislation designed to assist the establishment of discharged soldiers on the land has in the main caused the Accumulated Deficiency. The estimated costs of these provisions is as follows:

	1986 \$000's
(a) Remissions of Rent and Interest — During the early stages of occupation referred to in the agreement as the Assistance Period, all interest and rent charges were remitted. The cost was shared equally by the Commonwealth and State Governments. The total State share included in the Accumulated Deficiency is: .....	379
(b) The Act fixed the rate of interest to be charged to settlers at 2% per annum. Having regard to the interest rate payable on loan moneys the reduced rate is estimated to be a statutory concession of:.....	23,904
(c) The costs of administration borne directly by the State up to 30 June, 1963 are:.....	5,152
(d) The costs of administration borne by the Rural Finance Fund since 1 July, 1963 and notionally taken to account herein are:.....	6,215
Estimated Total Cost of Concessions.....	35,650
<b>Add:</b> Capital Expenses not borne by estates.....	1,352
	<u>37,002</u>

The above amount has been partially offset by the net profit on past operations and the transfer of the equity in the National Debt Sinking Fund as at 1 July, 1983, to give a total net deficiency of \$5,576,000 (\$11,330,000 — 1985)

	1986 \$000's
(a) Grants Provided by Consolidated Fund for Costs of Administration to 30 June, 1963 and for interest charges less repayments of interest and other income to the Fund as at 30 June.....	6,732
<b>Add:</b> Interest on Loan Liabilities for the year.....	<u>385</u>
	7,117
<b>Less:</b> Interest and fees received from debtors and paid to the Treasurer of Victoria.....	225
Transfer of Surplus Loan Repayments .....	<u>556</u>
	781
	<u>6,336</u>
(b) Grants from the Rural Finance Fund for Costs of Administration from 1 July, 1963 to 30 June.....	—
<b>Add:</b> Costs of Administration borne by the Rural Finance Fund.....	<u>—</u>
	—
	<u>6,336</u>

Due to the nature of the Commission's activities it is difficult to accurately assess the amount due from Debtors within twelve months. Based on the previous three years experience it is estimated that \$317,000 will be repaid during the 1986/87 financial year.

	1986 \$000's	\$000's
Settlers' Liabilities under Purchase		
Leases .....	4,569	
<b>Less:</b> Settlers' Credit Accounts.....	<u>85</u>	
		4,484
Settlers' Liabilities for Purchase		
Leases converted to Mortgages under Section 67A of the Soldier Settlement Act 1958 .....		4,567
Settlers' Liabilities under Mortgages pursuant to Part VII of the Soldier Settlement Act 1958 (Single Unit Loans).....	1,693	
<b>Less:</b> Mortgagors' Credit Accounts .	<u>26</u>	
		<u>1,667</u>
		<u>10,718</u>

We, the undersigned hereby certify that:

- (a) in our opinion the financial statements present fairly the financial transactions during the financial year and the financial position in respect of Soldier Settlement at the end of the year; and
- (b) at the date of signing the statements we are not aware of any circumstances which would render any particulars included in the statements to be misleading or inaccurate.

I.K. MORTON  
C.I. FOX  
B.D. KEANE

Chairman  
Member  
Accountant

MELBOURNE  
25/8/1986

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In my opinion, the financial statements present fairly the state of affairs of Soldier Settlement as at 30 June 1986 and the results of its operations for the year ended on that date.

MELBOURNE  
29/8/1986

R.G. HUMPHRY  
Auditor-General

	Expenditure during year 1985/86 \$	Total to 30 June 1986 \$	Balance outstanding 30 June 1986 \$
<b>RURAL FINANCE ACT</b>			
<b>PART III</b>			
Primary Loans .....	35,622,880	256,977,926	148,711,363
Fishing Loans .....	376,124	2,817,504	1,106,206
Secondary Loans .....	2,148,202	33,638,161	5,835,347
Salinity Loans .....	284,403	2,494,425	1,612,644
Mallee Cereal Loans .....	1,080,447	1,080,447	1,080,447
Young Farmer Finance .....	1,741,891	6,501,576	5,189,033
<b>TOTAL</b>	<b>41,253,947</b>	<b>303,510,039</b>	<b>163,535,040</b>
<b>SECTION 35</b>			
Primary Loans (Including Natural Disasters) .....	790,685	63,503,085	15,033,632
Secondary, Tourist & Natural Disaster Small Business Loans .....	3,000	13,920,764	2,730,718
Grants & Subsidies .....	42,344	62,989,476	—
Special Canneries Assistance .....	—	8,450,388	—
<b>TOTAL</b>	<b>836,029</b>	<b>148,863,713</b>	<b>17,764,350</b>
<b>RURAL RECONSTRUCTION SCHEME</b>			
Debt Reconstruction .....	—	25,624,956	3,244,954
Farm Build-Up .....	—	26,237,921	7,847,822
Rehabilitation .....	—	52,600	—
<b>TOTAL</b>	<b>—</b>	<b>51,915,477</b>	<b>11,092,776</b>
<b>RURAL ADJUSTMENT SCHEME</b>			
Debt Reconstruction .....	169,500	11,429,276	6,896,591
Farm Build-Up .....	499,000	36,754,191	25,165,711
Farm Improvement .....	286,346	4,936,724	2,988,410
Wine Grape Growers Carry-on .....	—	21,500	—
Household Support .....	1,725,872	2,553,619	1,709,433
Rehabilitation .....	96,172	208,838	151,172
Salinity .....	37,000	49,000	44,551
Interest Rate Subsidies .....	97,302	97,302	—
<b>TOTAL</b>	<b>2,911,192</b>	<b>56,050,450</b>	<b>36,955,868</b>
<b>DAIRY ADJUSTMENT PROGRAM</b>			
Bulk Milk Vats .....	—	9,034,451	1,175
Carry-on Loans .....	—	5,349,204	—
Other Loans etc. ....	—	9,211,824	2,203,583
Rehabilitation .....	—	30,000	—
<b>TOTAL</b>	<b>—</b>	<b>23,625,479</b>	<b>2,204,758</b>



	Expenditure during year 1985/86 \$	Total to 30 June 1986 \$	Balance outstanding 30 June 1986 \$
<b>BEEF INDUSTRY ASSISTANCE SCHEME</b>	—	4,101,820	16,740
<b>CANNING FRUIT GROWERS SCHEME</b>			
Treepull.....	—	730,123	730,123
Carry-on.....	—	135,500	12,356
Apple & Pear Assistance.....	—	23,050	23,050
<b>TOTAL</b>	—	888,673	765,529
<b>VINE PULL SCHEME</b>	99,597	99,597	99,597
Other Schemes discontinued.....	—	1,699,759	—
<b>TOTAL RURAL FINANCE ACT</b>	45,100,765	590,755,007	232,434,658
<b>SOLDIER SETTLEMENT</b>			
Single Unit Loans.....	—	23,917,339	1,666,987
Assistance Period Allowance.....	—	2,432,592	—
Commonwealth Agricultural Loans.....	—	3,593,702	—
Advances for Stock, Plant, Equipment & Working Expenses.....	—	12,568,333	—
Purchase Leases Granted.....	—	57,402,664	4,483,961
Mortgages under Section 67A.....	—	—	4,567,028
<b>TOTAL SOLDIER SETTLEMENT</b>	—	99,914,630	10,717,976
<b>LAND SETTLEMENT</b>			
Advances for Stock, Plant, Equipment & Working Expenses.....	—	1,846,729	395
Purchase Leases Granted.....	—	21,556,213	7,370,005
Mortgages under Section 23.....	—	—	546,030
Contracts of Sale.....	—	61,991	—
Disposals of Land-Section 5A.....	194,424	11,005,232	6,146,725
<b>TOTAL LAND SETTLEMENT</b>	194,424	34,470,165	14,063,155
<b>GRAND TOTAL</b>	45,295,189	725,139,802	257,215,789