

VICTORIA

Report

of the

RURAL FINANCE COMMISSION

for the

Year ended 30 June 1987

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1987



RURAL FINANCE
COMMISSION

VICTORIA

REPORT OF THE RURAL FINANCE COMMISSION

For the period from 1st July, 1986, to
30th June, 1987.

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."





**The Rural Finance Commission —
Operating Charter and Objectives**

The Rural Finance Commission is responsible for the administration of a number of 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 and complementary secondary industries. The Commission's main role 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 Objectives of the Commission
are as follows:**

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.

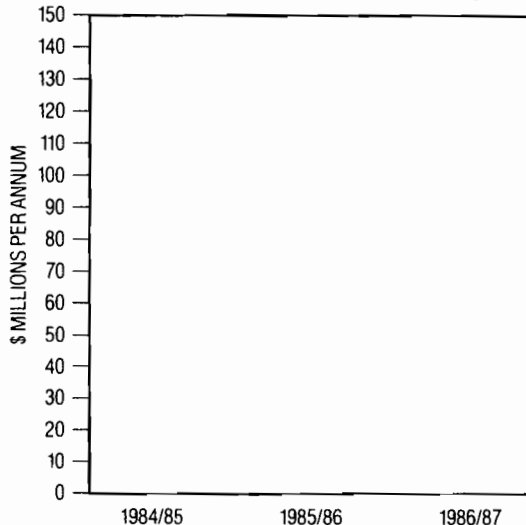
to further develop these aims the Commission will:—

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.

The Commission's responsibilities to its clients are to:—

1. Ensure that 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.

LOANS APPROVED AND CAPITAL SUPPORTED WITH AN INTEREST SUBSIDY





CHAIRMAN'S REPORT

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

Dear Treasurer,

On behalf of my fellow Members, management and staff, I am pleased to report that the Commission has completed another successful year of financial support to the rural community.

In aggregate, the Commission lent at near record levels and was able to direct most of its lending to the younger, more efficient groups over a wide spectrum of Victorian agriculture.

The financial year has been one of considerable activity for the Commission, stimulated, in the main, by more optimism and a better economic outlook for the wool and meat industries and with some stability within the dairying industry being tempered by uncertainty as to some of the longer term aspects of domestic marketing. Likewise, the dried fruit industry, the canned deciduous fruit industry and the table fruit industry enjoyed reasonable markets and in some instances an opportunity for considerable innovation in packaging and marketing arrangements.

At the other end of the spectrum, the grain growing industry has been in considerable difficulty and attracted a great deal of the Commission's time and resources. The industry has been and continues to be faced with an over-supply in world markets and competition from heavily subsidized growers in a number of powerful industrialized countries. In some localities in Australia seasonal conditions have not been up to average. However, Victoria enjoyed quite a reasonable harvest. It is important that the industry be maintained at an efficient level and that production is reasonably sustained at appropriate levels to avoid a loss of markets through inability to supply. Export markets lost for this reason take considerable time to regain, if ever.



In the financial year 1985/86 one of the strategies was to ensure that no grain grower was prevented from sowing a crop. This entailed agreements with relevant creditors to extend time for those in precarious financial situations.

The holding operation was useful and helpful to the farmers concerned and to their creditors. Repayments from a generally good crop were satisfactory and losses to the Commission were minimal having regard to the risks which were taken.

The legislation which was enacted during the spring session of 1986 gave the Commission greatly enhanced powers of fund raising and proved to be extremely helpful in the somewhat volatile financial markets which characterized the financial year.

During this busy time we have continued to develop new electronic data processing systems, the major portion of which went live early in the financial year, with the balance programmed to be fully operational within the first few weeks of the new financial year. The new system gives the Commission much wider flexibility and considerable capacity to undertake special activities as occasion requires.

The Commission noted with pleasure its expanded role which the Government outlined in its publication Victoria, The Next Decade.

Our profit of \$17.4 million for the year is up by approximately \$0.4 million on last year, which we regard as a satisfactory result in all the circumstances of rural industry and the considerable extra costs associated with helping the grains industry through difficult times.

The profits of the Commission will be used to further enhance the Commission's capacity to lend and meet the special requirements of primary producers, particularly those engaged in export, as well as enhancing the Commission's opportunities to undertake special work which Government may from time to time decide is appropriate.

The Commission has received every co-operation from the financial community, particularly in the establishment of financial packages designed to assist the grain growing industry. The financial institutions have been very patient and understanding with those grain growers whose financial problems are of considerable proportion and who are in situations where hasty action would cause unnecessary personal anxiety and loss.

The Commission wishes to particularly mention the co-operation and helpful advice it has received from the Victorian Farmers Federation, its executive and the President, Mrs. Heather Mitchell, O.B.E.

The help and encouragement we have received during the year from you and from our Minister, the Honourable Evan Walker, have greatly assisted the Commission and its staff to develop initiatives to overcome sensitive situations.

The support we have received has helped to instil a confidence which may not otherwise have been present.

Yours sincerely,



I. K. MORTON
Chairman



Members of Commission

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

Secretary

FRANCES A. BUTLER

Executive

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

DUGALD C. GRAHAM,
Dip.Ag.Sc., B.Ec., A.A.I.V., A.A.S.A. CPA.
Manager, Administration &
Corporate Development

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

ROBERT C. DOUGLAS, A.A.I.V.
Client Liaison Officer

JOSEPH A. EDMONDS, LL.B.
Solicitor

SHARON E. BEAMAN, B.Ec.
Economic Adviser to Chairman

JOSEPH A. BONNICI, A.A.S.A., CPA.
EDP Manager





Regional Officers & Locations

GEOFFREY A. WILLIAMS, Dip.Ag.Sc.

North Eastern Region
Dunoon's Building,
270 Campbell Street,
Swan Hill, Vic. 3585

31-33 Deakin Avenue,
Mildura, 3500

PETER W. RICHMOND, B.Com.

North Eastern Region
164 Welsford Street,
Shepparton, Vic. 3630

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

TIMOTHY R.F. LESKE, B.Rur.Sc.

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

Head Office

325 Collins Street,
Melbourne, Vic. 3000



HIGHLIGHTS FOR THE YEAR:

*** Lending activity reaches high levels**

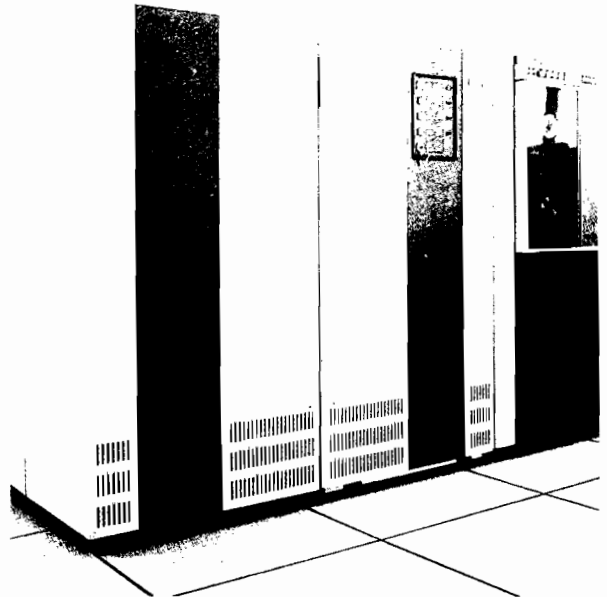
1986/87 saw the Commission make loans totalling \$91 million under its normal lending activities. This is the highest achieved for this kind of lending and represents an increase of 62% on the previous year.

*** Changes to legislation**

Amendments to the Rural Finance Act and the Rural Finance & Settlement Commission Act in the 1986 Spring session of Parliament enabled the Commission to increase its borrowing powers and further enhance its capacity to discharge its responsibilities.

*** Government announcement of an expanded role for the Commission**

The Government announced in April plans for an expanded role for the Commission as part of the Government's economic strategy for the next decade.



*** Successful awareness campaign**

During the year the Commission devoted resources to ensure a better understanding of the Commission's real role and the opportunities it offers to the rural community.



*** Upgrade of computer facilities**

Development of an enhanced computer facility continued during the year with the Operations system going live early in the financial year and the Accounts system planned for completion early in the new financial year and programmed so as not to interfere with preparation of our end of year accounts.

*** Special initiatives implemented to assist grain producers**

As a means of encouraging adjustment and stability in the market for cereal land, loans at interest rates as low as 8% per annum were offered to cereal growers willing to purchase uneconomic grain properties for amalgamation with their existing holding.





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 borrowing in the market and interest and capital repayments on loans outstanding which, as at the 30th June, 1987, stood at \$300 million. Funding which is repayable is also provided by the Treasurer of Victoria mainly for special purpose lending, such as young farmers, salinity control and the like. In addition, the Federal Government provides funds for rural adjustment to be applied according to legislation emanating from the Federal Parliament.

In the Spring session of the Victorian Parliament amendments were made to the Rural Finance Act which, inter alia, increased the Commission's borrowing powers and further enhanced 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 a financial package developed 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 encourages initiative by borrowers, at the same time being 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.

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.

Generally, the present Commonwealth legislation contains a number of unfortunate restraints and administrative complications. The relevant Commonwealth/State agreement has been amended in significant ways which are helpful. Ministerial discussions during the year have hopefully paved the way for further substantial change.

REVIEW OF OPERATIONS

In an environment characterized by continuing cost pressures and uncertain commodity prices, primary producers experienced mixed fortunes during the year.

Interest rates charged by the commercial sector remained at relatively high levels causing many farmers to review their financial arrangements.

The outlook facing grain growers continued to be subdued against a background of high world stock of trade wheat and discounted sales by the heavily subsidized European Economic Community and United States producers.

There were, however, a number of industries which showed improved market opportunities and offered encouragement for participants, the wool and meat industries being examples. The dairy industry has been better, although in more recent times special market arrangements put in place have been under challenge.

Dried fruit growers enjoyed record prices for their produce although the tonnage was down on previous years.

Fresh grape producers saw the development of new market opportunities in South-east Asia and the United Kingdom giving rise to optimism.

Canning and export producers of peaches and pears have rationalized their operations over the past few years and most are trading better. However apple and citrus growers experienced market difficulties.

Against this background the Commission had one of its busiest years with the demand for our normal lending activity reaching an all time high.

Funds were sought by producers in all sectors seeking to expand their operations, undertake property improvements for productivity gains or to refinance debts under financial packages developed with a client's banker.

Through continuing careful management of its funds, the Commission was able to maintain its responsible interest rates to benefit the rural community.

Special loan arrangements were introduced in the grains industry to encourage adjustment for those without long term prospects while at the same time helping to stabilize the market for cereal land which had fallen to about half the price paid after the 1983 drought. While still in the early stages, the results to date are encouraging.





Rural Finance Act 1958

Lending under this Act derives from Section 37 and is the Commission's main function.

In broad terms the Commission may, where it thinks fit, lend to any person establishing or operating any country industry or fishing pursuit.

During the year, primary loans were approved for such purposes as farm purchase, house construction, farm development including salinity control works, new or replacement structures, refinancing maturing mortgages, Contracts of Sale and other liabilities, purchase of stock, plant and equipment.

Loans were also made to secondary or processing industries located outside the metropolitan area.

Lending in 1986/87 totalled \$91 million which is the highest recorded for this kind of activity in the Commission's 26 year history. Lending showed an increase of 62% on last year.

About 60% of the Commission's lending was directed to the younger more efficient farmer who has demonstrated sound management and farming skills. This includes special loans at favourable rates made under the Young Farmers' Finance Scheme which totalled \$2.56 million.

Rural Adjustment Scheme

Under the arrangements for the Rural Adjustment Scheme which became effective from 1st July, 1985, the Commonwealth moved responsibility for capital funding for debt reconstruction, farm build-up, farm improvement and carry-on assistance from the Commonwealth budget and placed responsibility for fund raising and repayment with the State adjustment authorities.

The Commonwealth's contribution is the provision of an interest subsidy payable on borrowings raised by the administering authority.

Alternatively, the rural adjustment authorities may direct an interest subsidy on suitable and eligible borrowings by the farmer from normal financial sources on conditions determined by the Federal Parliament.

Rural adjustment is substantially directed to industries facing abnormal difficulties.

The aim is to assist farmers who have good operations to survive difficult times with the objective of returning to commercial credit as soon as practicable. The Commission applies the maximum possible flexibility in determining eligibility and relies substantially on the farming performance of the applicant and his creditor's opinion of him as expressed by a willingness to give continued support. The future of some applicants is uncertain but rather than make an adverse decision the Commission tends to take the situation year by year, provided creditors agree. For other applicants, it has been possible for the Commission to give a commitment to subsidizing interest for three years after consultation with creditors.

In special circumstances, particularly to help bring confidence to a depressed and stagnant land market, the Commission has been prepared to make a five year commitment. All commitments are subject to review from time to time.

During the financial year \$71 million of borrowings from the commercial sector by eligible farmers were subsidized at a cost of \$5 million. Included in the foregoing was \$38 million of borrowings subsidized for the first time, the bulk being for grain growers.

Generally the interest payable on commercial borrowings was subsidized to an effective rate of 10%, the actual rate depending on the borrower's circumstances and the rate being charged by the farmer's financier. Farmers so assisted will receive a direct and full benefit of any reduction in interest rates payable, provided the subsidy does not exceed half the cost of the borrowings.

In some instances where there were no buyers even at substantially reduced levels for grain properties and the farmer concerned was in difficulty, the Commission negotiated with creditors, purchased the farmer's equity (often small) and later sold the property enabling the farmer to leave with reasonable cash resources giving an ability to pay local unsecured creditors and some opportunity to set up in a new means of livelihood.

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

Four hundred and three farmers received Household Support assistance involving payments totalling \$3.13 million. Recipients of this assistance were mostly cereal growers and dairy farmers.

Land Settlement

Development of land for agriculture and subsequent disposal to civilian farmers commenced in a substantial way in 1956. At this time settlement on the land of ex-servicemen had substantially tapered off, most of the reasonable requirements of eligible ex-servicemen having been met. Substantial development activity ceased about a decade ago and activity under land settlement was confined to a further nurturing of the newly developed land and its subsequent disposal at a rate the market could reasonably absorb. Land being further developed in this way was grazed by cattle owned by the Commission.

The total scheme has been unique, having given an opportunity to some 700 qualified farmers to acquire a property of their own. The success rate has been high and overall costs have been met leaving a substantial margin of profit.

During the year a further 1,290 hectares were sold for \$1,625,750. Simultaneously, disposal sales were held of the Commission's Hereford cattle. Record prices were paid for commercial breeders which were purchased by many of the nation's top cattlemen. The largest sale comprised 1,265 head being in-calf females and young steers, mostly for fattening. A lively sale aggregated a \$808,682 result. Given the finalization of planning details and Land Conservation Council requirements, the Commission aims to finalize activities under the Land Settlement Act in the next financial year.

Soldier Settlement

Seventy six settlers sold or transferred their properties pursuant to the terms of the Soldier Settlement Act during the year bringing to 5,033 the number of farmers who have repaid in full their liabilities out of the original 5,956 settlers.

Repayments of principal amounted to \$832,298 leaving total outstanding liabilities of \$9,885,678.

Rural Finance Insurance Fund

At 30th June, 1987, the value of improvements insured was \$153,929,136 and insurance fund resources stood at \$4,685,616. The profit for the year was \$582,263.



RURAL FINANCE COMMISSION

Summary of New Loans Approved/Subsidized

PT III RURAL FINANCE	1986-87		1985-86	
	Number	Amount \$000's	Number	Amount \$000's
Primary	1,405	81,623	911	46,841
Secondary	15	6,779	7	3,441
Fishing	6	338	11	490
Young Farmers	52	2,561	32	1,600
Mallee Cereal	—	—	111	3,634
Sub-Total	1,478	91,301	1,072	56,006
AGENCY				
Rural Adjustment Scheme				
Capital Subsidized				
Farm Build-up	21	1,802A	12	979
Debt Reconstruction	341	35,954B	300	33,028
Loans & Advances				
Farm Build-up	78	5,973	—	—
Debt Reconstruction	24	1,777	—	—
Farm Improvement	12	443	—	—
Rehabilitation	23	205	16	127
Household Support	163	3,126	271	1,795
Natural Disasters				
(Drought, Bushfire, Storm & Flood, etc.)	4	71	23	297
Farm Water Management				
(Salinity)	26	540	21	375
Soil & Water	2	27	6	66
Dairy Assistance	4	48	7	86
Vine Pull	130	1,460	46	945
Sub-Total	828	51,426	702	37,698
Total:	2,306	142,727	1,774	93,704

A Subsidy committed \$81,880

B Subsidy committed \$2,677,952

ADMINISTRATION

Staff & Administration

The Commission and its staff welcomed the challenges the financial year brought, particularly the opportunities allowed by the legislation passed by the Parliament in the Spring session.

During the year the Commission lost senior personnel to other lending institutions involved in the rural sector. The ready market for our officers is a reflection of the training and expertise gained in their work and the contact retained with them in their new field is of value. Nevertheless, the drain in special skills is significant and the Commission is conscious of the need for a greater initiative in developing financial packages for its staff in order to remain competitive with the commercial sector.

During the year the Commission engaged the services of Chandler & Macleod Consultants Pty. Ltd., Management Consultants, to develop a personnel training and development program for the Commission. The results have been encouraging and the Commission looks forward to further activity of this kind in the year ahead.

Regular meetings with Regional Officers continued as part of the Commission's program of keeping officers fully conversant with their responsibilities and the directions the Commission is taking in relation to the particular circumstances of those sectors of primary industry which are experiencing difficulties.

Despite an increase of about 60% in our level of activity, staff numbers have remained at about the same level after taking into account those specially engaged for computer development. The work load and challenges for the year have been absorbed primarily due to the efficiency and capacity of our computer system which has been developed to accommodate large increases in the level of output which occur from time to time due to the fluctuating fortunes of primary industry.

The Commission has consciously given equal opportunities for promotion and personal development for over two decades. It has taken due note of the community's and Government's call for more productive endeavours in this regard. While the Commission has approximately equal numbers of females to males on its staff, it is conscious of the fact that this is not the case in senior positions. It is relevant to note, however, that over the years the Commission has lost to a considered choice of a non-commercial lifestyle a number of highly qualified and able young women. It has also lost capable female staff to commercial houses which have offered salaries and conditions the Commission could not go anywhere near meeting.





Pecuniary Interests

The following senior personnel have completed statements of pecuniary interests:

I. K. Morton	Chairman
M. McG. Smith	Member
C. J. Fox	Member
F. A. Butler	Secretary
R. J. Knight	Manager Lending
D. C. Graham	Manager Administration & Corporate Development
B. D. Keane	Accountant
R. C. Douglas	Client Liaison Officer
J. A. Edmonds	Solicitor
S.E. Beaman	Economics Adviser to Chairman

Freedom of Information

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 1986/87 the Commission received a total of six Freedom of Information requests for access to documents. In two cases access was granted in full. Of the others, two were refused on the grounds that the requests related to the confidential affairs of another party. In another case, because of the age of the documents concerned, the Act did not create a right of access to the information sought. The remaining case concerned documents containing information of a business financial or commercial nature which, if disclosed, was likely to expose the Commission to disadvantage. Such information is exempt from disclosure under the Freedom of Information Act and accordingly access to the documents requested was denied.

The cost of administering Freedom of Information during 1986/87 is calculated to be \$24,000.

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

Publications

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

- Young Farmer Finance
- Rural Finance Commission — Loan Information
- Rural Finance Commission Insurance
- Rural Finance Commission — Rural Adjustment Scheme 1985

Safety

The Commission continues to monitor the safety of the work environment for its employees. During the year regular testing arrangements were developed for the building's air-conditioning systems and the like.


Acknowledgements

The Commission continues to appreciate the close relationships developed with the trading banks, pastoral houses and primary producer groups with whom it works in the interests of Victoria's rural community.

The support and co-operation received from Commonwealth and State Departments, members of the financial services sector and the consulting profession, is also acknowledged with gratitude, as is the understanding and help received from local rural community leaders.

The Commission especially acknowledges the contribution of its staff and those who assisted in a temporary capacity during a year which presented numerous challenges and a heavy workload.

I. K. MORTON 
Chairman

M. McG. SMITH 
Member

C. J. FOX 
Member

RURAL FINANCE FUND
PROFIT AND LOSS STATEMENT FOR
YEAR ENDED 30 JUNE, 1987

	NOTE	1987 \$'000	1986 \$'000
Operating Income			
Interest Earned on Loans		32,119	25,206
Interest Earned on Fund Investments		1,141	4,212
Other Income	2	<u>1,590</u>	<u>1,219</u>
		<u>34,850</u>	<u>30,637</u>
Operating Expenses			
Interest Paid and Payable		10,755	8,580
Administration Costs	2	<u>7,313</u>	<u>5,662</u>
		<u>18,068</u>	<u>14,242</u>
OPERATING PROFIT		16,782	16,395
Add: Non Operating Income Earned on Investments for Provisions, Reserves, Insurance Fund and Rural Adjustment Interest Subsidy Scheme	1(g)	<u>2,679</u>	<u>2,467</u>
		19,461	18,862
Less: Non Operating Income Transfers to:	1(g)		
Provision for Employee Benefits		74	95
Provision for Superannuation		1,003	1,101
Rural Finance Insurance Fund		599	612
Rural Adjustment Interest Subsidy Scheme		<u>380</u>	<u>25</u>
		<u>2,056</u>	<u>1,833</u>
PROFIT		17,405	17,029
Retained Earnings at Beginning of Year		61,900	25
Transfer From: Loan Equalization Account		—	<u>45,480</u>
TOTAL AVAILABLE FOR APPROPRIATION		79,305	62,534
Transfer To: General Reserve	1(g), 3(a)	623	634
RETAINED EARNINGS AT END OF YEAR	3	78,682	61,900

The accompanying notes form an integral part of these accounts



RURAL FINANCE COMMISSION

RURAL FINANCE FUND BALANCE SHEET AT 30 JUNE, 1987

	NOTE	1987 \$'000	1986 \$'000
RURAL FINANCE FUND	3	121,495	104,090
RURAL FINANCE INSURANCE FUND	4	4,685	4,103
		126,180	108,193
Represented by:			
Current Assets			
Cash at Bank and on Hand		578	633
Prepayments and Miscellaneous Debtors	5	468	184
Interest Due and Accrued		10,292	8,970
		<u>11,338</u>	<u>9,787</u>
Investments at Cost			
Investments on Account of Reserves and Provisions	6	17,474	16,067
Other Investments	6	4,261	15,363
		<u>21,735</u>	<u>31,430</u>
Non Current Assets			
Debtors for Loans Residences, Office Equipment, Leasehold Improvements & Motor Vehicles	1(j), 7	299,038	232,435
	8	1,089	815
		<u>300,127</u>	<u>233,250</u>
TOTAL ASSETS		<u>333,200</u>	<u>274,467</u>
Less:			
Current Liabilities			
Sundry Creditors	9	1,566	744
Interest Accrued on Loan Liabilities		3,919	2,809
Loan Liabilities Payable Within One Year	10	12,636	10,950
Provision for Employee Benefits	1(e)	415	474
Provision for Superannuation	1(f)	1,287	1,136
		<u>19,823</u>	<u>16,113</u>
Non Current Liabilities			
Loan Liabilities	10	164,666	135,086
Other Advances	11	16,428	9,081
Provision for Employee Benefits	1(e)	94	105
Provision for Superannuation	1(f)	6,009	5,889
		<u>187,197</u>	<u>150,161</u>
TOTAL LIABILITIES		<u>207,020</u>	<u>166,274</u>
NET ASSETS		126,180	108,193

The accompanying notes form an integral part of these accounts

RURAL FINANCE FUND

STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS FOR YEAR ENDED 30 JUNE, 1987

	NOTE	1987 \$'000	1986 \$'000
SOURCES OF FUNDS			
Funds from Operations			
	(a)		
Inflows of Funds from Operations		34,845	30,623
Less Outflows of Funds from Operations		<u>17,332</u>	<u>13,581</u>
		17,513	17,042
Income Earned on Account of Provisions and Reserves			
Employee Benefits		74	95
Superannuation		1,003	1,101
General Reserve		<u>623</u>	<u>634</u>
		19,213	18,872
Decrease in Assets			
Current Assets			
Cash at Bank and on Hand		55	—
Proceeds from Sale of Non Current Assets		214	109
Investments at Cost		9,696	5,611
Increase in Liabilities			
Current Liabilities			
Sundry Creditors		821	113
Interest Accrued on Loan Liabilities		1,110	86
Loan Liabilities Payable Within One Year		1,686	—
Non Current Liabilities			
Other Advances		7,347	5,907
Loan Liabilities		29,581	—
Increase in Insurance Fund		582	573
Growth in Equity in Rural Finance Fund		—	—
		70,305	31,271

	NOTE	1987 \$'000	1986 \$'000
APPLICATIONS OF FUNDS			
Increase in Assets			
Current Assets			
Cash at Bank and on Hand		—	201
Prepayments and Miscellaneous Debtors		285	145
Interest Due and Accrued		1,322	791
Non Current Assets			
Debtors for Loans		66,603	20,230
Purchase of Fixed Assets		835	290
Decrease in Liabilities			
Current Liabilities			
Loan Liabilities Payable Within One Year		—	560
Non Current Liabilities			
Loan Liabilities		—	3,910
Long Service Leave Paid		117	54
Superannuation Paid		1,143	939
Decrease in Equity in Rural Finance Fund		—	4,151
		70,305	31,271

NOTES:

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

Funds from Operations	17,513	17,042
Add: Profit on Sale of Non Current Assets	5	14
	<u>17,518</u>	<u>17,056</u>
Less: Depreciation	351	262
Provision for Employee Benefits	(26)	(28)
Provision for Superannuation	411	427
	<u>736</u>	<u>661</u>
Operating Profit	16,782	16,395

The accompanying notes form an integral part of these accounts

RURAL FINANCE FUND

Notes to and forming part of the accounts for year ended 30 June, 1987.

1. Summary of Accounting Policies

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 (b), (g) 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). Furniture and Leasehold Improvements were previously written off in the year of purchase. This year they have been capitalized and depreciated over three years.

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 \$484,000 (\$460,000 — 1986). The Commission received \$95,000 (\$262,000 — 1986), from the Treasurer under Section 25(5) of the Rural Finance and Settlement Commission Act 1961 as a pro-rata contribution towards such costs prior to a change in legislation. (Note 2)

(d) Administration Costs

The Administration Costs of all schemes and funds including those administered on behalf of the Treasurer pursuant to Section 35 & 35AA 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. (Note 2)

(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.

The amount written back to Administration Costs this year is \$26,000 (\$28,000 — 1986) which represents the difference between the actual balance of the provision at 30 June, 1987 in respect of Long Service Leave of \$535,000, and the estimated liability of \$509,000. 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 \$170,000 (\$145,000—1986) 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 \$411,000 (\$427,000—1986). The provision is credited with the average interest earned on investments and a payment is made by the Commission to reimburse the State Government's share of pensions paid each year.

In June 1987, an actuarial assessment was completed by the Office of the Government Statist and Actuary, which supports the 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(5c) 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.

Previously, interest credited to the General Reserve was not included in the profit for the year but taken direct to the Rural Finance Fund. This year, in accordance with Australian Accounting Standard AAS 1, the amount credited to the General Reserve has been included in the determination of the profit for the year and the transfer to the General Reserve has been shown as an appropriation item. For comparative purposes the 1986 figures have been amended.

(h) Private Sector Borrowings

Loan Funds obtained by the Commission are guaranteed by the Treasurer of Victoria in accordance with Section 19(1) of the Rural Finance Act 1958. (Note 10)

(i) Leases

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

(j) Provision for Doubtful Debts

This year the Commission has established a provision for doubtful debts of \$290,000 based on specific identifiable risks. (Notes 3(c),7).

2. Operating Income

Other Income included in Operating Income comprises:

	NOTE	1987 \$'000	1986 \$'000
Amount provided by Consolidated Fund pursuant to Act 6846 Sect. 25(5)	1(c)	95	262
Administration Costs recouped from Rural Finance Insurance Fund		77	73
Profit on Sale of Assets		4	14
Loan Establishment Fees		666	307
Legal Fees		70	55
Commonwealth Contribution to Rural Adjustment Administration Costs		616	177
Sundry		17	18
Commonwealth Grants		—	313
Commonwealth Interest Subsidy RAS Lending		45	—
		1,590	1,219

Operating Expenses

Administration Costs included in Operating Expenses comprises:

Rural Finance Fund		6,752	5,129
Soldier Settlement Act		296	296
Land Settlement Act		188	164
Rural Finance Insurance Fund		77	73
	1(d)	7,313	5,662

3. Rural Finance Fund

- (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.



RURAL FINANCE COMMISSION

	1987		1986	
	\$'000	\$'000	\$'000	\$'000
General Reserve				
Balance 1 July	4,361		3,727	
Plus: Transfer from Appropriation Account — Interest Earned	<u>623</u>		<u>634</u>	
Balance 30 June		4,984		4,361
Debtors Risk Reserve		5,114		5,114
Equity Realised in National Debt Sinking Fund		5,967		5,967
Non Repayable Portion of Advances Received from Commonwealth Government:				
Rural Adjustment Scheme, Rural Reconstruction Scheme, and Dairy Adjustment Program				
Balance 1 July	26,748		26,758	
Plus: Transfers from Rural Rehabilitation Fund	<u>—</u>		<u>5</u>	
	26,748		26,763	
Less: Grants paid	<u>—</u>		<u>15</u>	
Balance 30 June		26,748		26,748
Carry-on Schemes				
— Beef, Dairy Adjustment, Wine Grape Growers, Canning Fruit Growers				
Balance 1 July	—		4,141	
Plus: State Proportion of Advances not Repayable	<u>—</u>		<u>26</u>	
Less: Transfers to Other Advances	<u>—</u>		<u>4,167</u>	
Balance 30 June		—		—
Loan Equalization Account				
Balance 1 July	—		45,480	
Less: Transfer to Appropriation Account	<u>—</u>		<u>45,480</u>	
Balance 30 June		—		—
Retained Earnings at end of year		78,682		61,900
		121,495		104,090

- (b) The purpose and criteria of the General Reserve is to fund contingencies.
- (c) The Debtors Risk Reserve reflects the opinion of the Commission that in the future there may be some uncertainty as to the repayment of loan advances by unidentified non specific 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 1 July, 1983 and utilised in the lending activities of the Commission.

4. Rural Finance Insurance Fund

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.

	1987	1986
	\$'000	\$'000
Balance 1 July	4,103	3,530
Plus: Premiums Receivable	330	342
Interest on Investments	599	611
	<u>5,032</u>	<u>4,483</u>
Less: Claims Admitted	140	171
Fire Authority Contributions	129	135
Administration Costs	77	73
Insurance Assessment Expenses	1	1
	<u>347</u>	<u>380</u>
Balance 30 June	4,685	4,103

5. Prepayments and Miscellaneous Debtors

	1987	1986
	\$'000	\$'000
Debtors for Insurance Premiums	27	28
Other Debtors	40	64
Commonwealth of Australia-Rural Adjustment Scheme Contribution to Administration Costs	401	92
	<u>468</u>	<u>184</u>



RURAL FINANCE COMMISSION

6. Investments In Approved Securities. (At Cost)

	1987	1986
	\$'000	\$'000
Deposits with:		
Victorian Development Fund	12,350	12,950
Banks	9,250	18,100
Inscribed Stock Victorian		
Semi-Government Authorities	130	371
SEC Extension Deposits	5	9
	21,735	31,430

These Investments were in respect of:

Investments on Account of Reserves and Provisions

(Held in accordance with Sections 28(4), 29(9) of the Rural Finance and Settlement Commission Act 1961.)

Provision for Employee Benefits	509	579
Provision for Superannuation	7,296	7,025
General Reserve	4,984	4,361
Rural Finance Insurance Fund	4,685	4,103
	17,474	16,068
Other Investments	4,261	15,362
	21,735	31,430

7. Debtors for Loans

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 \$18,000,000 will be repaid during the 1987/88 financial year.

	NOTE	1987	1986
		\$'000	\$'000
Rural Finance Act Part III		232,006	163,535
Rural Finance Act Part IV		—	—
Rural Reconstruction Scheme		9,651	11,093
Dairy Adjustment Program — Vats		—	1
— Other		1,910	2,203
Rural Adjustment Scheme		39,769	36,968
Beef Industry Assistance			
Carry-on Scheme		—	17
General Government Agency Schemes		1,718	1,795
Natural Disaster Schemes		11,753	15,970
Fruitgrowing Reconstruction Schemes		2,521	853
		299,328	232,435
Less: Provision for Doubtful Debts	(j), 3(c)	290	—
		299,038	232,435

8. Residences, Office Equipment and Motor Vehicles

	Cost	Deprecia- tion For	Accum- ulated Deprecia- tion	Written Down	Written Down
	1987 \$'000	1986/87 \$'000	1987 \$'000	1987 \$'000	1986 \$'000
Residences	133	6	66	67	72
Office Equipment	2,038	312	1,207	831	623
Leasehold Improvements	56	18	19	37	—
Motor Vehicles	170	15	16	154	120
	2,397	351	1,308	1,089	815

Depreciation for the year amounting to \$351,000 (\$262,000 — 1986), was charged to Administration Costs.

9. Sundry Creditors

	1987 \$'000	1986 \$'000
Accrued Annual Leave	170	145
Amount Due to State Treasury	153	—
Accrued Expenses	238	236
Interest Bearing Deposits from Borrowers	139	20
Amounts Due to the Commonwealth in respect of Carry-on and Other Schemes	6	12
Amounts in Suspense	799	195
Insurance Claims Admitted but not Paid	61	136
	1,566	744



10. Loan Liabilities

	NOTE	1987 \$'000	1986 \$'000	
Private Sector Borrowings	1(h)	52,881	12,567	
Advances Repayable by Fixed Instalments:				
State:				
— Rural Finance Act		26,174	25,017	
— Natural Disaster Schemes		16,615	19,572	
Commonwealth:				
— Natural Disaster Schemes		19,972	23,648	
— Dairy Adjustment Program		3,502	3,712	
— Rural Reconstruction Scheme		18,164	20,216	
— Rural Adjustment Scheme		39,994	41,304	
		177,302	146,036	
	Private Sector Borrowings \$'000	State \$'000	Common- wealth \$'000	Total \$'000
Not later than one year	1,503	3,647	7,486	12,636
Later than one year and not later than two years	707	3,676	7,849	12,232
Later than two years and not later than five years	27,046	10,315	25,594	62,955
Later than five years	23,625	25,151	40,703	89,479
	52,881	42,789	81,632	177,302

11. Other Advances

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.

	1987 \$'000	1986 \$'000
Carry-on Loans:		
Treasurer of Victoria	4,180	4,167
Beef Industry Assistance	—	17
Canning Fruitgrowers	2	12
Schemes:		
General Government Agency	1,490	1,651
Rural Adjustment Household Support and Rehabilitation	3,801	1,581
Rural Adjustment Interest Subsidy	3,685	900
Fruitgrowing Reconstruction	3,270	753
Farmer's Debt Adjustment Act 1935	—	—
	16,428	9,081

12. Contingencies

(a) Loan Commitments
The Commission has a commitment to clients in respect of loans and Subsidies approved but not yet paid out of \$36,537,000 (\$27,329,000 — 1986).

(b) Lease Commitments
The Commission has a contingent liability in the form of leasehold premises it occupies.

	1987 \$'000	1986 \$'000
Not later than one year	636	527
Later than one year and not later than two years	636	527
Later than two years and not later than five years	1,483	1,571
Later than five years	125	303

Rental included in Administration Costs this year amounted to \$618,000 (\$500,000 — 1986).



RURAL FINANCE COMMISSION

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 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

M.McG. SMITH, Member

C.J. FOX, Member

B. D. KEANE, Accountant

MELBOURNE
31/8/1987

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 — Rural Finance Fund have been audited as required by 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 1987 and the results of its operations for the year ended on that date.

A handwritten signature in black ink, appearing to read 'R. G. HUMPHRY'.

MELBOURNE
7/9/1987

R. G. HUMPHRY
Auditor-General

LAND SETTLEMENT

STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS FOR YEAR ENDED 30 JUNE, 1987

	NOTE	1987 \$'000	1986 \$'000
SOURCES OF FUNDS			
Funds from Operations	(a)		
Inflows of Funds from Operations		2,692	1,697
Less Outflows of Funds from Operations		638	634
		<u>2,054</u>	<u>1,063</u>
Decrease in Assets			
Current Assets			
Livestock at Valuation		44	9
Cash at Bank		—	19
Livestock Proceeds		—	365
Interest Due and Accrued		66	32
Non Current Assets			
Debtors for Loans		448	625
Land and Improvements		772	88
Proceeds from Sale on Non Current Assets		15	—
Amount Provided for Costs of Administration in Relation to Previous Years		—	5,108
		<u>3,399</u>	<u>7,309</u>
APPLICATIONS OF FUNDS			
Increase in Assets			
Current Assets			
Cash at Bank		48	—
Livestock Proceeds		446	—
Non Current Assets			
Plant and Vehicles		17	—
Decrease in Liabilities			
Non Current Liabilities			
Liability to the Treasurer of Victoria		1,716	876
Decrease in Grants Provided for Interest and Costs of Administration		1,172	6,433
		<u>3,399</u>	<u>7,309</u>



RURAL FINANCE COMMISSION

NOTES:

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

	1987 \$'000	1986 \$'000
Funds from Operations	2,054	1,063
Add: Profit on Sale of Non Current Assets	12	—
	<hr/> 2,066	<hr/> 1,063
Less: Depreciation	6	13
Operating Profit	2,060	1,050

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, 1987.

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

**LAND SETTLEMENT
PROFIT AND LOSS STATEMENT FOR
YEAR ENDED 30 JUNE, 1987**

	NOTE	1987 \$'000	1986 \$'000
Operating Income			
Interest Earned on Loans		1,068	1,074
Profit on Livestock Trading	2	639	238
Surplus on Sale of Land	3	787	204
Other Income		16	3
Amount Provided for Costs of Administration	1(e)	188	164
		<u>2,698</u>	<u>1,683</u>
Operating Expenses			
Interest on Loan Liability	5(b)	450	469
Costs of Administration	1(e)	188	164
		<u>638</u>	<u>633</u>
OPERATING PROFIT		2,060	1,050
Add: Extraordinary Item			
Amount Provided for Costs of Administration in Relation to Previous Years		—	5,108
OPERATING PROFIT AND EXTRAORDINARY ITEM		<u>2,060</u>	<u>6,158</u>
Accumulated Surplus from the Previous Year		9,586	3,428
ACCUMULATED SURPLUS 30 JUNE	4	11,646	9,586

The accompanying notes form an integral part of these accounts.



**LAND SETTLEMENT
BALANCE SHEET AT 30 JUNE, 1987**

	NOTE	1987 \$'000	1986 \$'000
ACCUMULATED SURPLUS	4	11,646	9,586
GRANTS PROVIDED FOR INTEREST AND COSTS OF ADMINISTRATION	5	359	1,530
		12,005	11,116
Represented by:			
Current Assets			
Interest Due and Accrued		307	373
Cash at Bank		61	13
Livestock Proceeds held in Treasury Trust Fund		1,021	576
Livestock at Valuation	6	120	163
		<u>1,509</u>	<u>1,125</u>
Non Current Assets			
Debtors for Loans	7	13,616	14,063
Land and Improvements at cost		1,486	2,258
Plant and Vehicles	8	31	23
		<u>15,133</u>	<u>16,344</u>
TOTAL ASSETS		<u>16,642</u>	<u>17,469</u>
Less:			
Non Current Liabilities			
Liability to Treasurer of Victoria	9	<u>4,637</u>	<u>6,353</u>
TOTAL LIABILITIES		<u>4,637</u>	<u>6,353</u>
NET ASSETS		12,005	11,116

The accompanying notes form an integral part of these accounts

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 since 1977 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.

2. Profit on Livestock Trading

Operating details of Livestock Trading are:

	1987	1986
	\$'000	\$'000
Sales	<u>1,107</u>	<u>624</u>
Gross Profit	1,060	585
Less: Operating Expenses	421	347
Net Profit for Year	639	238

The average selling price received for livestock during the year was \$553.23 per head, (\$421.74 — 1986).

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 \$1,626,000 (\$336,000 — 1986). The surplus realized for the year over the cost of the land and improvements amounted to \$787,000 (\$204,000 — 1986). 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 \$7,410,000 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:

	1987 \$'000	1986 \$'000
Surpluses on Sales of Land under Section 5A of the Act	7,410	6,623
Less: Amounts Transferred and Borne by the State under Section 41 of the Land Settlement Act 1959	4,811	4,811
	2,599	1,812

4. Accumulated Surplus

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 \$11,646,000 (\$9,586,000 — 1986). Estimated cost of concessions to date are:

	1987 \$'000	1986 \$'000
(a) Interest Concessions — the net loss on account of interest and estate earnings since 1 July, 1966	3,447	4,081
(b) The Costs of Administration borne directly by the State up to 30 June, 1963:	626	626
(c) The Costs of Administration borne by the Rural Finance Fund since 1 July, 1963 and notionally taken to account herein:	5,460	5,272
Total Estimated Cost of Concessions	9,533	9,979

5. Grants Provided for Interest and Costs of Administration

(a) Grants provided by Consolidated Fund for Costs of Administration to 30 June, 1963 and for Interest charges less payments made to 30 June	1987 \$'000	1986 \$'000
	1,530	2,855
Add: Interest on Loan Liability for the year	<u>450</u>	<u>469</u>
	1,980	3,324
Less: Interest received from Debtors and paid to the Treasurer of Victoria	1,155	1,101
Cash Surplus on Livestock Operations	253	480
Cash Surplus from Palpara Estate Debtors	<u>213</u>	<u>213</u>
	1,621	1,794
	359	1,530

(b) 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.



6. Livestock at Valuation

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, 1987 the approximate market value of the livestock was \$906,000.

Cattle on Hand as at 30 June, are:

1987 No.	1988 No.		1987 \$'000	1986 \$'000
653	1,336	Calves @ \$10	7	13
<u>2,055</u>	<u>2,729</u>	Cattle @ \$55	113	150
<u><u>2,708</u></u>	<u><u>4,065</u></u>		120	163

7. Debtors for Loans

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 previous years experience it is estimated that \$343,000 will be repaid during the 1987/88 financial year.

	1987 \$'000	1986 \$'000
Settlers' Liabilities under Purchase Leases	7,005	7,475
Less: Settlers' Credit Accounts	<u>110</u>	<u>105</u>
	6,895	7,370
Settlers' Liabilities for Purchase Leases converted to Mortgages under Section 23(2) of the Land Settlement Act 1959	505	546
Settlers' Liabilities for Advances made for Stock, Plant, and Improvements	—	—
Amounts due from Purchasers of Land under Contracts of Sale	3,828	3,396
Amounts due from Purchasers of Land under Mortgages	2,388	2,751
	13,616	14,063

8. Plant and Vehicles

	Cost	Deprecia- tion For	Accum- ulated Deprecia- tion	Written Down	Written Down
	1987 \$'000	1986/87 \$'000	1987 \$'000	1987 \$'000	1986 \$'000
Motor Vehicles	49	2	29	20	11
Plant and Equipment	69	4	58	11	12
	118	6	87	31	23

Depreciation for the year 1986/87 amounting to \$6,000 (\$13,000 — 1986), was charged against Livestock Trading.

9. Loan Liability to Treasurer of Victoria

	1987 \$'000	1986 \$'000
Amounts Advanced	47,357	46,924
Less: Amounts Transferred and Borne by State under Section 41 of the Land Settlement Act 1959	<u>4,811</u>	<u>4,811</u>
	42,546	42,113
Less: Repayments	34,767	32,621
Realisation of Equity in National Debt Sinking Fund	<u>3,970</u>	<u>3,970</u>
	38,737	36,591
	3,809	5,522
Add: Liability for Crown Lands taken over Liability to Consolidated Fund for Interest Capitalized	<u>6</u>	<u>9</u>
	822	822
	<u>4,637</u>	<u>6,353</u>



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

M McG. SMITH, Member

C.J. FOX, Member

B.D. KEANE, Accountant

MELBOURNE
31/8/1987

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 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 1987 and the results of its operation for the year ended on that date.



MELBOURNE
7/9/1987

R.G. HUMPHRY
Auditor-General

**SOLDIER SETTLEMENT
PROFIT AND LOSS STATEMENT FOR
YEAR ENDED 30 JUNE, 1987**

	NOTE	1987 \$'000	1986 \$'000
Operating Income			
Interest Earned on Loans		203	217
Fees and Charges		4	3
Amount Provided for Costs of Administration	1(d)	<u>296</u>	<u>296</u>
		<u>503</u>	<u>516</u>
Operating Expenses			
Interest on Loan Liabilities		376	385
Costs of Administration	1(d)	<u>296</u>	<u>296</u>
		<u>672</u>	<u>681</u>
OPERATING LOSS		(169)	(165)
Add: Extraordinary Item			
Amount Provided for Costs of Administration in Relation to Previous Years		—	5,919
		<u> </u>	<u> </u>
OPERATING (LOSS) PROFIT AFTER EXTRAORDINARY ITEM		(169)	5,754
Accumulated Deficiency from the Previous Year		(5,576)	(11,330)
ACCUMULATED DEFICIENCY 30 JUNE	2	(5,745)	(5,576)

The accompanying notes form an integral part of these accounts



**RURAL FINANCE
COMMISSION**

**SOLDIER SETTLEMENT
BALANCE SHEET AT 30 JUNE, 1987**

	NOTE	1987 \$'000	1986 \$'000
ACCUMULATED DEFICIENCY	2	(5,745)	(5,576)
GRANTS PROVIDED FOR INTEREST AND COST OF ADMINISTRATION	3	5,920	6,336
		175	760
Represented by:			
Current Assets			
Cash at Bank		5	3
Interest Due and Accrued		57	65
		<u>62</u>	<u>68</u>
Non Current Assets			
Debtors for Loans	4	9,886	10,718
TOTAL ASSETS		<u>9,948</u>	<u>10,786</u>
Less:			
Current Liabilities			
Loan Liability to Commonwealth Government		263	253
Non Current Liabilities			
Loan Liability to Commonwealth Government		9,510	9,773
TOTAL LIABILITIES		<u>9,773</u>	<u>10,026</u>
NET ASSETS		175	760

The accompanying notes form an integral part of these accounts

SOLDIER SETTLEMENT

STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS FOR YEAR ENDED 30 JUNE, 1987

	1987 \$'000	1986 \$'000		
SOURCES OF FUNDS				
Funds from Operations				
Inflows of Funds from Operations	503	516		
Less Outflows of Funds from Operations	672	681		
	<u>(169)</u>	<u>(165)</u>		
Decrease in Assets				
Current Assets				
Cash at Bank	—	1		
Interest Due and Accrued	8	5		
Non Current Assets				
Debtors for Loans	832	800		
Amount Provided for Costs of Administration in Relation to Previous Years			—	5,919
Increase in Liabilities				
Current Liabilities				
Loan Liability to Commonwealth Government	10	9		
	681	6,569		
APPLICATIONS OF FUNDS				
increase in Assets				
Current Assets				
Cash at Bank	2	—		
Decrease in Liabilities				
Non Current Liabilities				
Loan Liability to Commonwealth Government	263	253		
Decrease in Grants Provided for Interest and Costs of Administration			416	6,316
	681	6,569		

The accompanying notes form an integral part of these accounts

SOLDIER SETTLEMENT ACT 1958

Notes to and forming part of the accounts of the Rural Finance Commission in respect of Soldier Settlement for year ended 30 June, 1987.

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) Settlement Program

Settlement under the provision 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.

2. Accumulated Deficiency

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 are:

	1987 \$'000	1986 \$'000
(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	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:	24,077	23,904
(c) The Costs of Administration borne directly by the State up to 30 June, 1963:	5,152	5,152
(d) The Costs of Administration borne by the Rural Finance Fund since 1 July, 1963 and notionally taken to account herein:	6,511	6,215
Total Estimated Cost of Concessions	36,119	35,650
Add: Capital Expenses not borne by estates	1,352	1,352
	37,471	37,002

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 \$5,745,000 (\$5,576,000 — 1986)



3. Grants Provided for Interest and Costs of Administration

	1987 \$'000	1986 \$'000
(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	6,336	6,732
Add: Interest on Loan Liabilities for the year	<u>376</u>	<u>385</u>
	6,712	7,117
Less: Interest and fees received from Debtors and paid to the Treasurer of Victoria	215	225
Transfer of Surplus Loan Repayments	<u>577</u>	<u>556</u>
	792	781
	5,920	6,336

4. Debtors for Loans

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 previous years experience it is estimated that \$330,000 will be repaid during the 1987/88 financial year.

	1987		1986	
	\$'000	\$'000	\$'000	\$'000
Settlers' Liabilities under Purchase Leases	3,981		4,569	
Less: Settlers' Credit Accounts	<u>57</u>		<u>85</u>	
		3,924		4,484
Settlers' Liabilities for Purchase Leases converted to Mortgages under Section 67A of the Soldier Settlement Act 1958		4,431		4,567
Settlers' Liabilities under Mortgages pursuant to Part VII of the Soldier Settlement Act 1958 (Single Unit Loans)	1,554		1,693	
Less: Mortgagors' Credit Accounts	<u>23</u>		<u>26</u>	
		1,531		1,667
		9,886		10,718

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 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, Chairman

M.McG. SMITH, Member

C.J. FOX, Member

B.D. KEANE, Accountant

MELBOURNE
31/8/1987

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 — Soldier Settlement have been audited as required by 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 Soldier Settlement as at 30 June 1987 and the results of its operations for the year ended on that date.



MELBOURNE
7/9/1987

R. G. HUMPHRY
Auditor-General

SUMMARY OF ACTIVITY 1986/87
RURAL FINANCE ACT

	EXPENDITURE DURING YEAR	TOTAL TO 30 JUNE 1987	BALANCE OUTSTANDING 30 JUNE 1987
	\$	\$	\$
PART III			
Primary Loans	79,965,588	336,887,713	214,553,673
Fishing Loans	611,318	3,428,822	1,399,561
Secondary Loans	3,940,471	37,578,632	7,646,709
Salinity Loans	330,470	2,824,895	1,679,603
Mallee Cereal Loans	1,595,547	2,675,994	52,449
Young Farmer Finance	2,137,917	8,639,492	6,673,630
TOTAL	88,581,311	392,035,548	232,005,625
PART IV			
Farmers Debt Adjustment	—	55,811	—
SECTION 35			
Primary Loans (Including Natural Disasters)	317,931	63,729,016	11,696,344
Secondary, Tourist & Natural Disaster Small Business Loans	—	13,920,764	1,773,971
Grants & Subsidies	29,586	65,948,076	—
Special Canneries Assistance	—	8,450,388	—
TOTAL	347,517	152,048,244	13,470,315
RURAL RECONSTRUCTION SCHEME			
Debt Reconstruction	—	25,624,956	2,758,115
Farm Build-up	—	26,237,921	6,893,248
Rehabilitation	—	52,600	—
TOTAL	—	51,915,477	9,651,363
RURAL ADJUSTMENT SCHEME			
Debt Reconstruction	615,000	12,044,276	6,853,381
Farm Build-Up	3,077,000	39,831,181	26,558,953
Farm Improvement	75,696	5,012,420	2,648,160
Wine Grape Growers Carry-on	—	21,500	—
Household Support	2,564,839	5,118,458	3,340,043
Rehabilitation	175,829	384,666	326,999
Salinity	—	49,000	41,575
Interest Rate Subsidies	4,015,969	4,113,271	—
TOTAL	10,524,333	66,574,772	39,769,111
DAIRY ADJUSTMENT PROGRAM			
Bulk Milk Vats	—	9,034,451	—
Carry-on Loans	—	5,349,204	—
Other Loans etc.	—	9,211,824	1,910,299
Rehabilitation	—	30,000	—
TOTAL	—	23,625,479	1,910,299

	EXPENDITURE DURING YEAR	TOTAL TO 30 JUNE 1987	BALANCE OUTSTANDING 30 JUNE 1987
	\$	\$	\$
BEEF INDUSTRY ASSISTANCE SCHEME	—	4,101,820	—
CANNING FRUIT GROWERS SCHEME			
Treepull	—	730,123	730,123
Carry-on	—	135,500	1,879
Apple & Pear Assistance	—	23,050	23,050
TOTAL	—	888,673	755,052
VINE PULL SCHEME	1,666,283	1,765,880	1,765,880
Other Schemes discounted	—	1,699,759	—
TOTAL RURAL FINANCE ACT	101,119,444	694,711,463	299,327,645
SOLDIER SETTLEMENT			
Single Unit Loans	—	23,917,339	1,531,055
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	3,923,893
Mortgages under Section 67A	—	—	4,430,730
TOTAL SOLDIER SETTLEMENT	—	99,914,630	9,885,678
LAND SETTLEMENT			
Advances for Stock, Plant, Equipment & Working Expenses	—	1,846,729	—
Purchase Leases Granted	—	21,556,213	6,895,482
Mortgages under Section 23	—	—	504,758
Contracts of Sale	—	61,991	—
Disposals of Land – Section 5A	812,875	11,005,232	6,215,424
TOTAL LAND SETTLEMENT	812,875	34,470,165	13,615,664
GRAND TOTAL	101,932,319	829,096,258	322,828,987