

Rural Finance Commission

**ANNUAL REPORT &
STATEMENT OF
ACCOUNTS 1987-88**



The report and accounts which follow have been prepared and are presented by the Rural Finance Corporation of Victoria. All matters relate to the operations of the former Rural Finance Commission pursuant to the Rural Finance and Settlement Commission Act 1961, the Rural Finance Act 1958, the Land Settlement Act 1959 and the Soldier Settlement Act 1958. All of these Acts were repealed on the 1st July, 1988 and the Rural Finance Corporation of Victoria succeeded the Commission on that day.

The Board of Management of the Corporation comprises:

Mr. I.K. Morton, A.M., B.Com.
CHAIRPERSON
Mr. C. Little, FCA.
Mr. S.R. McDonald, M.Sc.
Mrs. B.M. Yeoh, B.Sc.(Hon.)
Mr. J.E. Young, B.Sp.Ed.

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Rural Finance

REPORT OF THE RURAL FINANCE COMMISSION

For the period from 1st July, 1987, to
30th June, 1988

The Commission's statutory role as described
in the Rural Finance Act 1958 reads:-

"... the Commission may, in any case where it
thinks that such a course would assist country
industry or promote decentralisation 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."

CHAIRPERSON'S REPORT

The Honourable Evan Walker, M.L.C.,
Minister for Agriculture and Rural Affairs,
166 Wellington Parade,
EAST MELBOURNE. Vic. 3002

Dear Minister,

It is with some pride, and confidence in the future, that The Rural Finance Corporation of Victoria presents herewith the final annual report of its predecessor, the Rural Finance Commission, for the period of 1st July, 1987, to 30th June, 1988.

It is appropriate that the excellent record of the Commission concludes with significant achievements and successes in its final year of operations.

Among these,

- The maintenance of substantial programmes of lending to the widest spectrum of Victoria's agriculture.
- The development of exclusive Victorian initiatives to bring a measure of confidence and economic stability to Victoria's grain growing industry.
- Completing the year with a record \$20 million profit.

The year saw agriculture in Victoria continue to develop both in terms of production and financial returns. Improved market conditions prevailed for horticulture, dried fruits, beef and fat lambs. Continuing buoyancy was maintained in the wool industry, and the dairy industry further improved its position and reinforced Victoria as a national leader.

The grain industry, in spite of some improvements, remained subdued and continued to experience adverse marketing conditions. Special attention was given and initiatives developed, which included:

- Ensuring a responsible flow of funds to efficient grain growers, with an adequate size operation.

- Subsidized interest rates on commercial borrowing for grain growers with longer term prospects but experiencing short term problems.
- Special measures to ensure minimum loss of confidence in the value of grain growing land. This activity also allowed grain growers obliged to leave the industry to do so in an orderly and helpful way.

Special attention was also given to primary industries dependent on export markets, and therefore vulnerable to competition from heavily subsidized producers in a number of industrialized countries. Efforts were made to create awareness among such farming enterprises whose level of debt could create vulnerability, to take advantage of present opportunities to consolidate.

In this overall process the objective was also to help ensure that those farmers whose capacity to produce economically had been overtaken by changing circumstances, had the opportunity to benefit from a firmer market for their real estate holdings.

As part of its commitment to providing better services, the Commission continued to develop its electronic data processing facilities. The updated system was specifically designed to have a capacity to undertake extra activity at short notice.

Over the years the media focus, highlighting the Commission's role in relief, occasions associated with natural disasters and market downturns, tended to create and reinforce public perception of the Commission as being primarily a relief organization.

The creation of public awareness of the Commission's responsibility as a financial organization dedicated to promoting better utilization and development of Victoria's natural resources and communities, was, historically, allocated a relatively low level of promotional funding.

Rural Finance



CHAIRPERSON'S REPORT

The Commission became concerned that some ninety per cent of publicity and public perception of its role related to less than ten per cent of the Commission's actual year-by-year activity.

It was against this background that the Commission developed a broad rural awareness campaign.

The campaign primarily on country television presented the role of the Commission as that of a responsible lender.

The message content incorporated the Commission's capacity to taking a longer term view, having an insight into special requirements of competent progressive farmers, and having a special commitment to giving young people suitably qualified and experienced an opportunity to progress to farm ownership.

The campaign has been significantly successful in both creating a better public awareness on the role of the Commission as well as attracting a stronger response from the more progressive and better managed rural enterprises.

It is with some pleasure that we especially mention the final balance sheet for the Land Settlement Act 1959. You will note that the balance sheet shows that all liabilities to the Treasurer in respect of this unique activity have been repaid. We believe it to be the first land settlement scheme in Australia which has achieved this result. Basically, the scheme provided that land should be developed to a productive capacity, with houses and roads constructed and essential services available before allocation to individual farmers who were for a substantive part of the scheme handpicked and not debarred from participating in agriculture by virtue of a lack of capital.

The scheme has enjoyed a very high success rate from those who participated in it.

The Acts which the Rural Finance Commission administered were repealed as from the end of the financial year under report. The Rural Finance Corporation, the Commission's successor, will have:

- (i) a capital base of more than \$160M., being the aggregate of various surplus funds accumulated under the various Acts now being repealed;
- (ii) a loyal and efficient staff;
- (iii) a valuable store of goodwill and respected contact with the rural community, with the finance industry and with the Parliament under whose laws the Commission has functioned;
- (iv) enhanced responsibilities and resources to serve a wider spectrum of Victoria's important rural sector.

The satisfying results which were achieved were only possible by the co-operation the Commission received from those with whom it was privileged to be associated. Of particular mention are the Parliament, successive Ministers of the Crown, as well as leaders in the financial community and in the public service. The work involved considerable co-operation from successive Ministers of the Federal Parliament and from its administrators.

To all we extend grateful thanks.

We particularly thank the President of the Victorian Farmers Federation, Mrs. Heather Mitchell, O.B.E., and the Executive and Members of the Federation for their willingness to advise, to help and to encourage.

Personal thanks are due to you, Minister, and to the Treasurer, the Honourable Rob Jolly, M.P.

Yours sincerely,



I.K. MORTON Chairperson

SENIOR MANAGEMENT

Rural Finance

Members of Commission

IAN K. MORTON, A.M., B.COM.

Chairperson

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

BARRY E. HOOPER, F.B.C.S.

Manager Information

DUGALD C. GRAHAM, Dip. Ag. Sc., B.Ed., A.A.I.V.,
A.A.S.A. C.P.A.

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.Ed.

Economic Adviser to Chairperson

JOSEPH A. BONNICI, A.A.S.A., C.P.A.

EDP Manager

GEOFFREY C. BLYTH A.A.I.V. Dip.Ag.Sc.

Chief Valuer

Regional Officers & Locations

GEOFFREY A. WILLIAMS, Dip. Ag. Sc.

North Western Region

Dunoon's Building,

270 Campbell Street, Swan Hill, 3585

Telephone: 050 324097

31-33 Deakin Avenue, Mildura, 3500

Telephone: 050 233025

WESLEY D. RIDD, Dip. Ag. Sc.

North Eastern Region

164 Welsford Street, Shepparton, 3630

Telephone: 058 212655

HECTOR A. FISHER,

Western Region

132 Koroit Street, Warrnambool, 3280

Telephone: 055 629611

MICHAEL R. KERMODE, A.A.I.V., Ass. Dip. F.M.

Gippsland & Central Regions

325 Collins Street, Melbourne

Telephone: 03 6144344

Head Office

325 Collins Street, Melbourne, 3000

Telephone: 03 6144344 Facsimile 03 6295452

OBJECTIVES

The Rural Finance Commission – Operating Charter and Objectives

During 1987-88 the Rural Finance Commission was responsible for the administration of a number of Acts of Parliament as a major Victorian development organisation administered by a Commission comprising three persons appointed by the Governor-in-Council.

The Commission's major area of influence was in rural primary production and complementary secondary industries. The Commission's main role was to encourage:-

- a better utilisation 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 were as follows:

The main objective of the Commission was 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:-

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

To further develop these aims the Commission:-

1. Promoted the services of the Commission to the widest range of recipients and associated organisations.
2. Developed and maintained an information base for the better evaluation of projects.
3. Researched and evaluated alternative financial initiatives.
4. Expanded the nature and purpose of loans.
5. Ensured the organisation was always staffed with competent officers.
6. Provided loan monies to eligible borrowers on two basic premises:-
 - (a) Mortgage loans at suitable terms to finance principal assets.
 - (b) Development of special purpose loans at higher rates to finance assets required for greater financial stability or to increase production.
7. Considered all forms of borrowings to provide an adequate level of funds.
8. Maintained specialised personnel skills and techniques for use by other government departments.

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In fulfilling its responsibilities to its clients the Commission:-

1. Ensured that all potential clients were aware of the services available.
2. Displayed friendliness, help and confidentiality.
3. Maintained accurate records of commitments, payments and arrears.
4. Ensured that all transactions were legally recorded and the relevant documents maintained in safe custody.
5. Provided a financial advisory service to clients.
6. Acted in a consistent manner, assessing each application in turn without prejudice.

FINANCIAL SERVICES

Rural Finance Act 1958:

Lending in 1987/88 totalled \$91.5 million, almost matching the record level for this kind of activity attained in 1986/87.

Lending under this Act, derived from Section 37, was the Commission's main function. In broad terms the Commission, where it thought fit, could 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.

More than 1,000 farmers received financial accommodation. Emphasis was on the efficient farmer who had demonstrated sound management and farming skills. Under the Young Farmers Finance Scheme \$2.27 million of special loans at favourable rates were made to 47 young farmers. Loans totalling \$704,000 were approved to 38 farmers for salinity and water management control purposes and the fishing industry received \$748,000. Secondary or processing industries located outside the metropolitan area received loans totalling \$5.88 million.

Rural Adjustment Scheme

Over the years this scheme, a Commonwealth initiative which first came into existence in 1971, has been modified with the latest arrangements becoming effective from the 1st July, 1985.

Rural adjustment has been substantially directed to primary industries facing abnormal difficulties. The principal forms of assistance are debt reconstruction, farm build-up and farm improvement and for those in financial difficulty household support and rehabilitation. For farmers in a particular industry, carry-on assistance may be

introduced from time to time upon agreement between Commonwealth and State Ministers.

Under the July 1985 arrangements the Commonwealth moved responsibility 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. In respect of household support and rehabilitation, the Commonwealth continues to provide funding from the Commonwealth budget.

Except for household support and rehabilitation, the Commonwealth's contribution is the provision of an interest subsidy payable on borrowings raised by the administering authority. As an alternative to borrowing, administering authorities may use the interest subsidy to directly subsidise the commercial borrowings of eligible farmers.

To receive rural adjustment finance farmers are required to be in need of the assistance and meet eligibility criteria detailed in the Act, the principle criterion being that the farming operation has prospects to return to commercial type financing.

The Commission has applied the maximum possible flexibility and relied substantially on the farming performance of applicants and their creditors' opinion of them as expressed by a willingness to give continued support. The future of some applicants has been uncertain but rather than make an adverse decision the Commission tended to take the situation year by year, provided creditors agreed. For other applicants, it has been possible for the Commission to give a commitment to subsidising 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.

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Farmers so assisted are monitored as to progress and commitments are reviewed in terms of each individual's circumstance.

In the first three years of the scheme \$93 million of borrowings from the commercial sector has been supported by subsidies, the majority going to the cereal industry. Included in this is \$21 million which was subsidised for the first time in 1987/88.

Generally the interest payable on commercial borrowings has been subsidised to an effective rate of about 10% p.a., the actual subsidy depending on the borrower's circumstances and the rate charged by the farmer's financiers. Farmers so assisted received a direct and full benefit of any reduction in interest rates payable, provided the subsidy did not exceed half the cost of the borrowings.

In addition, loans totalling \$20 million have been made, including \$12 million approved in 1987/88, mainly for the purpose of farm build-up in cereal growing areas.

During the year the Commission continued to offer special arrangements where there were no buyers for grain properties even at substantially reduced levels 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.

As mentioned earlier, the rural adjustment 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.

Recipients of household support and rehabilitation assistance were mostly in the cereal industry. Seventy-six farmers received

household support involving payments of \$1.06 million and 21 farmers received rehabilitation assistance amounting to \$203,000.

Due to a number of inadequacies and restraints in the present Federal legislation the Commonwealth Minister for Primary Industries and Energy announced in September 1987 the appointment of a firm of consultants, Coopers & Lybrand W.D. Scott, to review the scheme and make recommendations for a revised agreement. Commonwealth and State Ministers have considered the consultant's report and arrangements are at an advanced stage for the implementation of a new, more flexible scheme to be introduced during the 1988/89 financial year.

Cattle Purchase Scheme

Following the detection of organo chlorides in export beef the Commonwealth and State Governments took a number of measures critical to ensuring Australia's export market was not jeopardized. The Victorian Government developed a special series of measures of on-farm assistance. Among these measures was a special scheme to buy affected cattle from quarantined Victorian properties. This scheme was administered by the Commission.

Farmers were invited to register their interest in offering cattle for purchase by the Commission. Officers of the Commission arranged an on-farm inspection as required and had cattle delivered to a nearby saleyard for assessment and weighing. A price of 80% of the slaughter value on a liveweight basis was paid to farmers who accepted the Commission's offer to purchase, the Commission meeting all handling, weighing and cartage costs.

As at 30th June, 1988, 3,751 head of cattle had been purchased from 111 farmers at a total cost of just over \$1 million. Of these, 1,631 head had been slaughtered of which 63% had chemical residues above the minimum residue level.

FINANCIAL SERVICES

Summary of New Loans Approved/Subsidized

	1987/88		1986/87	
	Number	Amount \$000's	Number	Amount \$000's
PT III RURAL FINANCE				
Primary	1,089	81,927	1,405	81,623
Secondary	13	5,880	15	6,779
Fishing	11	748	6	338
Young Farmers	47	2,271	52	2,561
Farm Water Management (Salinity)	38	704	26	540
Sub-Total	<u>1,198</u>	<u>91,530</u>	<u>1,504</u>	<u>91,841</u>
AGENCY				
Rural Adjustment Scheme				
Capital Subsidised				
Farm Build-up	74	7,328	21	1,802
Debt Reconstruction	135	14,338	341	35,954
Farm Improvement	3	90	-	-
Loans & Advances				
Farm Build-up	120	11,783	78	5,973
Debt Reconstruction	2	95	24	1,777
Farm Improvement	7	160	12	443
Rehabilitation	21	203	23	205
Household Support	76	1,063	163	3,126
Natural Disasters	2	9	4	71
Soil & Water Conservation	3	24	2	27
Dairy Assistance	3	36	4	48
Vine Pull	-	-	130	1,460
Special Agency	2	67	-	-
Sub-Total	<u>448</u>	<u>35,196</u>	<u>802</u>	<u>50,886</u>
TOTAL	<u>1,646</u>	<u>126,726</u>	<u>2,306</u>	<u>142,727</u>

In order to accommodate some of the purchased cattle which were assessed to have potential for reduction to acceptable levels of chemical residue the Commission brought forward the selling program of its commercial herd to make available some of its land at Heytesbury.

It is expected that cattle held will be slaughtered after they have had the benefit of the coming Spring.

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Land Settlement

Development of land for agriculture and subsequent disposal to civilian farmers commenced in a substantial way in 1956. At that 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 1039 hectares were sold for \$1,179,265. It is expected that the remaining land of 2385 hectares will be offered for sale during Spring 1988 and Autumn 1989.

Soldier Settlement

Thirty-eight settlers sold or transferred their properties pursuant to the terms of the Soldier Settlement Act during the year bringing to 5071 the number of farmers who have repaid in full their liabilities out of the original 5,956 settlers.

Repayments of principal amounted to \$1,164,937 leaving total outstanding liabilities of \$8,715,164.

Rural Finance Insurance Fund

At the 30th June, 1988, the value of improvements insured was \$150,092,018 and insurance fund resources stood at \$5,065,302.

A profit of \$379,686 was achieved.

ADMINISTRATION

Staff & Administration

The Commission's approach has been to develop an organization that is efficient and able to expand and contract its output to cope with the vagaries of primary industry. Staff have been encouraged to develop skills in a number of disciplines, including keyboarding, to make the best use of the EDP systems which now form an integral part of the Commission's activities.

As part of the development of multi-skilling, the Commission has engaged a training officer who has arranged a number of special purpose seminars. Further development programs are being established to meet individual needs and to facilitate use of the EDP system.

In May a log of claims was served on the Commission by the State Public Services Federation with a view to obtaining union coverage and developing an award for the Commission. Negotiations are continuing.

The establishment of the Rural Finance Corporation of Victoria from the 1st July, 1988, represents a new and exciting era for the organization, bringing with it a number of new challenges for the staff.

ADDITIONAL STATUTORY INFORMATION

Pecuniary Interests

The following senior personnel have completed statements of pecuniary interests:

I.K. Morton	Chairperson
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	Economic Adviser to Chairperson
R.M. Ferguson	Deputy Secretary

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 1987/88 the Commission received four Freedom of Information requests for access to documents. In three cases there were no documents in the categories referred to in the requests held by the Commission. In the remaining case information was provided in the form of a statistical report.

The estimated cost of administering Freedom of Information in 1987/88 was \$5,000.

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

The Rural Finance Act 1988 which came into effect on 1st July, 1988, provides that the new Corporation is not a prescribed authority for the purposes of the Freedom of Information Act 1982.

Publications

During the year the following publications dealing with the functions and activities of the Commission were 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 has an Occupational Health and Safety Committee to assist it in the preservation of a safe work environment for employees. During the year encouragement was given to move towards a smoke free office.

Acknowledgements

The co-operation and assistance received from banks, pastoral houses, primary producer groups, State and Commonwealth departments and members of the accounting and consulting community with whom the Commission worked in the interests of Victoria's rural community has been appreciated. The valuable contribution of staff who worked diligently in what was a busy year is also acknowledged.

RURAL FINANCE FUND



RURAL FINANCE FUND PROFIT AND LOSS STATEMENT FOR YEAR ENDED 30 JUNE, 1988

	NOTE	1988 \$'000	1987 \$'000
Operating Income			
Interest Earned on Loans		42,312	32,119
Interest Earned on Fund Investments		1,106	1,141
Other Income	2(a)	3,001	1,800
		<u>46,419</u>	<u>35,060</u>
Operating Expenses			
Interest Paid and Payable		19,243	10,755
Administration Costs	2(b)	7,863	7,523
		<u>27,106</u>	<u>18,278</u>
OPERATING PROFIT		19,313	16,782
Add: Non Operating Income Earned on: Investments for Provisions, Reserves, Insurance Fund and Rural Adjustment Interest Subsidy Scheme	1(g)	2,548	2,679
		<u>21,861</u>	<u>19,461</u>
Less: Non Operating Income Transfers to: Provision for Employee Benefits Provision for Superannuation Rural Finance Insurance Fund Rural Adjustment Interest Subsidy Scheme	1(g)	58	74
		824	1,003
		559	599
		<u>509</u>	<u>380</u>
		<u>1,950</u>	<u>2,056</u>
PROFIT		19,911	17,405
Retained Earnings at Beginning of Year		78,682	61,900
Transfer From: Debtors Risk Reserve	3(d)	5,114	—
TOTAL AVAILABLE FOR APPROPRIATION		103,707	79,305
Transfer To: General Reserve	1(g), 3(a)	598	623
RETAINED EARNINGS AT END OF YEAR	3	<u>103,109</u>	<u>78,682</u>

The accompanying notes form an integral part of these accounts

RURAL FINANCE FUND BALANCE SHEET AT 30 JUNE, 1988	NOTE	1988 \$'000	1987 \$'000
RURAL FINANCE FUND	3	142,329	121,495
RURAL FINANCE INSURANCE FUND	4	5,065	4,685
		<u>147,394</u>	<u>126,180</u>
Represented by:			
Current Assets			
Cash at Bank and on Hand		1,517	578
Prepayments and Miscellaneous Debtors	5	1,120	589
Debtors for Loans	7	35,242	27,063
		<u>37,879</u>	<u>28,230</u>
Investments at Cost			
Investments on Account of Reserves and Provisions	6	18,464	17,474
Other Investments	6	11,759	4,261
		<u>30,223</u>	<u>21,735</u>
Non Current Assets			
Debtors for Loans	1(j),7	333,956	282,146
Fixed Assets	8	2,182	1,089
		<u>336,138</u>	<u>283,235</u>
TOTAL ASSETS		<u>404,240</u>	<u>333,200</u>
Less:			
Current Liabilities			
Sundry Creditors	9	2,204	1,566
Interest Accrued on Loan Liabilities		4,755	3,919
Loan Liabilities Payable Within One Year	10	30,385	12,636
Provision for Employee Benefits	1(e)	399	415
Provision for Superannuation	1(f)	1,280	1,287
		<u>39,023</u>	<u>19,823</u>
Non Current Liabilities			
Loan Liabilities	10	196,388	164,666
Other Advances	11	15,297	16,428
Provision for Employee Benefits	1(e)	100	94
Provision for Superannuation	1(f)	6,038	6,009
		<u>217,823</u>	<u>187,197</u>
TOTAL LIABILITIES		<u>256,846</u>	<u>207,020</u>
NET ASSETS		<u>147,394</u>	<u>126,180</u>

The accompanying notes form an integral part of these accounts

Rural Finance

RURAL FINANCE FUND STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS FOR YEAR ENDED 30 JUNE, 1988

	NOTE	1988 \$'000	1987 \$'000
SOURCES OF FUNDS			
Funds from Operations*			
Inflows of Funds from Operations			
Interest Earned		43,418	33,260
Other Income		2,851	1,586
Proceeds from Sale of Fixed Assets		150	214
		<u>46,419</u>	<u>35,060</u>
Less Outflows of Funds from Operations		<u>26,190</u>	<u>17,332</u>
		20,229	17,728
Income Earned on Account of Provisions and Reserves			
Employee Benefits		58	74
Superannuation		824	1,003
General Reserve		598	623
		<u>21,709</u>	<u>19,428</u>
Decrease in Assets			
Current Assets			
Cash at Bank and on Hand		—	55
Investments at Cost		—	9,696
Increase in Liabilities			
Current Liabilities			
Sundry Creditors		638	821
Interest Accrued on Loan Liabilities		836	1,110
Loan Liabilities Payable Within One Year		17,749	1,686
Non Current Liabilities			
Other Advances		—	7,347
Loan Liabilities		31,722	29,581
Increase in Insurance Fund		380	582
		<u>73,034</u>	<u>70,306</u>

APPLICATIONS OF FUNDS

	NOTE	1988 \$'000	1987 \$'000
Increase in Assets			
Current Assets			
Cash at Bank and on Hand		939	—
Prepayments and Miscellaneous Debtors		531	285
Debtors for Loans		8,179	1,323
Investments at Cost		8,489	—
Non Current Assets			
Debtors for Loans		51,811	66,603
Purchase of Fixed Assets		645	835
Decrease in Liabilities			
Non Current Liabilities			
Other Advances		1,131	—
Long Service Leave Paid		53	117
Superannuation Paid		1,256	1,143
		<u>73,034</u>	<u>70,306</u>

*** Reconciliation of Operating Profit with Funds from Operations is as follows:**

	NOTE	1988 \$'000	1987 \$'000
Operating Profit		19,313	16,782
Add: Carrying amount on Disposal of			
Fixed Assets		121	210
Depreciation		355	351
Provision for Employee Benefits		(15)	(26)
Provision for Superannuation		455	411
		<u>916</u>	<u>946</u>
Funds from Operations		<u>20,229</u>	<u>17,728</u>

The accompanying notes form an integral part of these accounts

Rural Finance

RURAL FINANCE FUND

Notes to and forming part of the accounts for year ended 30 June, 1988.

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 Note (k) below.

The financial statements have been prepared as required by Section 26 of the Rural Finance and Settlement Commission Act 1961.

(a) Basis of Accounting

The accompanying financial statements have been prepared under the historical cost convention using the accrual basis, with the exception of fixed assets which were revalued on 30 June, 1988 and State Government Agency and Carry-on Schemes where the agreements have been negotiated on a cash basis.

(b) Depreciation

Prior to the revaluation of assets depreciation was provided as follows:

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

Office Furniture and Equipment: based on the straight line method. Depreciation of Office Equipment was calculated at 20% of cost with the exception of Computer Equipment which was calculated at 25% of cost. Office Furniture was depreciated over three years.

Leasehold Improvements were depreciated over three years.

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

Pro-rate depreciation was applied to 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 \$477,000 (\$484,000 – 1987). (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(b))

(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 estimated liability of Long Service Leave is \$499,000 (\$509,000 – 1987). The balance of the provision at 30 June, 1988, is \$514,000 (\$535,000 – 1987) after taking into account the average interest earned on investments and long service leave paid during the year. The difference of \$15,000 (\$26,000 – 1987) between the estimated liability and the balance of the provision was written back against Administration Costs. 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 \$185,000 (\$170,000 – 1987) 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 1 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 \$455,000 (\$411,000 – 1987). 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.

The Commission has its Provision for Superannuation assessed biennially. In June 1987, an actuarial assessment was completed by the Office of the Government Statist and Actuary, which supports the basis on which the provision is calculated. (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(5)(c) 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) 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

The Commission reviews its debtors balances annually and based on specific identifiable risks, has reduced the Provision for Doubtful Debts to \$280,000 (\$290,000 – 1987). Bad debts amounting to \$43,000 have been written off and are included in Administration Costs.

(k) Deferred Income

Under the provisions of the States and Northern Territory Grants (Rural Adjustment) Act, 1985, the Commonwealth provides an interest subsidy equal to 50% of the interest payable and associated cost of borrowings by the Commission for Part A assistance.

Whilst the interest subsidy entitlement for the cost of borrowings has been received in advance, the Commission only recognises this subsidy as income from the date the funds borrowed are made available for lending under the scheme. The balance of this subsidy received is treated as deferred income and shown under Current Liabilities. (Note 9)

Rural Finance

2. Operating Income and Expenses

	NOTE	1988 \$'000	1987 \$'000
(a) Other Income included in Operating Income comprises:			
Amount provided by Consolidated Fund pursuant to Act 6846 Section 25(5)		—	95
Administration Costs recouped from Rural Finance Insurance Fund		95	77
Proceeds from Sale of Fixed Assets		150	214
Loan Establishment Fees		703	666
Legal Fees		80	70
Commonwealth Contribution to Rural Adjustment Administration Costs		927	616
Sundry		49	17
Commonwealth Interest Subsidy			
RAS Lending		997	45
		<u>3,001</u>	<u>1,800</u>
(b) Administration Costs included in Operating Expenses comprises:			
	1(d)		
Rural Finance Fund		7,291	6,962
Soldier Settlement Act		286	296
Land Settlement Act		191	188
Rural Finance Insurance Fund		95	77
		<u>7,863</u>	<u>7,523</u>
(c) Audit fees included in Administration Costs comprises:			
Auditor General		23	25
Bentley & Co – Internal Audit Services		111	80
The auditors received no other benefits.			

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.

	NOTE	1988 \$'000	1987 \$'000
General Reserve	3(b)		
Balance 1 July		4,984	4,361
Plus: Transfer from Appropriation Account – Interest Earned		598	623
Balance 30 June		5,582	4,984
Debtors Risk Reserve	3(d)	—	5,114
Equity realised in National Debt Sinking Fund	3(c)	5,967	5,967
Non Repayable Portion of Advances Received from Commonwealth Government:			
Rural Adjustment Scheme, Rural Reconstruction Scheme, and Dairy Adjustment Program		26,748	26,748
Asset Revaluation Reserve	8	923	—
Retained Earnings at end of year		103,109	78,682
		142,329	121,495

- (b) The purpose and criteria of the General Reserve is to fund contingencies.
- (c) 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 1 July, 1983 and utilised in the lending activities of the Commission.
- (d) The Commission determined this year to transfer the Debtors Risk Reserve to Retained Earnings.

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.

Rural Finance

	NOTE	1988 \$'000	1987 \$'000
Balance 1 July		4,685	4,103
Plus: Premiums Receivable		340	330
Interest on Investments		559	599
		<u>5,584</u>	<u>5,032</u>
Less: Claims Admitted		283	140
Fire Authority Contributions		141	129
Administration Costs		95	77
Insurance Assessment Expenses		—	1
		<u>519</u>	<u>347</u>
Balance 30 June		<u>5,065</u>	<u>4,685</u>
5. Prepayments and Miscellaneous Debtors	NOTE	1988 \$'000	1987 \$'000
Debtors for Insurance Premiums		—	27
Other Debtors		259	40
Interest Accrued on Investments		390	121
Commonwealth of Australia – Rural Adjustment Scheme Contribution to Administration Costs		471	401
		<u>1,120</u>	<u>589</u>
6. Investments in Approved Securities (At Cost)	NOTE	1988 \$'000	1987 \$'000
Deposits with:			
Victorian Development Fund		15,800	12,350
Banks		14,300	9,250
Inscribed Stock Victorian Semi-Government Authorities		120	130
SEC Extension Deposits		3	5
		<u>30,223</u>	<u>21,735</u>

	NOTE	1988 \$'000	1987 \$'000
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		499	509
Provision for Superannuation		7,318	7,296
General Reserve		5,582	4,984
Rural Finance Insurance Fund		5,065	4,685
		<u>18,464</u>	<u>17,474</u>
Other Investments		11,759	4,261
		<u>30,223</u>	<u>21,735</u>

7. Debtors for Loans

Current

	NOTE	1988 \$'000	1987 \$'000
Rural Finance Act Part III		25,447	19,550
Rural Reconstruction Scheme		1,271	1,216
Dairy Adjustment Program – Other		262	300
Rural Adjustment Scheme		4,479	2,887
General Government Agency Schemes		179	512
Natural Disaster Schemes		3,125	2,886
Fruitgrowing Reconstruction Schemes		759	2
		<u>35,522</u>	<u>27,353</u>
Less: Provision for Doubtful Debts	1(j)	280	290
		<u>35,242</u>	<u>27,063</u>

Non Current

Rural Finance Act Part III		273,726	220,361
Rural Reconstruction Scheme		7,065	8,863
Dairy Adjustment Program – Other		1,371	1,682
Rural Adjustment Scheme		43,477	38,216
General Government Agency Schemes		857	1,226
Natural Disaster Schemes		5,614	9,279
Fruitgrowing Reconstruction Schemes		1,846	2,519
		<u>333,956</u>	<u>282,146</u>
		<u>369,198</u>	<u>309,209</u>

Rural Finance

8. Fixed Assets

	Commission Valuation 30/6/88 \$'000	Written Down Value 1988 \$'000	Written Down Value 1987 \$'000
Residences	277	277	67
Office Furniture and Equipment	1,492	1,492	831
Leasehold Improvements	170	170	37
Motor Vehicles	243	243	154
	<u>2,182</u>	<u>2,182</u>	<u>1,089</u>

Fixed assets have been revalued as at 30 June, 1988 by the Commission's Valuer, Mr. G. Blyth, A.A.I.V., Dip.Ag.Sci. to reflect the current market value. The \$923,000 increment on the historical cost, net of depreciation is represented by the Asset Revaluation Reserve. (Note 3(a))

Prior to the Revaluation of Assets on 30 June, 1988 depreciation amounting to \$355,000 (\$351,000 – 1987) was charged to Administration Costs.

9. Sundry Creditors

	NOTE	1988 \$'000	1987 \$'000
Deferred Income	1(k)	1,255	—
Accrued Annual Leave		185	170
Amount Due to State Treasury		—	153
Accrued Expenses		378	238
Interest Bearing Deposits from Borrowers		164	139
Amounts Due to the Commonwealth in respect of Carry-on and Other Schemes		—	6
Amounts in Suspense		104	799
Insurance Claims Admitted but not Paid		118	61
		<u>2,204</u>	<u>1,566</u>

10. Loan Liabilities

	NOTE	1988 \$'000	1987 \$'000
Private Sector Borrowings (Including Term Deposits Due Within One Year)	1(h)	111,773	52,881
Advances Repayable by Fixed Instalments:			
State:			
– Rural Finance Act		27,393	26,174
– Natural Disaster Schemes		13,536	16,615
Commonwealth:			
– Natural Disaster Schemes		16,361	19,872
– Dairy Adjustment Program		3,309	3,502
– Rural Reconstruction Scheme		15,986	18,164
– Rural Adjustment Scheme		38,415	39,994
		<u>226,773</u>	<u>177,302</u>

	Private Sector Borrowings \$'000	State \$'000	Common- wealth \$'000	Total \$'000
Not later than one year	18,855	3,693	7,837	30,385
Later than one year and not later than two years	30,788	3,710	8,191	42,689
Later than two years and not later than five years	60,044	8,210	23,389	91,643
Later than five years	2,086	25,316	34,654	62,056
	<u>111,773</u>	<u>40,929</u>	<u>74,071</u>	<u>226,773</u>

Rural Finance

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.

Carry-on Loans:

Treasurer of Victoria
Canning Fruitgrowers

Schemes:

General Government Agency
Rural Adjustment Household Support
and Rehabilitation
Rural Adjustment Interest Subsidy
Fruitgrowing Reconstruction

1988
\$'000

1987
\$'000

4,181	4,180
—	2
1,027	1,490
2,148	3,801
5,324	3,685
2,617	3,270
<u>15,297</u>	<u>16,428</u>

12. Contingencies

(a) Loan Commitments

The Commission has a commitment of \$33,051,000 (\$36,537,000 – 1987) to clients in respect of loans and subsidies approved but not yet paid.

(b) Lease Commitments

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

Not later than one year
Later than one year and not later than
two years
Later than two years and not later than
five years
Later than five years

1988
\$'000

1987
\$'000

636	636
636	636
881	1,483
90	125
<u>2,243</u>	<u>2,880</u>
622	618

Rental payments included in
Administration Costs

13. Comparative Figures

The classification of certain categories of Income, Expenditure and Assets was changed for the year ended 30 June, 1988. The comparative figures for the previous year have been adjusted to allow meaningful comparison between the two years. The changes have not affected the determination of profits for each of the years.

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.

On 1st July, 1988 the Rural Finance Corporation of Victoria succeeded the Rural Finance Commission.

For and on behalf of the Board of
Management of Rural Finance Corporation of
Victoria

I.K. MORTON Chairperson

C. LITTLE Member

B.D. KEANE Principal Accounting Officer


Melbourne 16/9/1988

AUDITOR-GENERAL'S REPORT

The accompanying financial statements comprising a balance sheet, profit and loss statement, statement of sources and applications of funds and notes to the financial statements 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 1988 and the results of its operations for the year ended on that date.

MELBOURNE 16/9/1988


C.A. BARAGWANATH Auditor-General

LAND SETTLEMENT



LAND SETTLEMENT PROFIT AND LOSS STATEMENT FOR YEAR ENDED 30 JUNE, 1988	NOTE	1988 \$'000	1987 \$'000
Operating Income			
Interest Earned on Loans		988	1,068
Profit on Livestock Trading	2	514	639
Proceeds From Sale of Land	3	1,179	1,626
Other Income		20	16
Amount Provided for Costs of Administration	1(e)	191	188
		<u>2,892</u>	<u>3,537</u>
Operating Expenses			
Interest on Loan Liability	4(a),(b)	273	450
Costs of Administration	1(e)	191	188
Carrying Costs on Disposal of Land		413	839
		<u>877</u>	<u>1,477</u>
OPERATING PROFIT BEFORE ABNORMAL ITEM		2,015	2,060
Add: Abnormal Item			
Unrealised Livestock Holding Gain	1(f)	360	—
OPERATING PROFIT		2,375	2,060
Less: Extraordinary Item			
Interest Capitalised Previously Included as Revenue now Written Back	4(a)	822	—
OPERATING PROFIT AND EXTRAORDINARY ITEM		1,553	2,060
Accumulated Surplus from the Previous Year		11,646	9,586
Less: Surplus Receipts Paid to Treasurer of Victoria	9	959	—
		<u>10,687</u>	<u>9,586</u>
ACCUMULATED SURPLUS 30 JUNE		<u>12,240</u>	<u>11,646</u>

The accompanying notes form an integral part of these accounts.

**LAND SETTLEMENT
BALANCE SHEET AT 30 JUNE, 1988**

	NOTE	1988 \$'000	1987 \$'000
ACCUMULATED SURPLUS		12,240	11,646
ASSET REVALUATION RESERVE	6	3,243	—
GRANTS PROVIDED FOR INTEREST AND COSTS OF ADMINISTRATION	4	—	359
		<u>15,483</u>	<u>12,005</u>
Represented by:			
Current Assets			
Debtors for Loans	5	612	640
Cash at Bank		—	61
Livestock Proceeds held in Treasury Trust Fund		—	1,021
Livestock at Valuation	1(f),2	407	120
		<u>1,019</u>	<u>1,842</u>
Non Current Assets			
Debtors for Loans	5	10,919	13,282
Fixed Assets at Valuation	6	3,545	1,518
		<u>14,464</u>	<u>14,800</u>
TOTAL ASSETS		<u>15,483</u>	<u>16,642</u>
Less:			
Non Current Liabilities			
Liability to Treasurer of Victoria	7	—	4,637
TOTAL LIABILITIES		<u>—</u>	<u>4,637</u>
NET ASSETS		<u>15,483</u>	<u>12,005</u>

The accompanying notes form an integral part of these accounts.

Rural Finance

**LAND SETTLEMENT
STATEMENT OF SOURCES AND
APPLICATIONS OF FUNDS
FOR YEAR ENDED 30 JUNE, 1988**

SOURCES OF FUNDS

Funds from Operations*

	NOTE	1988 \$'000	1987 \$'000
Inflows of Funds from Operations			
Interest Earned		988	1,068
Livestock Sales		935	1,107
Proceeds from Sale of Land		1,179	1,626
Proceeds from Sale of Other Fixed Assets		—	15
Other Income		20	16
		<hr/>	<hr/>
		3,122	3,832
Less Outflows of Funds from Operations		<hr/> 687	<hr/> 924
		2,435	2,908
Decrease in Assets			
Current Assets			
Livestock at Valuation		73	44
Cash at Bank		61	—
Livestock Proceeds held in Treasury			
Trust Fund		1,021	—
Debtors for Loans		29	66
Non Current Assets			
Debtors for Loans		<hr/> 2,363	<hr/> 447
		<hr/> 5,982	<hr/> 3,465

APPLICATION OF FUNDS

	NOTE	1988 \$'000	1987 \$'000
Increase in Assets			
Current Assets			
Cash at Bank		—	48
Livestock Proceeds held in Treasury Trust Fund		—	446
Non Current Assets			
Purchase of Fixed Assets		27	84
Decrease in Liabilities			
Non Current Liabilities			
Liability to the Treasurer of Victoria		4,637	1,716
Surplus Receipts Paid to the Treasurer of Victoria			
		959	—
Decrease in Grants Provided for Interest and Costs of Administration			
		359	1,171
		<u>5,982</u>	<u>3,465</u>

*** Reconciliation of Operating Profit with Funds from Operations is as follows:**

	NOTE	1988 \$'000	1987 \$'000
Operating Profit			
Less: Unrealised Livestock Holding Gain	1(f)	2,375	2,060
		<u>360</u>	<u>—</u>
		2,015	2,060
Add: Carrying amount on			
Disposal of Fixed Assets		413	842
Depreciation		7	6
		<u>2,435</u>	<u>2,908</u>
Funds from Operations			

The accompanying notes form an integral part of these accounts.

Rural Finance

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, 1988.

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 Note 1(f).

The financial statements have been prepared as required by Section 26 of the Rural Finance and Settlement Commission Act 1961.

(a) Basis of Accounting

The accompanying financial statements have been prepared under the historical cost convention using the accrual basis, with the exception of fixed assets which were revalued on 30 June, 1988.

(b) Depreciation

Prior to the revaluation of assets, depreciation was provided as follows:

Land and Improvements: nil.

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 was applied to 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) Valuation of Livestock

Previously livestock were valued at 1975 average market prices. This year livestock were revalued as at 30 June, 1988, by the Commission's Valuer, Mr. G. Blyth, A.A.I.V., Dip.Agr.Sci. to reflect the current market value. The effect of this was to increase the value of livestock on hand by \$360,000. (Note 2)

2. Livestock Trading

	NOTE	1988 \$'000	1987 \$'000
Sales		935	1,107
Gross Profit		862	1,060
Less: Operating Expenses		348	421
Net Profit for Year		514	639

The average selling price received for livestock during the year was \$443.54 per head, (\$553.23 – 1987).

Stock on hand at 30 June:

		NOTE	1988 \$'000	1987 \$'000
1988	1987			
No.	No.			
1,298	2,708		407	120

3. Surplus on Sale of Land

Sales of land finalised during the year at Heytesbury under Sections 5 and 5A of the Land Settlement Act 1959 totalled \$1,179,000 (\$1,626,000 – 1987). The surplus realized for the year over the cost of the land and improvements amounted to \$766,000 (\$787,000 – 1987).

Under provisions of the Act, surplus on sales made under Sections 5 and 5A totalling \$8,177,000 to date are transferred to the Accumulated Surplus and are not applied against amounts previously transferred and borne by the State pursuant to Section 41 of the Act (Note 7). 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:

	NOTE	1988 \$'000	1987 \$'000
Surplus on Sales of Land under Sections 5 and 5A of the Act		8,177	7,410
Less: Amounts Transferred and Borne by the State under Section 41 of the Land Settlement Act 1959		4,811	4,811
		3,366	2,599

Rural Finance

4. Grants Provided for Interest and Costs of Administration

	NOTE	1988 \$'000	1987 \$'000
(a) Grants provided by Consolidated Fund for Costs of Administration to 30 June, 1963 and for Interest charges less payments made to 30 June		359	1,530
Add: Interest on Loan Liability for the year	4(b)	273	450
Writeback of Interest Capitalised		822	—
Transfer to Surplus Revenue paid to the Treasurer of Victoria		721	—
		<u>2,175</u>	<u>1,980</u>
Less: Interest received from Debtors and paid to the Treasurer of Victoria		1,081	1,155
Cash Surplus on Livestock Operations		1,094	253
Cash Surplus from Palpara Estate Debtors		—	213
		<u>2,175</u>	<u>1,621</u>
		<u>—</u>	<u>359</u>

(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.

5. Debtors for Loans

	NOTE	1988 \$'000	1987 \$'000
Current			
Purchase Lease		215	204
Section 23		38	36
Contract of Sale Section 5A		202	250
Mortgage Section 5A		157	150
		<u>612</u>	<u>640</u>
Non Current			
Purchase Lease		5,358	6,721
Section 23		621	481
Contract of Sale Section 5A		2,867	3,735
Mortgage Section 5A		2,073	2,345
		<u>10,919</u>	<u>13,282</u>
		<u>11,531</u>	<u>13,922</u>

6. Fixed Assets

	Commission Valuation 30/6/88 \$'000	Written Down Value 1988 \$'000	Written Down Value 1987 \$'000
Land and Improvements	3,456	3,456	1,486
Motor Vehicles	41	41	20
Plant and Equipment	48	48	12
	<u>3,545</u>	<u>3,545</u>	<u>1,518</u>

Fixed Assets have been revalued as at 30 June, 1988, by the Commission's Valuer, Mr. G. Blyth, A.A.I.V., Dip.Agr.Sci. to reflect the current market value. The \$3,243,000 increment on the historical cost, net of depreciation is represented by the Asset Revaluation Reserve.

Prior to the revaluation, depreciation amounting to \$7,000 (\$6,000 – 1987), was charged against operating expenses of livestock trading.

Rural Finance

7. Loan Liability to Treasurer of Victoria

Amounts Advanced
 Less: Amounts Transferred and Borne by State under Section 41 of the Land Settlement Act 1959

Less: Repayments
 Realisation of Equity in National Debt Sinking Fund

Add: Liability for Crown Lands taken over
 Liability to Consolidated Fund for Interest Capitalized

NOTE	1988 \$'000	1987 \$'000
	47,653	47,357
	4,811	4,811
	42,842	42,546
	38,872	34,767
	3,970	3,970
	42,842	38,737
	—	3,809
	—	6
	—	822
	—	4,637

8. Comparative Figures

The classification of certain categories of Income, Expenditure and Assets was changed for the year ended 30 June, 1988. The comparative figures for the previous year have been adjusted to allow meaningful comparisons between the two years. The changes have not affected the determination of profits for each of the years.

9. Surplus Receipts Paid to Treasurer of Victoria

Under the provisions of Section 41 of the Land Settlement Act 1959 all moneys received by the Commission were paid to Consolidated Fund. Receipts of a capital nature were offset against the liability to the Treasurer of Victoria.

During 1987/88 (taking into account amounts transferred and borne by the State and the realisation of equity in the National Debt Sinking Fund) receipts of a capital nature exceeded the loan liability to the Treasurer of Victoria by \$238,000. (Note 7)

In addition, all other receipts paid to Consolidated Fund were offset against grants previously provided for interest on the loan liability and costs of administration. During 1987/88 these receipts exceeded the balance of the grants provided by \$721,000. (Note 4)

The \$959,000 surplus receipts paid to Consolidated Fund have been offset against the accumulated surplus.

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.

On 1st July, 1988 the Rural Finance Corporation of Victoria succeeded the Rural Finance Commission.

For and on behalf of the Board of
Management of Rural Finance Corporation of
Victoria

I.K. MORTON Chairperson

C. LITTLE Member

B.D. KEANE Principal Accounting Officer

Melbourne 16/9/1988

AUDITOR-GENERAL'S REPORT

The accompanying financial statements comprising a balance sheet, profit and loss statement, statement of sources and applications of funds and notes to the financial statements 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 1988 and the results of its operations for the year ended on that date.



C.A. BARAGWANATH Auditor-General

MELBOURNE 16/9/1988

SOLDIER SETTLEMENT



SOLDIER SETTLEMENT PROFIT AND LOSS STATEMENT FOR YEAR ENDED 30 JUNE, 1988

Operating Income

Interest Earned on Loans		185	203
Fees and Charges		8	4
Amount Provided for Costs of Administration	1(d)	286	296

	479	503
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Operating Expenses

Interest on Loan Liabilities		367	376
Costs of Administration	1(d)	286	296

	653	672
--	-----	-----

OPERATING LOSS

Accumulated Deficiency from the Previous Year		(174)	(169)
		(5,745)	(5,576)

ACCUMULATED DEFICIENCY 30 JUNE

	(5,919)	(5,745)
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The accompanying notes form an integral part of these accounts

SOLDIER SETTLEMENT BALANCE SHEET AT 30 JUNE, 1988

ACCUMULATED DEFICIENCY
GRANTS PROVIDED FOR INTEREST AND
COSTS OF ADMINISTRATION

NOTE	1988 \$'000	1987 \$'000
	(5,919)	(5,745)
2	5,179	5,920
	(740)	175

Represented by:

Current Assets

Cash at Bank		—	5
Cash for Loans	3	373	366
		373	371

Non Current Assets

Debtors for Loans	3	8,398	9,577
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TOTAL ASSETS

Less:		8,771	9,948
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Current Liabilities

Loan Liability to Commonwealth Government		273	263
---	--	-----	-----

Non Current Liabilities

Loan Liability to Commonwealth Government		9,238	9,510
---	--	-------	-------

TOTAL LIABILITIES

	9,511	9,773
--	-------	-------

NET (LIABILITIES) ASSETS

	(740)	175
--	-------	-----

The accompanying notes form an integral part of these accounts

**SOLDIER SETTLEMENT
STATEMENT OF SOURCES AND
APPLICATIONS OF FUNDS
FOR YEAR ENDED 30 JUNE, 1988**

	NOTE	1988 \$'000	1987 \$'000
SOURCES OF FUNDS			
Funds from Operations			
Inflows of Funds from Operations		193	207
Less Outflows of Funds from Operations		367	376
		<u>(174)</u>	<u>(169)</u>
Decrease in Assets			
Current Assets			
Cash at Bank		5	—
Debtors for Loans		—	8
Non Current Assets			
Debtors for Loans		1,179	832
Increase in Liabilities			
Current Liabilities			
Loan Liability to Commonwealth Government		10	10
		<u>1,020</u>	<u>681</u>
APPLICATION OF FUNDS			
Increase in Assets			
Current Assets			
Cash at Bank		—	2
Debtors for Loans		7	—
Decrease in Liabilities			
Non Current Liabilities			
Loan Liability to Commonwealth Government		273	263
Decrease in Grants Provided for Interest and Costs of Administration			
		740	416
		<u>1,020</u>	<u>681</u>

The accompanying notes form an integral part of these accounts

Rural Finance

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, 1988.

I. 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.

The financial statements have been prepared as required by Section 26 of the Rural Finance and Settlement Commission Act 1961.

(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.

2. Grants Provided for Interest and Costs of Administration

	NOTE	1988 \$'000	1987 \$'000
(a) Grants provided by Consolidated Fund for Costs of Administration to 30 June, 1963 and for Interest charges less payments of interest and other income to the Fund as at 30 June		5,920	6,336
Add: Interest on Loan Liabilities for the year		<u>366</u>	<u>376</u>
		<u>6,286</u>	<u>6,712</u>
Less: Interest and fees received from Debtors and paid to the Treasurer of Victoria		205	215
Transfer of Surplus Loan Repayments		<u>902</u>	<u>577</u>
		<u>1,107</u>	<u>792</u>
		<u>5,179</u>	<u>5,920</u>

3. Debtors for Loans

	NOTE	1988 \$'000	1987 \$'000
Current			
Purchase Leases		124	122
Section 67A Mortgages		174	171
Single Unit Loans		<u>75</u>	<u>73</u>
		<u>373</u>	<u>366</u>
Non Current			
Purchase Leases		3,088	3,823
Section 67A Mortgages		4,003	4,288
Single Unit Loans		<u>1,307</u>	<u>1,466</u>
		<u>8,398</u>	<u>9,577</u>
		<u>8,771</u>	<u>9,943</u>

4. Comparative Figures

The classification of certain categories of Assets was changed for the year ended 30 June, 1988. The comparative figures for the previous year have been adjusted to allow meaningful comparisons between the two years. The changes have not affected the determination of losses for each of the years.

Rural Finance

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.

On 1st July, 1988 the Rural Finance Corporation of Victoria succeeded the Rural Finance Commission.

For and on behalf of the Board of Management of Rural Finance Corporation of Victoria

I.K. MORTON Chairperson

C. LITTLE Member

B.D. KEANE Principal Accounting Officer

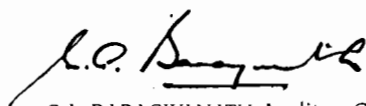
Melbourne 16/9/1988

AUDITOR-GENERAL'S REPORT

The accompanying financial statements comprising a balance sheet, profit and loss statement, statement of sources and applications of funds and notes to the financial statements 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 Soldier Settlement as at 30 June 1988 and the results of its operations for the year ended on that date.

MELBOURNE 16/9/1988



C.A. BARAGWANATH Auditor-General

SUMMARY OF ACTIVITY 1987/88

RURAL FINANCE ACT	EXPENDITURE DURING YEAR	TOTAL TO 30 JUNE 1988	BALANCE OUTSTANDING 30 JUNE 1988
	\$	\$	\$
PART III			
Primary Loans	79,244,430	416,198,907	269,008,442
Fishing Loans	604,972	4,033,793	1,482,157
Secondary Loans	6,124,048	43,702,680	7,440,850
Water Management Loans	883,330	3,708,225	2,247,109
Mallee Cereal Loans	-	2,676,093	-
Young Farmer Finance	2,542,280	11,181,771	8,069,393
TOTAL	89,399,060	481,501,469	288,247,951
PART IV			
Farmers Debt Adjustment	-	55,811	-
SECTION 35			
Primary Loans (Including Natural Disasters)	114,061	64,198,772	7,653,949
Secondary, Tourist & Natural Disaster			
Small Business Loans	1,068,281	15,040,005	1,748,269
Grants and Subsidies	454,077	66,402,153	-
Special Assistance Canneries	-	8,450,388	-
TOTAL	1,636,419	154,091,318	9,402,218
RURAL RECONSTRUCTION SCHEME			
Debt Reconstruction	-	25,624,956	2,098,796
Farm Build-Up	-	26,237,921	5,854,392
Rehabilitation	-	52,600	-
TOTAL	-	51,915,477	7,953,188
RURAL ADJUSTMENT SCHEME			
Debt Reconstruction	1,155,713	13,199,989	6,687,999
Farm Build-Up	11,747,703	50,791,965	35,171,942
Farm Improvement	370,586	5,383,006	2,486,549
Wine Grape Growers Carry-on	-	21,500	-
Household Support	1,333,920	6,457,726	1,533,140
Rehabilitation	259,726	664,392	555,242
Salinity	-	49,000	37,372
Interest Rate Subsidies	4,549,230	8,862,501	-
TOTAL	19,416,878	85,430,079	46,472,244
DAIRY ADJUSTMENT PROGRAM			
Bulk Milk Vats	-	9,034,451	-
Carry-on Loans	-	5,349,204	-
Other Loans etc.	-	9,211,824	1,566,671
Rehabilitation	-	30,000	-
TOTAL	-	23,625,479	1,566,671

Rural Finance

	EXPENDITURE DURING YEAR	TOTAL TO 30 JUNE 1988	BALANCE OUTSTANDING 30 JUNE 1988
	\$	\$	\$
BEEF INDUSTRY ASSISTANCE SCHEME	-	4,101,820	-
CANNING FRUIT GROWERS SCHEME			
Treepull	-	730,123	284,773
Carry-on	-	135,500	-
Apple and Pear Assistance	-	23,050	23,050
TOTAL	-	888,673	307,823
VINE PULL SCHEME	542,906	2,308,786	2,297,739
OTHER SCHEMES DISCONTINUED	-	1,699,759	-
TOTAL RURAL FINANCE ACT	110,995,263	803,918,912	356,247,834
SOLDIER SETTLEMENT ACT			
Single Unit Loans	-	23,917,339	1,372,625
Assistance Period Allowance	-	2,432,592	-
Commonwealth Agricultural Loans	-	3,593,702	-
Advances for Stock, Plant, Equipment and Working Expenses	-	12,568,333	-
Purchase Leases Granted	-	57,402,664	3,196,052
Mortgages under Section 67A	-	-	4,146,488
TOTAL SOLDIER SETTLEMENT ACT	-	99,914,630	8,715,165
LAND SETTLEMENT ACT			
Advances for Stock, Plant, Equipment and Working Expenses	-	1,846,729	-
Purchase Leases Granted	-	21,556,213	5,547,451
Mortgages Under Section 23	-	-	646,731
Contracts of Sale	-	61,991	-
Disposals of Land – Section 5A	-	11,005,232	5,085,385
TOTAL LAND SETTLEMENT ACT	-	34,470,165	11,279,567
GRAND TOTAL	110,995,263	938,303,707	376,242,566

REFLECTIONS

It was with some excitement tinged with nostalgia that we the staff and management of the Rural Finance Commission approached the 30th June, 1988.

Over our twenty-six year history, we believe we had come to know and share many of the expectations of Rural Victorians.

We believe the strength of the Commission has been its capacity to serve and meet the challenge of change in both physical and financial arenas. Equally to participate in and administer programmes of adjustment and special measures to meet emergencies.

The last quarter of a century has brought vast changes to rural and provincial communities. The smaller farms and the smaller townships no longer fill the same role as in earlier years. Rural Victorians responded magnificently to the challenges from the 60s to the present date, and in that time the Commission has been privileged to serve, advise and contribute to the growth and development of Victoria's rural resources.

From the start the Commission's involvement extended to assistance to individual farms, processing factories and other rural based enterprises, as well as a close liaison with farmer organisations and the banking system. It became involved in successful land development projects, converting large tracts of land, some quite unproductive, to more intensive and rewarding opportunities.

In the process, the Commission built up one of Victoria's largest herds of Hereford cattle which ranked with Australia's best.

It was also instrumental in helping establish a stronger dairy processing industry, from wayside butter factories to the highly developed multi product centralised processing plants, relying upon bulk milk refrigerated on the farm.

We have experienced and shared many wonderful successes, and unfortunately, some sad and trying times. The devastating droughts of 1967-68, saw one of the biggest livestock movements out of the state to save Victoria's breeding herds. Then, in 1983 the twin disasters of drought and the horrific Ash Wednesday bushfires, following which, the Commission was called upon to administer a programme totalling well over \$100 million to provide emergency relief.

Over all these years we have been privileged to effectively work with, and to retain the confidence and the support of our Ministers, the Treasurers and their opposite numbers in Opposition.

In conclusion, we did not see the date 30th June 1988 as an epitaph of the Rural Finance Commission but rather a foundation for broader based opportunities and challenges which face Rural Victoria in years to come.

It is to this end, with commitment and dedication we look forward to serving Rural Victorians through our new identity, the Rural Finance Corporation of Victoria.

On behalf of all of us who shared the experiences of the Commission and those who will now be part of the Corporation, we will remember the traditions established and build on them.

We will in time reflect, and recall the sentiments expressed in Auld Lang Syne.

IAN K. MORTON



Rural Finance



Rural Finance Commission Board and Secretary
MALCOLM McG. SMITH A.A.I.V., C.J. (JOHN) FOX, FRANCES A. BUTLER, IAN K. MORTON A.M. B.Com.



Minister of Agriculture and Rural Affairs
The Hon. Evan Walker M.L.C. and Rural
Finance Corporation Secretary Frances A. Butler
Minister of Agriculture and Rural Affairs with
the Rural Finance Corporation Chairperson and
Senior Executives.



MALCOLM McG. SMITH
GENERAL MANAGER ADMINISTRATION
C.J. (JOHN) FOX
GENERAL MANAGER OPERATIONS
IAN K. MORTON CHAIRPERSON
THE HON. EVAN WALKER M.L.C.

