



Australian Government



Regional Investment Corporation

Annual Report

2019/20



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Transmittal letter



The Hon. David Littleproud MP
Minister for Agriculture, Drought and Emergency Management
Parliament House
CANBERRA ACT 2600

Senator the Hon. Mathias Cormann
Minister for Finance
Parliament House
CANBERRA ACT 2600

Dear Ministers

Regional Investment Corporation Annual Report 2019-20

I am pleased to submit to you the 2019-20 Annual Report for the Regional Investment Corporation (the RIC). This report has been prepared in accordance with the Regional Investment Corporation Act 2018 (RIC Act), the Public Governance, Performance and Accountability Act 2013 (PGPA Act) and the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule).

The report includes annual performance statements prepared in accordance with subsections 39(1) and (2) of the PGPA Act, and audited financial statements prepared in accordance with sections 41 and 42 of the PGPA Act.

The report is made in accordance with a resolution of the RIC Board on 01/10/2020, which is responsible under section 46 of the PGPA Act for presenting an annual report to you, for presentation to the Parliament, on the RIC's activities during the period.

I certify that I am satisfied that the RIC has in place appropriate fraud control mechanisms that meet our needs and comply with the PGPA Act and rule.

Yours sincerely

A handwritten signature in black ink, appearing to read "Karen Smith-Pomeroy".

Karen Smith-Pomeroy
Chair of the Board

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NSW 2800

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1 Introduction



1.1 Chair's report

This year has been a challenging one for Australian farmers, and the broader agricultural sector. A large part of the year was spent in devastating drought, many parts of Australia burned for weeks over summer, then the global COVID-19 pandemic has brought health and economic fears and uncertainty.

At the RIC, we have had our own challenges as we rapidly scaled up our operations to support the significant demand for our loans, particularly from drought-affected farmers seeking financial respite to manage through and recover from the drought.

Despite the challenges, the RIC has gone from strength to strength this year, significantly increasing the number of loan applications approved each month, yet we still have more work to do to keep pace with demand and process loans faster. For the 2019-20 financial year we approved more than 635 Farm Business loans valued at over \$715 million to build a stronger regional Australia.

We know from our customers that RIC loans are making a difference to their farm businesses. Many of our customers have used their RIC loan to refinance up to 50 per cent of their existing debt to benefit from the RIC's two-year interest free terms on its drought-related loans. This frees up critical cash flow for farmers and farm-related small business owners to reinvest back into their business or spend the money where they need it most to support their business.

This financial year in January 2020 saw RIC loan accessibility increase with the launch of the AgBiz Drought Loan for small businesses providing goods and services to farmers affected by drought. Previously only farmers were eligible for RIC loan products. The AgBiz Drought Loan recognises that drought affects more than the farmer, it also affects the small businesses that rely on them for income, so we're pleased to now offer this product to support them.

Another way the RIC is supporting regional Australia is through its National Water Infrastructure Loan Facility (NWILF) which is available for state and territory governments to build and improve regional water infrastructure. Improved water security means more resilient regional communities. The RIC has worked closely with water infrastructure stakeholders in 2019-20 to understand their loan funding needs and potential project landscape.

On behalf of the RIC Board we are very proud of what has been achieved this year, the RIC's second year of operation, and the valuable financial support we have provided to Australian farmers and farming small businesses. It's also the great people at the RIC who are making the organisation what it is with their passion for regional Australia, and their knowledge that when our customers succeed, then we succeed too.

Karen Smith-Pomeroy
Chair of the Board



1.2 CEO's report

As a young organisation 2019-20 marked a year of growth for the RIC. Just as we began to establish our organisation and build our team, the drought continued to take hold of the eastern states of Australia. These conditions challenged our customers and demand for our loans quickly grew. As a result, we were left in no doubt of the value we offer to farm businesses across the nation.

During the reporting period, the RIC delivered its first disaster recovery loan, the AgRebuild Loan (North Qld flood), continued the delivery of our Farm Investment and Drought loans and launched our new AgBiz Drought Loan for small businesses supplying drought-affected farm businesses.

The announcement of a two-year interest-free period for the Drought Loan and the AgBiz Drought Loan in November 2019 was quickly followed by unprecedented demand for our loans. The 300 annual applications for which the RIC was initially resourced reached 300 a month at the peak. This demand presented many challenges as the team tried to keep pace and our loan processing timeframes extended as a result.

Over the past year the RIC did not receive any applications for the National Water Infrastructure Loans Facility but we continue working diligently to set up a framework for future project assessments and meet with potential applicants as they continue building their water infrastructure project business cases.

2019-2020 was also the year that COVID- 19 hit the nation and the world. Thanks to flexible work arrangements already in place and a cloud-based IT system, the RIC has been able to continue to operate throughout our COVID-19 response, with loan assessments and service delivery uninterrupted.

The RIC's transformation project, to meet the future demand for its loans, will be crucial in 2020-21, made possible by additional \$2 billion for farm loans this financial year and \$50 million over four years for operational improvements, announced in July 2020 by the Australian Government. The additional funding will allow the RIC to increase our workforce and make system and process improvements to boost our efficiency and deliver on our commitments.

Following recommendations from the Auditor-General in response to an audit of the design and establishment of the RIC, risk management, performance reporting and strategies for compliance and assurance will be a focus in the coming year. Many of these efforts have already begun, I look forward to their progress over the coming 12 months.

A big thank you to the team at the RIC for their continued effort and contribution over the past year. Thank you also to the Board and our new Chair, Karen Smith-Pomeroy, for your guidance throughout the year. Together we have built an organisation that is focused on delivery, as we continue to provide loans to build a stronger regional Australia.

Bruce King
Chief Executive Officer



1.3 Year in review

Farm Business Loan results

for the 2019-20 financial year as at 30 June 2020



We have approved more than
635 total loans valued at
\$715 million



We have approved more than
580 Drought loans valued at over
\$600 million



We have approved **14** AgBiz
Drought loans valued at over
\$3.6 million



We have approved more than
30 AgRebuild loans valued at over
\$110 million



We have approved **4** Farm
Investment loans valued
at **\$597,000**



Our current approval rate is
approximately **81%** of total
loan decisions



NWILF results at 30 June 2020



Tracked over **50** prospective water infrastructure projects.



Enhanced the NWILF business processes and project assessment and reporting framework.



Supported the Australian Government's considerations of water policy improvement changes.



Engaged with Commonwealth agencies, state water departments, water service providers, investors and advisors.



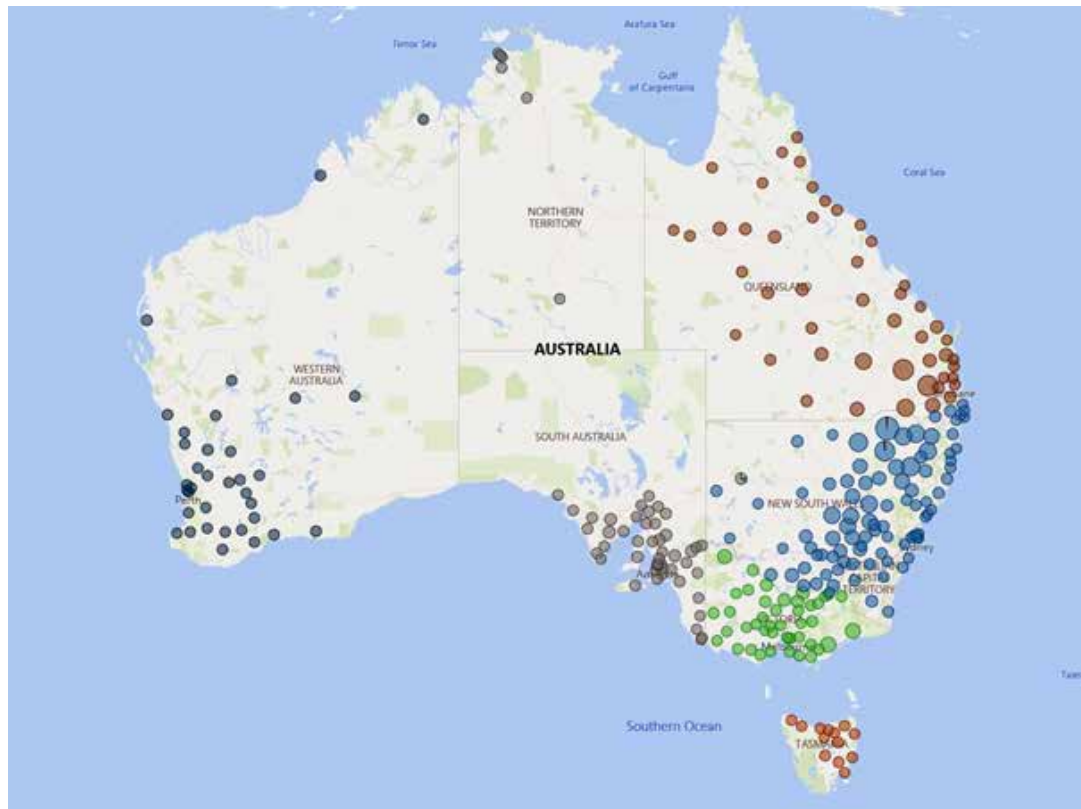
No loan applications received to date.



Interest rate changes across the 2019-20 period

	NWILF	Farm Business Loans
FY 2019-20 start	3.12%	3.58%
1 Aug 2019	2.65%	3.11%
1 Feb 2019	1.65%	2.11%
1 Aug 2020	1.46%	1.92%

Applications by LGA received since inception up to 30 June 2020



New programs and announcements

Just prior to the start of the 2019-20 financial year, our new AgRebuild Loan product was launched pursuant to Regional Investment Corporation Agribusiness Natural Disaster Loans – 2019 North Queensland Flood) Rule 2019 and Regional Investment Corporation Agribusiness Natural Disaster Loans – 2019 North Queensland Flood) Amendment Rule 2019. These legislative changes allowed the RIC to lend to farm businesses that suffered direct damage as a result of the North Queensland floods of January and February 2019, to assist farmers in the region to recover and rebuild. Therefore, early in the 2019-20 year, efforts were focused on getting staff on the ground in affected areas to raise awareness of the loan. At the close of the loan program on 30 June 2020, RIC had issued over \$110 million in AgRebuild loans to assist affected farmers with their recovery.

On 2 May 2019, the Australian Government announced the AgriStarter loan as an election commitment. Through the introduction of the Regional Investment Corporation (AgriStarter Loans) Rule 2019, the loan aims to assist people to buy an existing farm business, establish a new farm business or undertake succession arrangements. During 2019-20, the RIC worked with the Australian Government on the administrative and legislative approvals required to deliver the loan. The AgriStarter loan program will commence in January 2021.

On 8 November 2019, through the Regional Investment Corporation (Small Business Drought Loans) Rule 2020, the Australian Government announced a new loan available to drought-affected small businesses that have a direct dependency on farmers through providing primary production-related goods and services to farm businesses in drought. The loans assist these small businesses to manage through the drought and remain viable until their customers begin to resume or increase production and seek their goods and services. This represented a shift from RIC's original mandate to providing assistance outside farm business loans, along with a change to interest settings by providing a two-year interest-free period. This product became known as the AgBiz Drought Loan and was launched on 20 January 2020. At the end of the financial year we had provided \$3.6 million in AgBiz Drought Loan assistance.

As part of the 8 November 2019 announcement, the Australian Government announced a two-year interest-free period for RIC's existing Drought Loan product, to maximise support to farmers as the drought tightened its grip on the Australian agricultural sector. The Regional Investment Corporation Operating Mandate Amendment (Drought Loans – Interest-free Period) Direction was made to amend the RIC's Operating Mandate to include a two-year interest-free period for new and existing drought loans, forming part of the Government's 2019 election commitment.

In January 2020, the Australian Government announced an extension to the Drought loans program (Regional Investment Corporation (Drought Loans Expansion) Rule 2020) to expand eligibility criteria so that all Australian farm businesses could access drought loans regardless of their location, either located within an affected area as defined in the Desertification Convention, or located outside this area.

With the raft of changes to our Farm Business loan products during the reporting period, demand began to increase from November 2019. For example, our monthly application intake went from 53 in October 2019, to 91 in November, and 212 in December. Monthly applications climbed as a result peaking at around 300 applications per month. Bearing in mind that the RIC's staffing and systems were established with a forecast of approximately 300 applications per year, the spike in demand was followed by a slowing of our processing timeframes.

Improvement initiatives

In recognising the impact of longer loan processing timeframes on our farm business loan customers, the RIC began implementing process improvement initiatives that were achievable within its funding allocation in early 2020. Initiatives included shortening application forms, recruiting additional vetting and assessment staff, redeployment of staff functions to assessment and vetting, working closely with the banks on standard operating procedures and changes to internal processes that reduced timeframes. Improving loan processing timeframes became our key activity during the remainder of the reporting period, underpinned progress towards our Strengthen Delivery of our Functions Corporate Plan objective and will become a critical performance focus in our 2020-21 Corporate Plan.

Stakeholder engagement

2019-20 saw the RIC make progress with its Build Awareness and Improve Products Corporate Plan objectives.

On 7 November 2019, through the Regional Investment Corporation (Small Business Drought Loans) Rule 2020, the Australian Government announced a new loan available to drought-affected small businesses that have a direct dependency on farmers through providing primary production-related goods and services to farm businesses in drought. The loans assist these small businesses to manage through the drought and remain viable until their customers begin to resume or increase production and seek their goods and services. This represented a shift from RIC's original mandate to providing assistance outside farm business loans, along with a change to interest settings by providing a two-year interest-free period. This product became known as the AgBiz Drought Loan and was launched on 20 January 2020. At the end of the financial year we had provided \$3.6 million in AgBiz Drought Loan assistance.

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Stakeholder engagement

2019-20 saw the RIC make progress with its Build Awareness and Improve Products Corporate Plan objectives.

In September 2019, we appointed our first Business Development Manager (BDM), a step in strengthening the relationships we have developed over time with our key stakeholders. At the end of the reporting period, RIC had appointed four BDMs with geographic responsibility covering the whole country. Our BDMs worked with banks, local and state government, agriculture industry bodies, the Rural Financial Counselling Service and customers' trusted financial advisors to assist stakeholders in understanding RIC loans, and learning from those interactions to improve our service. This BDM network has enabled the RIC to understand our customers' needs and the conditions that they are facing. The on-the-ground knowledge collected is being used internally to ensure continuous improvement.

With long lead times associated with large water infrastructure projects, most prospective NWILF projects monitored during the year were in the identification and planning stages. Therefore, ongoing consultation with key water infrastructure government agencies and proponents was a key focus of the reporting period. Through tracking water infrastructure projects, helping potential loan recipients understand the benefits and terms of the NWILF loan, and learning about impediments to loan uptake from these interactions, the RIC worked to ensure the NWILF loan will become an important part of a sustainable water future for rural and regional Australia.

During the reporting period, RIC could only provide NWILF loans to state and territory governments. We continued consultation with the Department of Infrastructure, Transport, Cities and Regional Development regarding future amendments to the RIC Act and NWILF Operating Mandate, as being able to lend to private enterprise would expand water infrastructure lending opportunities and facilitate private sector input alongside government funding.

COVID-19

The COVID-19 pandemic declared on 17 March 2020 changed RIC's working environment, like it did to all workplaces. On that day, we initiated RIC's COVID-19 Response Team to lead discussions and communications that ensured staff safety and continued service to customers. We quickly limited staff numbers in our head office to essential staff and increased hygiene practices. The RIC is fortunate that all its documents and systems are stored in a cloud-based environment and all staff are issued with mobile devices, which meant all staff who could work from home were quickly removed from the office.

The Response Team also led the documentation of business continuity processes across the business, updating relevant policies and procedures, and the dissemination of COVID-19 content through multiple staff communication channels. We maintained a watchful eye on COVID-19 advice provided by the Australian Government and our portfolio Department to guide our actions. As restrictions eased, the RIC continued to maintain social distancing practices by restricting non-essential travel and maintaining a limited number of staff in the office through a roster system. We are proud to report that there was no disruption of service to our clients due to COVID-19.

2 Organisational overview

2.1 Authority, purpose and direction

The RIC was established on 1 July 2018 and operates under the Regional Investment Corporation Act 2018 (the RIC Act).

The RIC is a corporate Commonwealth entity governed by an independent board appointed by, and accountable to, the Minister for Agriculture, Drought and Emergency Management and the Minister for Finance.

Our purpose is to provide loans that support the growth and resilience in Australian farm businesses and rural and regional communities. Our functions under the RIC Act are:

Administration of farm business loans	<p>On behalf of the Australian Government we administer farm loans to help farmers support their long-term strength, resilience, and profitability.</p> <p>Administration of farm business loans includes:</p> <ul style="list-style-type: none">• providing such loans to farm businesses, subject to relevant lending criteria being satisfied• consulting with commercial lenders and other industry bodies representing persons likely to seek a loan• determining, in accordance with the strategies and policies decided by the Board, the terms and conditions on which approved loans are provided• managing approved loans.
Administration of the NWILF	<p>On behalf of the Australian Government we administer financial assistance to states and territories in relation to water infrastructure projects.</p> <p>Administration of the NWILF includes:</p> <ul style="list-style-type: none">• liaising, negotiating, and cooperating with states and territories and other parties on possible water infrastructure projects• providing advice to responsible ministers on a water infrastructure project• implementing directions of the responsible ministers to enter into agreements, on behalf of the Australian Government, for the grant of financial assistance to states or territories in relation to water infrastructure projects• periodically reviewing financial assistance granted and the terms and conditions.

For the reporting period, two ministers were responsible for the RIC - the Hon. David Littleproud MP, Minister for Agriculture, Drought and Emergency Management, and Senator the Hon. Matthias Cormann, Minister for Finance.

The RIC was subject to ministerial direction Regional Investment Corporation Operating Mandate Amendment (Drought Loans – Interest-free Period) Direction 2019. The RIC complied with this direction to give effect to the change to our Operating Mandate to allow for interest-free drought loans.

No government policy orders were issued to the RIC under section 22 of the PGPA Act during the reporting period.

2.2 About our organisation

Organisational structure

In January 2020, the RIC put in place the following interim streamlined management structure to improve organisational scalability and increase role alignment and decision-making speed, with the goal of improving the customer experience. The interim structure remained in place as at 30 June 2020.



Workforce profile

At 30 June 2020, ongoing RIC staff were geographically spread across New South Wales, Queensland, the Australian Capital Territory, Western Australia and Tasmania. We are proud of our approach to flexible working and cloud-based IT environment which means that we have been able to foster recruitment opportunities outside of capital cities and create employment in regional areas. Our largest cohort of staffing numbers are employed in the Central West of NSW, with our head office located in Orange, NSW.

A detailed breakdown of our workforce profile is provided at Appendix 2.

As at 30 June 2020, there were 30 ongoing RIC employees, four non-ongoing employees and 19 labour hire contractors across the RIC. When compared to 2018-19, this represented an overall increase of 14 employees and an increase of 17 labour hire contractors over the period.

More specifically within the Farm Business Loans Credit and Risk team, in order to support loan demand in 2019-20, there were 10 ongoing employees, one non-ongoing employee and 17 labour hire contractors. When compared to 2018-19, this represented an increase of six RIC employees and 15 labour hire contractors within the Credit and Risk team.

Executive remuneration

CEO & Board Remuneration

The RIC Board and CEO are remunerated according to the determination of the Commonwealth Remuneration Tribunal. Statutory superannuation is paid in addition to the fees set by the Tribunal.

Remuneration and Work Conditions Policy and Procedure and Industrial Instruments

The RIC's Remuneration and Work Conditions Policy and Procedure sets out remuneration information for RIC employees and includes the RIC's classification structure, salary on commencement, salary increases and payment of salary. The terms and conditions of employment for RIC employees are set out in their Letters of Offer, Employment Agreement and the Australian Government Industry Award 2016 (Award).

RIC Senior Executives (RSE) Remuneration

The Acting Executive Director incumbents were appointed to the Acting Executive Director Positions in January 2020 in accordance with the Temporary Assignment Clause 4.4.6 contained in the RIC's Work Conditions Procedure and Clause 14, Higher Duties in the Australian Government Industry Award. The acting Executive Director positions were paid in accordance with the RSE band contained in clause 4.1 of the RIC's Remuneration and Work Conditions Procedure. The RSE salary does not have formal increments, rather is negotiated based on capability, experience and performance.

Other Highly Paid Staff

One highly paid staff member was remunerated in accordance with the RIC Executive Level (REL) 2 band contained in clause 4.1 of the RIC's Work Conditions Procedure. In addition to their base salary they were paid a 'skills allowance' under an Individual Flexibility Arrangement (IFA) which is contained within their Letter of Offer and was negotiated during the recruitment process and appointment to their position. The IFA is subject to an annual review in line with the employee's anniversary date.

See Appendix 2 for remuneration details of RIC's Key Management Personnel, Senior Executives and other highly paid staff.

2.3 Corporate governance

The RIC's corporate governance framework provides a sound basis for decision making and supports the RIC in achieving our objectives. Our governance framework promotes accountability, transparency, ensures risks are managed and supports key stakeholder relationships.

Our governance framework includes:

- The legislative foundation provided by the RIC Act, detailed directions set out in the Regional Investment Corporation Operating Mandate Direction 2018 and the PGPA Act;
- two responsible Ministers, a Board and CEO;
- a planning, performance and reporting framework;
- risk management and fraud control strategies; and
- an Audit Committee and internal audit function to provide independent advice and assurance on the RIC's activities.

RIC Board

The RIC Board is the Accountable Authority under the PGPA Act. The Board decides the RIC's objectives and strategic direction and ensures that it fulfils its statutory functions. In accordance with the RIC Act, the Board must meet at least four times per year. In the reporting period it met on nine occasions and provided leadership across a number of areas including:

- A lowering of interest rates throughout the year, with NWILF starting the 2019-20 period at 3.12% and finishing on 1.46%, and Farm Business Loans starting at 3.58% and finishing at 1.92%.
- Overseeing all guidelines associated with new and changed loan products.
- Attended a planning day with staff to help RIC determine its strategic objectives and priorities for the year.
- Received regular updates from, and reviewed the Charter of, the RIC Audit Committee on matters of governance.
- Monitored corporate governance matters such as enterprise risk, finances, people and culture.
- Provided leadership and government liaison during a significant period of change at the RIC.

On 19 September 2019, the RIC's then Chair, David Foster, announced his resignation from the RIC Board to our Responsible Ministers. The resignation took effect from 3 October 2019. On 25 March 2020, our Responsible Ministers appointed Karen Smith-Pomeroy as the new RIC Board Chair. In the intervening period, the Chair role was filled in an acting capacity by Board members Prue Bondfield and Lucia Cade.

Board composition at 30 June 2020



Ms Karen Smith-Pomeroy
Chair



Ms Prue Bondfield
Member



Ms Lucia Cade
Member



Mr Mark Lewis
Member



Ms Sharon Starick
Member

Appendix 1 provides details of the Accountable Authority during the reporting period.

RIC Audit Committee

The Audit Committee is a subcommittee of the Board and was established in July 2018. The committee consists of two Board members— Lucia Cade and Mark Lewis—and two independent members—Tim Youngberry (Chair) and Emily Canning.

The Audit Committee's Charter (available at ric.gov.au/about) outlines its role in providing independent assurance to the Board on financial and performance reporting, systems of risk oversight and management and systems of internal control.

During the reporting period the Committee met three times as per its Charter and played an important role in overseeing the RIC's internal audit program and financial statements audit process. The Committee also ensured it kept abreast of changes relating to the Independent Review of the PGPA Act and Rule as they pertained to the effectiveness of Audit Committees.

Membership of the Audit Committee remained constant during the reporting period and Appendix 1 provides details of the Audit Committee membership.

Approach to risk management

The RIC has established a Risk Management Framework which follows best practice principles and aligns with the requirements of the Commonwealth Risk Management Policy and ISO 31000:2018 Risk Management—Principles and Guidelines. Our Risk Management Framework is integrated with our planning, monitoring and reporting processes. Risk reporting is also embedded into our integrated business planning, which enables risk-based decision making and supports a positive risk culture across the RIC.

In 2019-20, we focused on improving our internal risk management processes by developing a practical risk management procedure to provide operational guidance and support informed decision making in managing risk across the RIC.

The RIC also focused on improving our strategic risk reporting to our Board and Audit Committee by completing an enterprise risk assessment through a facilitated risk management workshop which identified seven key enterprise risks which are interrelated and align to our purpose.

Fraud control

The RIC takes our exposure to fraud seriously and has a zero-tolerance approach. We take all reasonable measures to control fraud and properly manage public resources in a way that assures the integrity of the RIC's activities while maximising benefits for the Australian people.

Our staff are expected to demonstrate high standards of professionalism, integrity and ethics. Fraud awareness forms part of the RIC's mandatory training requirements. All current staff have undertaken training on understanding, recognising and reporting fraud and corruption. This training is included in the RIC's new starter induction arrangements.

Our Fraud Control Plan is informed by fraud and risk assessments and provides a comprehensive framework for identifying, deterring, investigating and reporting fraud and corruption and meets the requirements of the Commonwealth Fraud Control Framework.

External scrutiny

In 2019-20, the RIC was not subject to any judicial decisions or decisions of administrative tribunals or the Information Commissioner.

The RIC has not been subject to any significant non-compliances with finance laws, or any parliamentary inquiries outside of attendance at Senate Estimates hearings.

The Australian National Audit Office published one performance audit report that involved our participation in 2019-20. The report on the Design and Establishment of the Regional Investment Corporation was tabled in Parliament on 17 June 2020.

Directors and Officers indemnities and insurance

In 2019-20, the RIC held Directors and Officers Liability Insurance and premiums were paid up to date. There have been no claims against the liability insurance for the reporting period.

Environmental sustainability

In the 2019-20 financial year, the RIC delivered its loan programs which can enable farmers to invest in their farm businesses to improve their adaptability and resilience to changing climatic conditions through the Drought Loan and Farm Investment Loan. The Farm Investment Loan also supports farmers to reduce their environmental impact through productive technology and increased water efficiency within their operations.

At the RIC's Orange NSW-based headquarters, our cloud-based technology systems enable us to operate in a largely paper-free environment. The adaptability of our workforce, supported by our technology systems, also enabled the RIC to transition quickly to a working from home environment as a result of the global COVID-19 pandemic, without any additional environmental impacts.

In May 2019, the RIC commenced a project in partnership with the Australian National University to investigate how the RIC can deliver an effective loan program to encourage farmers to take up climate-smart farming practices and technologies. This work was temporarily put on hold during the 2019-20 financial year while the RIC responded to demand for its drought-related loans as Australian farmers battled prolonged drought conditions and will be revisited in the near future.

Sustainability is also at the heart of the RIC's NWILF which is designed to improve Australia's regional water security. The RIC will take a sustainable approach to its assessment decisions requiring that relevant project environmental approvals have been or will be obtained. A project's environmental impact assessment will also be taken into account in assessing NWILF loan applications.

Work health and safety

There were no notifiable incidents recorded during the 2019-20 period.

The RIC rolled out a number of Health, Safety and Wellbeing initiatives over the 2019-20 period including:

- A flu vaccination program, which had a positive 66.6% participation rate.
- Continued provision and promotion of full access to the RIC's Employee

- Assistance Program including a number of new health and wellbeing resources being offered as part of that service.
- Creation of the COVID-19 response team and the associated initiatives and promotions co-ordinated by that team, which resulted in a strong compliance across the RIC for COVID-19 related restrictions and protocols.
- A number of WHS-oriented training courses were attended during the period.

Advertising and market research

Section 311A of the Commonwealth Electoral Act 1918 requires Australian Government departments and agencies to set out in their annual reports details of amounts greater than \$13,800 (inclusive of GST) paid by or on behalf of them during the year to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

During 2019-20, the RIC conducted market research to understand customer experience and satisfaction and engaged advertising services to communicate key messages for loan programs and generate awareness.

The amounts that the RIC paid to media and advertising organisations in 2019-20 are as follows.

Organisation	Purpose	Amount
Isentia Pty Ltd (Media Monitors)	Media monitoring services	\$25,210.90
JWS	Market research services	\$55,000.00
News Pty Ltd	National advertising loan program key benefits and updates	\$49,400.00

3 Annual performance statements

3.1 Statement of preparation

On behalf of the RIC Board, I present the RIC's 2019-20 annual performance statements as required under the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act) (paragraph 39(1)(b)) and section 16F of the *Public Governance Performance and Accountability Rule 2014*.

In the Board's opinion, at the date of this statement, based on the material provided to the Board, these annual performance statements accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.

Karen Smith-Pomeroy
Chair of the Board

Assistance Program including a number of new health and wellbeing resources being offered as part of that service.

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Advertising and market research

Section 311A of the Commonwealth Electoral Act 1918 requires Australian Government departments and agencies to set out in their annual reports details of amounts greater than \$13,800 (inclusive of GST) paid by or on behalf of them during the year to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

During 2019-20, the RIC conducted market research to understand customer experience and satisfaction and engaged advertising services to communicate key messages for loan programs and generate awareness.

The amounts that the RIC paid to media and advertising organisations in 2019-20 are as follows.

Organisation	Purpose	Amount
Isentia Pty Ltd (Media Monitors)	Media monitoring services	\$25,210.90
News Pty Ltd	National advertising loan program key benefits and updates	\$49,500.00

3 Annual performance statements

3.1 Statement of preparation

On behalf of the RIC Board, I present the RIC's 2019-20 annual performance statements as required under the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act) (paragraph 39(1)(b)) and section 16F of the *Public Governance Performance and Accountability Rule 2014*.

In the Board's opinion, at the date of this statement, based on the material provided to the Board, these annual performance statements accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.

Karen Smith-Pomeroy
Chair of the Board

3.2 Overview of performance

2019-20 was the RIC's first full year of operation with its permanent workforce in place. During that year we approved \$715 million worth of Farm Business Loans and continued to lay the groundwork for the NWILF by exploring potential projects. Due to the maturity level of our organisation and its data capture systems, our aim in 2019-20 was to establish baseline data to enable measurement of our progress in future years. In that context, we achieved initial results against the measures outlined in the table below. We identified that the 2019-20 measures could have been defined more broadly to give better context to each performance indicator and will adapt our approach accordingly in our 2020-21 Corporate Plan.

We conducted market research surveys to assess critical aspects of our performance during the reporting period. We received valuable input to a quantitative online survey from 332 RIC-assisted farmers, six water infrastructure proponents and 14 Farm Business Loan stakeholders. We also conducted qualitative in-depth interviews with seven RIC-assisted farmers, six water infrastructure proponents and eight Farm Business Loan stakeholders. The key insights from this research suggest that RIC Farm Business loans are making a difference to growth and resilience in the agricultural sector, which represents early-stage progress towards achieving our purpose to build a stronger regional Australia.

Building Awareness

We have established a solid foundation for our Building Awareness objective. In 2019-20 we undertook a raft of awareness-raising activities through engagement with our key stakeholders, refinement of our customer communication channels and establishing a network of staff across the country who worked directly with our clients' trusted advisors to aid the application process. We experienced unprecedented demand for our Farm Business Loans and saw our water infrastructure stakeholder engagement efforts begin to uncover potential projects for NWILF loans. It is clear from customers and stakeholder surveys that RIC Farm Business Loans are having a positive impact on Australian farming families. Our research also indicates that water infrastructure proponents strongly agree that NWILF has the potential to improve water security and sustainability in regional communities.

Strengthen Delivery of our Functions

We have made inroads towards achieving our Strengthen Delivery of our Functions objective by ensuring our loans are attractive and accessible to eligible applicants. During the reporting period, the RIC could only provide NWILF Loans to state and territory governments, therefore limiting the number of viable NWILF loan projects. We have further work to do to ensure the NWILF loan is fit for purpose to loan recipients in terms of risk and interest rates and to increase accessibility to NWILF loans for water infrastructure proponents. The 2019-20 year showed that we have further work to do to improve our Farm Business Loan processing times to meet customer expectations on timeliness. The main factor in 2019-20 that lead to lengthened processing times was a spike in demand from November 2019 onwards due to changes to our loan products and the introduction of new products. In 2019-20, the RIC received over 2,300 Farm Business Loan applications compared to an original estimate of between 300 and 550. 2020-21 will see the continuation of this objective to ensure a focus on improvement initiatives that enable us to streamline our service delivery and improve the customer experience.

Improve Products

We saw encouraging results against our Improve Products objective, with research indicating RIC Farm Business Loans are having a positive impact on farmers' profitability and confidence in their place in the agriculture sector. However, 2019-20 showed that our loan processing times need to be reduced to ensure loan funds reach recipients as soon as possible.

Performance Indicator	Measure	Source	Measure Result	Analysis/ Commentary
Corporate Plan Objective 1: BUILD AWARENESS – Achieved				
Our stakeholders are aware of the RIC and understand how we contribute to regional and economic growth through our loans	Case study analysis and referral data to establish a baseline	Market Research, qualitative in-depth case study interviews (pages 26 & 29) Base: All respondents (n=14)	Achieved	Most RIC stakeholders (85%) are aware of the RIC and half of these stakeholders agree the RIC contributes to regional and economic growth.
	\$500 million is made available to eligible farm businesses in need to improve their circumstances *PBS	Department announcement and budget commitments Market research report (page 9) Base: All respondents (n=332)	Achieved	The RIC made available the funding allocated by the Australian Government and in 2019-20 approved \$719.9 million in loans. Awareness is demonstrated by the level of demand experienced in 2019-20. Most RIC-assisted farmers (80%) agree that the RIC contributes to regional economic growth and investment. A similar proportion agree that the RIC contributes to resilience in Australia's regional communities (76%), providing a strong indication that RIC loans are contributing to broader regional outcomes.

Performance Indicator	Measure	Source	Measure Result	Analysis/ Commentary
Corporate Plan Objective 2: STRENGTHEN DELIVERY OF OUR FUNCTIONS – Largely achieved, but continuing in 2020-21 with a shift in focus to customer experience				
RIC is contributing to improved financial and lending services	Case study analysis and surveys of staff to establish baseline	Application data Staff survey Market Research qualitative in-depth case study interviews (page 30) Base: All respondents (n=14)	Achieved	<p>Half (50%) of Farm Business loan stakeholders believe (to 'a great extent' or 'some extent') that the RIC is contributing to improved financial and lending services in the agricultural and farming sector.</p> <p>The median processing time of 252 days between application and settlement has increased significantly since November 2019 as a result of demand following the Australian Government's announcement of a two-year interest free period. The RIC received over 2,300 applications compared to an original estimate of between 300 and 550. Median processing time data has been collected since March 2020.</p> <p>During the reporting period, 66% of applications received were incomplete. Staff consultation confirmed that the performance improvement measures that have been implemented in the 2019/20 financial year will continue to reduce the outstanding number of incomplete applications and will reduce processing times in the 2020/21 financial year.</p>
Water infrastructure proponents feel supported by the RIC	Market testing through surveys with satisfaction and referral indicators to establish baseline	Market Research qualitative in-depth case study interviews (page 20) Base: All response (n=6)	Achieved	<p>All water infrastructure proponents feel supported by RIC either 'adequately' or 'to a great extent' and most indicate they know a lot about the RIC, a reflection of their close dealings with the RIC and its staff.</p> <p>Views are mixed when it comes to RIC processes, however, with proponents leaning more towards satisfaction than dissatisfaction.</p>

Performance Indicator	Measure	Source	Measure Result	Analysis/ Commentary
All eligible farm business have access to farm businesses loans and flood recovery loans *PBS	Establishment of a nationally consistent delivery model	RIC guidelines, policies and procedures, compliance review checklists	Achieved	<p>This establishment of a consistent delivery model was reported as achieved in the 2018-19 Annual Report, with federally funded loans now centralised and assessed by the RIC in a nationally consistent way.</p> <p>RIC maintains loan guidelines, assessment policies and procedures and a loan audit program that reviews consistency of assessment that applies to all applicants regardless of location.</p> <p>In 2019-20 we continued to audit disbursed loans and found all applications were assessed in a consistent manner according to our eligibility guidelines and processes.</p>
The water loan facility is available to states and territories *PBS	No days are lost in the transfer of the administration of the loan facility to RIC	N/A	Achieved	<p>This item was reported as achieved in the 2018-19 Annual Report, with the RIC having assumed responsibility for the NWILF on 1 July 2018. No days were lost in transferring the administration of the loan facility to the RIC.</p> <p>The NWILF continues to be available to all state and territory governments.</p>
Loan monies (farm business loans, flood recovery loans and water loans) are disbursed and received accurately and in line with contractual and legislative requirements *PBS	100 per cent	Compliance review checklists	Achieved	<p>Post-settlement checks were undertaken to review consistent approaches to security that is taken to support a loan, that security has been documented and registered correctly, the loan product is appropriate based on the assessment of eligibility criteria, the loan is considered viable in terms of the assessment process that has been implemented and any exceptions to this are recorded with the appropriate mitigations presented.</p> <p>The review and audit process did not identify any funds being disbursed inaccurately or contrary to contractual obligations.</p>

Performance Indicator	Measure	Source	Measure Result	Analysis/ Commentary
Corporate Plan Objective 3: IMPROVE PRODUCTS – Achieved				
RIC-assisted farmers have stronger balance sheets	Market testing through surveys of farmers across the regions to measure confidence in the strength of their balance sheets	Market Research quantitative survey (page 14) Base: All respondents (n=332)	Achieved	79% of respondents agreed RIC loans provided greater confidence in the strength of their farm balance sheets.
RIC-assisted farmers are more profitable	Market testing through surveys of farmers across the regions to measure confidence in their profitability	Market Research quantitative survey (page 14) Base: All respondents (n=332)	Achieved	76% of respondents agreed RIC loans provided greater confidence in the profitability of their farm.
RIC-assisted farmers are more confident about their long-term future in agriculture	Market testing through surveys of farmers across the regions to establish baseline	Market Research quantitative survey (page 14) Base: All respondents (n=332)	Achieved	82% of respondents agreed the RIC loans provided greater confidence in their long-term future in the agriculture industry.

*PBS denotes performance criteria from 2019-20 Portfolio Budget Statements

4 Case studies

Impact of a RIC loan

Securing a bright future for the next generation

Cattle breeders, Kylie and Phillip George, are passionate about supporting the next generation of farmers to secure a bright future for Australian agriculture.

"We're really passionate about young farmers coming through because the average age of a farmer now is 60, which is not young," Kylie said.



Kylie and Phillip George

Kylie and Phillip own and run Towallum Station, a cattle breeding enterprise in the Clarence Valley, 43 kilometres south of Grafton. They join Angus and Brangus cows to Yulgilbar Santa Gertrudis and Angus bulls and keep the progeny to sell on as feeder weight cattle.

The Georges turned to the RIC for a Farm Investment Loan to help grow their business and increase output to their supply chain partner.

"I could see the benefits with the lower interest rate and the money we could save to reinvest into our property," Kylie said.

"It does take a while between doing the application and when we did get granted, but it is definitely worth it. I do believe it is faster now as well."

The loan process prompted the Georges to take a closer look at the needs of their supply chain partner. "By looking at that, we could channel the stock they were looking for, what they were hoping to grow, what the overseas buyers were wanting," Kylie said.

The Georges are hoping for a 25 per cent increase in output to their supply chain partner within two years. "The future for us here at Towallum Station, it makes it much brighter," Phillip said.

Providing breathing space to focus on recovery

Erica and Stu Halliday from Walcha, NSW were among those hit hardest by the drought. This typically temperate area on the edge of the Northern Tablelands receives an average of 850mm rainfall a year, but in 2018 it got half that amount. In 2019 it got a quarter.

Erica and Stu run Ben Nevis Angus, a Walcha stud which has been in Erica's family for five generations. They breed bulls which are sold Australia-wide and were in the process of a major expansion when the drought hit.

"We'd just pushed the system so much," Erica said. "We'd bought another property, pushed ourselves up to 1,000 cows, and then came the drought."

"We would have had to sell a lot more stock to pay for what we were doing. The loan is going to allow us to keep growing and making the most of the opportunities in front of us." Stu said their bank manager encouraged them to apply for the RIC loan.

"He was right on top of our cash flow at that stage, and we could see the holes coming," he said.



Stu and Erica Halliday

"It allows us to have breathing space," Stu said.

"We're going to change our tact with our pastures. This drought's given us another focus on trying to be a bit kinder to the soil. We lost a lot of topsoil during the drought, or as it rained following the drought, because we had a lot of bare country and that's a big no-no," he said.

"The future of our business looks great, because it's a family business and we want to keep including extra family and growing the business," Erica said.

"We're excited about regenerative agriculture. We're excited about where the beef industry's going. We want to be part of it."

Pushing through the drought of a lifetime

Chris Blunt is a third-generation farmer who runs a sheep grazing property east of Orange in Central West NSW.

When the RIC visited “Bondonga” in January 2020, Chris said it was the worst drought the property had seen in 100 years. For the first time in his lifetime, the spring-fed creek which supplies water across the property had stopped running completely.

Chris said one of the hardest parts of the drought is coming home to an empty rain gauge when the neighbouring areas have received rain.

“It starts playing with your head,” he said.

“I’m usually very positive, but I can understand these guys who are under that pressure all the time, particularly in the west.

“You just want to shut the door, pull the curtains and not look outside because it’s all too hard.”



Chris Blunt with his son Chris

Chris said it was important to realise that a RIC loan is not a handout.

“There’s still an old, very conservative attitude in the bush, even with some of our younger farmers that, ‘oh we don’t take handouts’. But it’s not a handout. It’s a loan and you’ve got to pay it back,” he said.

“In the middle of a drought as savage as this one, it’s going to help us feed a lot of stock and a lot of breeding stock.

“Take advantage of it, it can make all the difference.”

5 Financial performance

5.1 Auditor's report/declaration



INDEPENDENT AUDITOR'S REPORT

To the Minister for Agriculture, Drought and Emergency Management

To the Minister for Finance

Opinion

In my opinion, the financial statements of the Regional Investment Corporation ('the Entity') for the year ended 30 June 2020:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2020 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following statements as at 30 June 2020 and for the year then ended:

- Statement by the Chair of the Board, the Chief Executive and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The Board is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial statements and my auditor's report thereon.

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

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

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

GPO Box 707 CANBERRA ACT 2601
38 Sydney Avenue FORREST ACT 2603
Phone (02) 6203 7300 Fax (02) 6203 7777

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Corporation, the Board is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Scott Sharp

Executive Director

Delegate of the Auditor-General

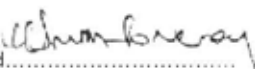
Canberra

1 October 2020

5.2 Statement of Accountable Authority from the Chair of the Board, CEO and CFO

In our opinion, the attached financial statements for the period ended 30 June 2020 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Regional Investment Corporation will be able to pay its debts as and when they fall due.

		
Signed.....	Signed.....	Signed.....
Karen Smith-Pomeroy	Bruce King	Duane Roberts
Chair of the Board	Chief Executive Officer	Chief Financial Officer
1 October 2020	1 October 2020	1 October 2020

5.3 Audited financial statements

Regional Investment Corporation STATEMENT OF COMPREHENSIVE INCOME for the period ended 30 June 2020

		2020	2019	Original Budget 2020
	Notes	\$	\$	\$
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	4,417,788	1,686,720	4,148,000
Suppliers	1.1B	11,258,213	9,973,853	11,266,000
Depreciation	2.2A	244,461	46,126	-
Finance costs	1.1C	11,918	-	-
Total expenses		15,932,380	11,706,699	15,414,000
Own-source income				
Own-source revenue				
Interest revenue	1.2A	50,365	87,911	-
Total own-source revenue		50,365	87,911	-
Net cost of services		(15,882,015)	(11,618,788)	(15,414,000)
Revenue from government	1.2B	15,477,000	12,555,000	15,414,000
Total comprehensive income		(405,015)	936,212	-

The above statement should be read in conjunction with the accompanying notes.

Budget variance explanations are outlined in Note 5.3

Regional Investment Corporation
STATEMENT OF FINANCIAL POSITION
as at 30 June 2020

	Notes	2020 \$	2019 \$	Original Budget 2020 \$
ASSETS				
Financial assets				
Cash and cash equivalents	2.1A	10,488,646	8,465,177	7,261,000
Trade and other receivables	2.1B	349	200,902	7,000
Total financial assets		10,488,995	8,666,079	7,268,000
Non-financial assets¹				
Land and buildings	2.2A	680,351	-	-
Property, plant and equipment	2.2A	346,873	287,797	-
Other non-financial assets	2.2B	70,503	86,071	-
Total non-financial assets		1,097,727	373,868	-
Total assets		11,586,722	9,039,947	7,268,000
LIABILITIES				
Payables				
Supplier payables	2.3A	2,787,906	954,529	335,000
Other payables	2.3B	220,197	113,636	50,000
Total payables		3,008,103	1,068,165	385,000
Provisions				
Employee provisions	3.1A	549,857	184,424	93,000
Total provisions		549,857	184,424	93,000
Interest bearing liabilities				
Leases	2.4A	646,419	-	-
Total provisions		646,419	-	-
Total liabilities		4,204,379	1,252,589	478,000
Net assets		7,382,343	7,787,358	6,790,000
EQUITY				
Retained earnings		7,382,343	7,787,358	6,790,000
Total equity		7,382,343	7,787,358	6,790,000

The above statement should be read in conjunction with the accompanying notes.

¹ Right-of-use assets are included in the Land and Buildings line item.

Budget variance analysis are outlined in Note 5.3

Regional Investment Corporation
STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2020

	2020	2019	Original Budget 2020
	\$	\$	\$
RETAINED EARNINGS			
Opening balance			
Balance carried forward from previous period	7,787,358	6,876,347	6,790,000
Adjustment for errors		(27,201)	-
Adjusted opening balance	7,787,358	6,851,146	6,790,000
Comprehensive income			
Surplus for the period	(405,015)	936,212	-
Total comprehensive income	(405,015)	936,212	-
Closing balance as at 30 June	7,382,343	7,787,358	6,790,000
TOTAL EQUITY			
Opening balance			
Balance carried forward from previous period	7,787,358	6,876,347	-
Adjustment for errors	-	(27,201)	-
Adjusted opening balance	7,787,358	6,851,146	-
Closing balance as at 30 June	7,382,343	7,787,358	-

The above statement should be read in conjunction with the accompanying notes.

Budget variance analysis are outlined in Note 5.3

Regional Investment Corporation
CASH FLOW STATEMENT
For the period ended 30 June 2020

		2020	2019	Original Budget 2020
	Notes	\$	\$	\$
OPERATING ACTIVITIES				
Cash received				
Receipts from Government		15,477,000	12,555,000	15,414,000
Funds received from DAWE for loans		396,000,529	27,568,502	-
Interest on loans		1,541,498	82,537	-
Interest on cash held		50,384	89,746	-
Principal returned on loans		2,476,312	-	-
GST received from the ATO		482,277	225,692	-
Other		200,902	-	-
Total cash received		416,228,902	40,521,477	15,414,000
Cash used				
Employees		3,901,463	1,491,310	4,083,000
Suppliers		9,766,870	9,597,063	11,250,000
Loans and advances made		396,000,529	27,568,500	-
Interest returned to DAWE		1,541,498	82,537	-
Principal returned to DAWE on loans		2,476,312	-	-
Interest payments on lease liabilities		11,918	-	-
GST paid		168,519	-	-
Other		856	-	-
Total cash used		413,867,964	38,739,410	15,333,000
Net cash flows from operating activities		2,360,938	1,782,067	81,000
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment		152,349	333,923	-
Total cash used		152,349	333,923	-
Net cash flows used by investing activities		(152,349)	(333,923)	-
FINANCING ACTIVITIES				
Cash used				
Principal payments of lease liabilities		185,120	-	-
Total cash used		185,120	-	-
Net cash flows from / (used by) financing activities		(185,120)	-	-
Net increase in cash and cash equivalents held		2,023,469	1,448,144	81,000
Cash and cash equivalents at the beginning of the reporting period		8,465,177	7,017,033	7,180,000
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	2.1A	10,488,646	8,465,177	7,261,000

Regional Investment Corporation
CASH FLOW STATEMENT
For the period ended 30 June 2020

Accounting Policy

Loan Funding

The RIC receives cash flows from the Department of Agriculture, Water and the Environment (DAWE) to make loans and advances to farm businesses and farm related small businesses, the RIC also receives interest and principal repayments from farmers, these payments are returned to DAWE. All interest generated against funds received from the DAWE for Loans is returned to DAWE.

In adopting the principles of *AASB 9 - Financial Instruments* the entity that reports the loans is the entity who bears the substantive risks and rewards of the loans. According to the criteria defined in the standard it is clear that DAWE bears the risks and rewards of the loans and that the arrangement between the RIC and DAWE is considered a pass through arrangement.

The loans provided by the RIC, (including all interest and principal transactions) are accounted for in the administered accounts of DAWE.

The RIC does not share the risk of the loans with DAWE so it does not need to recognise and subsequently derecognise the loan transactions as they pass through, as they occur at approximately the same time resulting in no impact on RIC's balance sheet or statement of comprehensive income.

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Overview

Objectives of the Regional Investment Corporation

The RIC is an Australian Government controlled entity. The objective of the RIC is to administer financial assistance on behalf of the Australian Government to farm businesses, farm-related small businesses, states and territories to encourage growth, investment and resilience in rural and regional communities and Australian farm businesses utilising efficient, fair and transparent lending practices.

Functions of the Regional Investment Corporation

The key functions of the RIC, as prescribed under its enabling legislation are:

- a) to administer farm business loans;
- b) to administer, on behalf of the Commonwealth, financial assistance to States and Territories in relation to water infrastructure projects.

The continued existence of the RIC is dependent on Government policy and on continuing funding by Parliament for the RIC's administration and programmes.

The Basis of Preparation

The financial statements are general purpose financial statements as required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and
- b) Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities which are recorded at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest dollar, unless otherwise specified.

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

New Accounting Standards

All new, revised or amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the RIC's financial statements.

Standard/ Interpretation	Nature of change in accounting policy, transitional provisions, and adjustment to financial statements
AASB 15 <i>Revenue from Contracts with Customers / AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i> and AASB 1058 <i>Income of Not-For-Profit Entities</i>	<p>AASB 15, AASB 2016-8 and AASB 1058 became effective 1 July 2019.</p> <p>AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 <i>Revenue</i>, AASB 111 <i>Construction Contracts</i> and Interpretation 13 <i>Customer Loyalty Programmes</i>. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p> <p>This standard does not apply to the RIC as it does not receive contract revenue. Income received by the RIC is out of scope of AASB 15 and therefore there is no significant effect to the accounting results on the implementation of this standard.</p>
AASB 16 <i>Leases</i>	<p>AASB 16 became effective on 1 July 2019.</p> <p>This new standard has replaced AASB 117 <i>Leases</i>, Interpretation 4 <i>Determining whether an Arrangement contains a Lease</i>, Interpretation 115 <i>Operating Leases—Incentives</i> and Interpretation 127 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>.</p> <p>AASB 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. AASB 16 substantially carries forward the lessor accounting in AASB 117, with the distinction between operating leases and finance leases being retained. The details of the changes in accounting policies, transitional provisions and adjustments are disclosed below and in the relevant notes to the financial statements.</p>

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Application of AASB 16 Leases

The RIC adopted AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2020 is not restated, that is, it is presented as previously reported under AASB 117 and related interpretations.

The RIC elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under AASB 117 were not reassessed. The definition of a lease under AASB 16 will be applied only to contracts entered into or changed on or after 1 July 2019. As at 30 June no new leases as defined under AASB 16 had been entered into.

AASB 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The RIC applied the following practical expedient when applying AASB 16 to its office leases previously classified as operating leases under AASB 117. The RIC chose to exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if AASB 16 had been applied since the commencement date.

On adoption of AASB 16, the RIC recognised right-of-use assets and lease liabilities in relation to its lease of office space, which had previously been classified as an operating lease.

As a lessee, the RIC previously classified its lease as an operating lease based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the RIC recognises right-of-use assets and lease liabilities for one lease. However, the RIC has elected not to recognise right-of-use assets and lease liabilities for a low value short-term lease.

The lease liability was measured at the present value of the remaining lease payments, discounted using the RIC's incremental borrowing rate as at 1 July 2019. The RIC's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 1.88%.

The right-of-use asset (office space) was measured:

- a) at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Impact on transition

On transition to AASB 16, the RIC recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

Impact on Transition of AASB 16

Departmental	1 July 2019
Right-of-use assets - property, plant and equipment	836,170
Lease liabilities	748,217
Retained earnings	4,631

The following table reconciles the RIC's minimum lease commitments disclosed in the 30 June 2019 annual financial statements to the amount of lease liabilities recognised on 1 July 2019:

	1 July 2019
Minimum operating lease commitment at 30 June 2019	438,936
Plus: effect of extension options reasonably certain to be exercised	338,345
Undiscounted lease payments	777,281
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	29,064
Lease liabilities recognised at 1 July 2019	748,217

Taxation

The RIC is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Events after the reporting period

There are no known events occurring after the reporting period that could have a material impact on the financial statements.

Regional Investment Corporation
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Financial Performance

This section analyses the financial performance of the RIC for the period ended 30 June 2020.

1.1 Expenses

	2020	2019
	\$	\$
Note 1.1A: Employee benefits		
Wages and salaries	3,454,240	1,385,719
Superannuation		
Superannuation	365,314	139,463
Leave and other entitlements	548,046	161,538
Separations	50,188	-
Total employee benefits	4,417,788	1,686,720

Accounting Policy

Accounting policies for employee related expenses are contained in Section 3 People and Relationships.

Note 1.1B: Suppliers

Goods and services supplied or rendered

Consultants	1,245,794	708,783
Contractors	729,312	2,176,417
Property operating costs	145,521	181,721
Information technology services	244,873	160,126
Legal services	70,543	58,379
Marketing and communications	262,497	180,544
Recruitment services	109,940	143,996
Staff training and development	116,687	13,260
Travel	300,855	283,541
Other goods and services	227,471	329,712
Loan service provider	7,755,458	5,737,374
Total goods and services supplied or rendered	11,208,951	9,973,853

Other suppliers

Workers compensation expenses	11,215	-
Short-term leases	38,047	-
Total other suppliers	49,262	-
Total suppliers	11,258,213	9,973,853

The RIC has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

Included within the balance of Other goods and services is the 2019-20 ANAO Audit fee paid by the RIC as a paying entity of \$75,000 (2018-19: \$90,000).

The above lease disclosures should be read in conjunction with the accompanying notes and 2.4A.

2018-19 represented the first full year of operations for the Regional Investment Corporation. The entity's operations have continued to develop during 2019-20 and have seen an increase in the value and volume of its financial transactions.

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Accounting Policy

Short-term leases and leases of low-value assets

The RIC has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than \$10,000). The RIC recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	2020	2019
	\$	\$
Note 1.1C: Finance costs		
Interest on lease liabilities	11,918	-
Total finance costs	11,918	-

The RIC has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

The above lease disclosures should be read in conjunction with the accompanying notes and 2.4A.

1.2 Own-Source Revenue and Gains

	2020	2019
	\$	\$
Note 1.2A: Interest		
Deposits	50,365	87,911
Total Interest	50,365	87,911
Note 1.2B: Revenue from Government		
Department of Agriculture, Water and the Environment		
Revenue from government	15,477,000	12,555,000
Total revenue from Government	15,477,000	12,555,000

Accounting Policy

Revenue from Government

Funding received or receivable from DAWE (appropriated to Agriculture as a corporate Commonwealth entity payment item for payment to the RIC) is recognised as Revenue from Government by the RIC unless the funding is in the nature of an equity injection or a loan.

Amounts transferred to the RIC from appropriations to DAWE (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the RIC gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

Regional Investment Corporation
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. Financial Position

This section analyses RIC's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in Section 3 People and Relationships.

2.1 Financial Assets

	2020	2019
	\$	\$
Note 2.1A: Cash and cash equivalents		
Cash on hand or on deposit	10,488,646	8,465,177
Total cash and cash equivalents	10,488,646	8,465,177
Note 2.1B: Trade and other receivables		
Goods and services receivable		
Employee receivables	-	98,014
GST	-	104,888
Other	349	-
Total goods and services receivable (gross)	349	200,902

Credit terms for goods and services were 30 days.

Accounting Policy

Financial assets

Trade receivables have fixed or determinable payments and are not quoted in an active market. Receivables are measured at amortised cost using the effective interest method adjusted for any impairment.

Regional Investment Corporation
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.2 Non-Financial Assets

Note 2.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

	Buildings	Property, plant and equipment	Total
	\$'000	\$	\$
As at 1 July 2019			
Gross book value	-	333,923	333,923
Accumulated depreciation	-	(46,126)	(46,126)
Total as at 1 July 2019	-	287,797	287,797
Recognition of right of use asset on initial application of AASB 16	831,539	-	831,539
Adjusted total as at 1 July 2019	831,539	287,797	1,119,336
Additions			
Purchased	-	152,349	152,349
Right-of-use assets	-	-	-
Revaluations and impairments recognised in other comprehensive income for right-of-use assets	-	-	-
Impairments on right-of-use assets recognised in net cost of services	-	-	-
Depreciation	-	(93,273)	(93,273)
Depreciation on right-of-use assets	(151,188)	-	(151,188)
Other movements of right-of-use assets	-	-	-
Total as at 30 June 2020	680,351	346,873	1,027,224
Total as at 30 June 2020 represented by:			
Gross book value	831,539	486,272	1,317,811
Accumulated depreciation, amortisation and impairment	(151,188)	(139,399)	(290,587)
Total as at 30 June 2020	680,351	346,873	1,027,224
Carrying amount of right-of-use assets	680,351	-	680,351

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Accounting Policy

Non-Financial assets

All assets have been purchased within the last two financial years and have been assessed for any indications of impairment at stocktake in February, as yet none is evident.

No property plant and equipment are expected to be sold or disposed of within the next 12 months.

Revaluations of Non-Financial Assets

Following initial recognition at cost, property, plant and equipment (excluding ROU assets) are carried at fair value (or an amount not materially different from fair value) less subsequent accumulated depreciation and accumulated impairment losses.

No revaluations of non-financial assets have been undertaken this financial year. All assets have been purchased within the last two financial years and the net book value represents fair value.

The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$5,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Lease Right of Use (ROU) Assets

The RIC has recognised one right of use lease liability for its commercial office premises at 122-124 Kite Street Suite 2, Orange.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the RIC using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Asset class	Useful life
Property, plant and equipment	Between 3-5 years

The depreciation rates for ROU assets are based on the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

Impairment

All assets were assessed for impairment at 30 June 2020. Where indications of impairment exist, the asset's recoverable amount is estimated, and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. No indications of impairment exist for any fixed asset or for the Right of use asset.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. No items of property, plant and equipment have been disposed of this financial year.

Fair Value

All property, plant and equipment are measured at their estimated fair value in the Statement of Financial Position. All property, plant and equipment held by the RIC are categorised under Level 2 in accordance with the hierarchy listed in AASB 13.

Level 2 measurements uses inputs other than quoted prices that are observable for the asset. The future economic benefits of the RIC's property, plant and equipment are not primarily dependent on their ability to generate cash flows.

Regional Investment Corporation
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2020	2019
	\$	\$
Note 2.2B: Other non-financial assets		
Prepayments	70,503	86,071
Total other non-financial assets	70,503	86,071

No indicators of impairment were found for other non-financial assets.

2.3 Payables

	2020	2019
	\$	\$
Note 2.3A: Supplier payables		
Trade creditors and accruals	2,787,906	954,529
Total supplier payables	2,787,906	954,529

Settlement is usually made for suppliers within 30 days.

Note 2.3B: Other payables		
Salaries and wages	119,190	23,459
Superannuation	53,800	29,280
Statutory payables	47,206	60,897
Total other payables	220,197	113,636

2.4 Interest Bearing Liabilities

	2020	2019
	\$	\$
Note 2.4A: Leases		
Lease Liabilities	646,419	-
Total leases	646,419	-

Total cash outflow for leases for the year ended 30 June 2020 was \$119,491.

Accounting Policy

Refer Overview section for accounting policy on leases.

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. People and Relationships

This section describes a range of employment and post-employment benefits provided to our employees and our relationships with other key people.

3.1 Employee Provisions

	2020	2019
	\$	\$
Note 3.1A: Employee provisions		
Annual Leave	233,388	76,132
Long Service Leave	316,469	108,292
Total employee provisions	549,857	184,424

Accounting Policy

During the 2019-20 financial year the RIC has seen a significant increase in overall staffing numbers which has contributed to the increase in employee leave provisions from 2018-19. The RIC is also a relatively new agency and the average length of time employees have been with the agency significantly increased during the financial year also contributing to the increase in the employee leave provisions from 2018-19.

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the RIC's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination. The liability for long service leave has been determined by reference to the Department of Finance 2019-20 standard parameters and using the Shorthand Method. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

The RIC's staff are members of various Superannuation Schemes. The RIC makes employer contributions to the employee superannuation schemes and these are expensed in the financial statements.

There are staff who are members of the PSS which is a defined benefit scheme for the Australian Government.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes. The RIC makes employer contributions to the Department of Agriculture, Water and the Environment on behalf of staff who remain members of the defined benefit scheme. The employees' defined benefit superannuation is at rates determined by an actuary to be sufficient to meet the current cost to the Government. The RIC accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the RIC, directly or indirectly, including any director (whether executive or otherwise) of the RIC. The RIC has determined the key management personnel to be the Chief Executive Officer, the Executive Leadership team and the Board. Key management personnel remuneration is reported in the table below:

	2020	2019
	\$	\$
Note 3.2A: Key management personnel remuneration		
Short-term employee benefits	907,003	519,451
Other long-term employee benefits	39,385	2,579
Post-employment benefits	98,661	48,329
Total key management personnel remuneration expenses	1,045,049	570,359

There are ten (10) key management personnel included in the above table this includes David Foster who was Chair of the Board until he resigned on 3 October 2019. (seven people in 2018-19).

The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the RIC.

3.3 Related Party Disclosures

Related party relationships:

The RIC is an Australian Government controlled entity. Related parties to the RIC are Directors, Key Management Personnel including the Portfolio Minister and Executive, and other Australian Government entities.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

The following transactions with related parties occurred during the financial year:

- The RIC was setup by a dedicated transition team seconded from the Department of Agriculture, Water and the Environment, this involved paying for a number of seconded staff, and their related expenses in order to set up and recruit the full ongoing arrangements for the RIC. During the 2019-20 financial period an amount of \$109,988 was paid to the Department mainly for the provision of these services.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the RIC, it has been determined that there are no other related party transactions to be separately disclosed.

Regional Investment Corporation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Managing Uncertainties

This section analyses how the Agency manages financial risks within its operating environment.

4.1 Contingent Assets and Liabilities

The Regional Investment Corporation does not have any quantifiable or unquantifiable contingencies for 2020 (nil: 2018-19).

4.2 COVID19

The Regional Investment Corporation is impacted by the global pandemic of COVID19.

Impairments

There has been no evidence of impairment on fixed assets due to COVID19.

The responsibility for impairing loans rests with DAWE.

Employee Provisions

Employee provisions have been estimated using the same assumptions as previous years.

Impact of COVID19 on the RIC's Loan service provider (LSP)

The LSP has addressed the risks of COVID19 and business disruption by implementing a flexible work pattern and dividing the workforce into two groups. The two groups have access to the office on alternate weeks to minimise cross infection of staff.

The LSP has also outsourced some of the credit work to other credit providers further reducing risks of business disruption due to COVID19.

Operational Challenges at the RIC

The RIC has been in an expansion phase due to Government policy changes implemented prior to COVID19 pandemic, with some of the planned expansion delayed due to the global pandemic.

The RIC has continued to expand its credit services team during COVID19 and additional staff have been set up to work from home after completing comprehensive training at the Orange office.

Regional Investment Corporation
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. Other Information

5.1 Aggregate Assets and Liabilities

	2020	2019
	\$	\$
Note 5.1A: Aggregate Assets and Liabilities		
Assets expected to be recovered in:		
No more than 12 months	10,710,687	8,752,150
More than 12 months	876,035	287,797
Total assets	11,586,722	9,039,947
Liabilities expected to be settled in:		
No more than 12 months	3,480,275	1,157,357
More than 12 months	724,104	95,232
Total liabilities	4,204,379	1,252,589

5.2 Assets Held in Trust

The RIC receives funds from DAWE for the purpose of funding approved concessional loans. Any balance of funds received from DAWE, the bank or loan recipients that are yet to be disbursed are held in trust on behalf of the loan recipient.

There are a number of circumstances that could result in individual loan settlements being rejected or delayed, this may be due to incorrect account details or circumstances changing at the point of settlement. In this situation funds are paid out of the bank account to the settlement trust account, returned and paid out again. The RIC only accounts for the receipt of the funds once and the payment of the funds once (even if funds are returned and paid out on a number of occasions).

The assets held in trust reflects the difference between the funds received and the funds disbursed at the end of the financial year. The Cashflow statement records the amount of funds received that have been lent to the loan recipients (2020: \$396,000,529). Payments in the assets held in trust includes funds lent to loan recipients, interest returned to DAWE and principal repayments returned to DAWE. Similarly receipts includes receipt of interest from loan recipients and the bank, receipt of principal repaid and receipts of funds from DAWE.

At the 30th June 2020 the difference between what the RIC has received and what has been lent or returned is the asset held in trust.

	2020	2019
	\$	\$
Note 5.2A: Loan funding received but not disbursed		
As at 1 July		
Assets held in trust added to receipts	932,965	
Receipts	419,192,899	28,501,465
Payments	400,018,339	27,568,500
Total as at 30 June	20,107,525	932,965
Total amount held at the end of the reporting period	20,107,525	932,965

Non-monetary assets

The RIC does not hold any non-monetary assets in trust.

Regional Investment Corporation
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5.3 Budget Variances

Budget Variance Explanation	Affected statements and line items
Expansion of loan programs offerings and changes in loan settings resulting in a large increase in demand for loans. This has seen an expansion in staffing and an intention to increase office space that has commenced but been delayed due to COVID19.	Statement of Comprehensive Income: - Employee benefits - Depreciation Statement of Financial Position: - Cash and cash equivalents - Total payables
The RIC received funding for a new measure, the new AgBiz loan program.	Statement of Comprehensive Income: - Revenue from Government Statement of Cashflows: - Receipts from Government
The 2019-20 budget did not set budget expectations for the introduction of the new lease standard AASB16 asset and liability fixed assets or in retained earnings.	Financial Position: - Non-Financial assets - Interest Bearing Liabilities Statement of Changes in equity: - Comprehensive income
The cashflow budget for 2019-20 did not include the loan funding and loan related cashflows. The cash that is used and received for loans offsets – the net cashflow reflects the operating activities only.	Statement of Cashflows - Cash Received - Cash Used

The original budget figures were reported in the 2019-20 Portfolio Budget Statements. This was subsequently updated during the financial year with the Minister of Finance's approval. This allowed for an approved operating loss. The RIC considers major variance between budget and actuals is greater than 10% of the original estimate or it is considered important for the reader's understanding.

Appendix 1: Accountable Authority & Audit Committee

Accountable Authority – RIC Board						
Name	Qualifications	Experience	Position title	Date of commencement	Date of cessation	Meetings during FY19-20
Karen Smith-Pomeroy	<p>Karen holds an Associate Diploma (Accounting) and is a Graduate of the Advanced Risk Management Course Wharton College, University of Pennsylvania, USA.</p> <p>She is also a Fellow of the Institute of Public Accountants, Fellow of the Financial Services Institute of Australasia, and a Graduate of the Australian Institute of Company Directors.</p>	<p>Karen is an experienced non-executive director, with involvement in several market sectors including agribusiness, energy, property and financial services. She has experience as a senior executive in the financial services sector. Karen has specific expertise in risk and governance, including credit risk.</p> <p>Karen is currently a non-executive director of Kina Securities Limited, Stanwell Corporation Limited, Infocus Wealth Management Limited and Queensland Treasury Corporation (Capital Markets Board). She is also the Chair of National Affordable Housing Consortium.</p>	Board Chair (current)	25 March 2020	24 March 2023	4 of 4

Accountable Authority – RIC Board						
Name	Qualifications	Experience	Position title	Date of commencement	Date of cessation	Meetings during FY19-20
Lucia Cade	Lucia holds a Bachelor of Engineering (Civil) (Honours), a Bachelor of Economics, a Master of Engineering Science and a Master of Business Administration. She is a Fellow of the Institution of Engineers Australia and a Fellow of the Australian Institute of Company Directors.	<p>Lucia has experience in engineering and commercial leadership, with a focus on water infrastructure, utilities and professional services. She has been Chair of South East Water, a government-owned water utility, since October 2015 and holds other non-executive appointments in engineering, infrastructure and technology.</p> <p>Since 2004 she has managed a portfolio of advisory and consulting clients and recently was a member of the technical advisory panel for the National Water Infrastructure Development Fund.</p>	Board member	29 March 2018	28 March 2021	8 of 9
Mark Lewis	Mark holds a Master of Applied Science, an Advanced Diploma in Management and a Graduate Certificate in Management. His undergraduate studies were in the Animal Health field.	<p>Mark is a former WA Minister for Agriculture and Food and was a member for the Mining and Pastoral Region in the WA Legislative Council from 2013 to 2017. He is currently also a Director on the Climate Change Authority and a number of public (limited) and private companies.</p> <p>Mark has a lifetime of involvement in agriculture and rural communities and years of engagement in water resource development.</p>	Board member	29 March 2018	28 March 2021	9 of 9

Accountable Authority – RIC Board						
Name	Qualifications	Experience	Position title	Date of commencement	Date of cessation	Meetings during FY19-20
Prue Bondfield	Prue holds a Bachelor of Laws, a Diploma in Project Management and a Graduate Diploma of Business, Marketing & Management, and is a Graduate of the Australian Institute of Company Directors	<p>Prue has agribusiness and farming expertise from her role as General Manager and a director of Palgrove Management Pty Ltd—a corporate livestock business with properties in Qld and NSW.</p> <p>She has strong agriculture industry networks from various roles in state entities and on advisory committees. She was Chair of the Beef Industry Sustainability Framework Steering Committee, which was formed by the Red Meat Advisory Council. She was also a director of the State Management Council of Livestock Health and Pest Authorities of New South Wales and a director of the Beef Improvement Association.</p>	Board member	20 April 2018	19 April 2021	9 of 9
Sharon Starick	Sharon holds a Bachelor of Agricultural Science Honours in Plant Science	<p>Sharon runs a combined grains and pork business in the Murraylands in SA. She brings not only practical on-farm knowledge but also 20 years' experience with industry bodies, natural resource management groups, government boards and other private and public organisations.</p> <p>She is the current Chair of the Board of Rural Business Support, which provides rural financial counselling services for SA and NT. She is also on the board of the Grains Research and Development Corporation, Royal Automobile Association of SA, Nature Foundation and Chair of Animal Health Australia.</p>	Board member	4 April 2019	3 April 2022	8 of 9

Accountable Authority – RIC Board						
Name	Qualifications	Experience	Position title	Date of commencement	Date of cessation	Meetings during FY19-20
David Foster	Mr Foster holds a Bachelor of Applied Science and a Master of Business Administration. He is a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors.	David is an experienced chair and non-executive director with roles in a diverse range of industries, including financial services, retail, local government, education and professional services. Before his board roles, he had an extensive banking career spanning over 25 years. This included five years as Chief Executive Officer of Suncorp Bank and over 14 years with Westpac.	Board Chair (former until 3 October 2019)	29 March 2018	3 October 2019	1 of 1

RIC Audit Committee			
Member name	Qualifications, knowledge, skills or experience	Number of meetings attended FY 19-20	Total annual remuneration
Tim Youngberry	<p>Tim has experience in the successful implementation of public financial management reforms. He has held senior executive roles in the Australian Government with responsibilities covering whole-of-government financial reporting, accounting policies, budget framework and appropriations management. He also works as an expert on public finances with the International Monetary Fund and the OECD in a number of countries.</p> <p>From 2010 to 2015, Tim was a member of the International Public Sector Accounting Standards Board. He has also completed the Executive Fellows Program at the Australia and New Zealand School of Government and is a Fellow of both CPA Australia and Chartered Accountants Australia and New Zealand</p>	3 of 3	\$0
Emily Canning	<p>After five years in private practice, Emily joined the Australian Public Service in 2001, as a management accountant. Since this time, Emily has had the opportunity to work for a number of government departments in financial management roles, including Chief Financial Officer for the Department of Human Services and the Department of Agriculture. Earlier this year, Emily made the move out of corporate finance roles, and is currently the First Assistant Secretary for the Biosecurity Operations Division for the Department of Agriculture. She is responsible for 2000 operational staff located at airports and ports across Australia, who deliver biosecurity screening services for incoming passengers, mail and cargo, and export certification activities for the food exports that Australia sends overseas. Emily holds a Bachelor of Commence from the Australian National University, and is a Fellow of CPA Australia and the Chartered Accountants Australia New Zealand. Emily is also a graduate of the Australian Institute of Company Directors.</p>	3 of 3	\$0
Mark Lewis	(see Accountable Authority table above)	2 of 3	See executive remuneration table
Lucia Cade	(see Accountable Authority table above)	3 of 3	See executive remuneration table

Appendix 2: Management of human resources

All Ongoing Employees Current Report Period (2019-20)

	Male			Female			Indeterminate			Total
	Full time	Part time	Total Male	Full time	Part time	Total Female	Full time	Part time	Total Indeterminate	
NSW	11	1	12	11	2	13	0	0	0	25
Qld	1	0	1	0	0	0	0	0	0	1
SA	0	0	0	0	0	0	0	0	0	0
Tas	0	0	0	1	0	1	0	0	0	1
Vic	0	0	0	0	0	0	0	0	0	0
WA	1	0	1	0	0	0	0	0	0	1
ACT	2	0	2	0	0	0	0	0	0	2
NT	0	0	0	0	0	0	0	0	0	0
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0
Total	15	1	16	12	2	14	0	0	0	30

All Non-Ongoing Employees Current Report Period (2019-20)

	Male			Female			Indeterminate			Total
	Full time	Part time	Total Male	Full time	Part time	Total Female	Full time	Part time	Total Indeterminate	
NSW	0	0	0	1	1	2	0	0	0	2
Qld	0	0	0	0	0	0	0	0	0	0
SA	0	0	0	0	0	0	0	0	0	0
Tas	0	0	0	0	0	0	0	0	0	0
Vic	0	0	0	0	0	0	0	0	0	0
WA	0	0	0	0	0	0	0	0	0	0
ACT	1	0	1	1	0	1	0	0	0	2
NT	0	0	0	0	0	0	0	0	0	0
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0
Total	1	0	1	2	1	3	0	0	0	4

All Ongoing Employees Previous Report Period (2018-19)

	Male			Female			Indeterminate			Total
	Full time	Part time	Total Male	Full time	Part time	Total Female	Full time	Part time	Total Indeterminate	
NSW	6	1	7	7	1	8	0	0	0	15
Qld	1	0	1	0	0	0	0	0	0	1
SA	0	0	0	0	0	0	0	0	0	0
Tas	0	0	0	0	0	0	0	0	0	0
Vic	0	0	0	0	0	0	0	0	0	0
WA	0	0	0	0	0	0	0	0	0	0
ACT	0	0	0	0	0	0	0	0	0	0
NT	0	0	0	0	0	0	0	0	0	0
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0
Total	7	1	8	7	1	8	0	0	0	16

Note: in RIC's 2018-19 Annual Report, we incorrectly reported 1 ongoing female in the ACT. This is now correctly reflected above as 0 females in the ACT in 2018-19.

All Non-Ongoing Employees Previous Report Period (2018-19)

	Male			Female			Indeterminate			Total
	Full time	Part time	Total Male	Full time	Part time	Total Female	Full time	Part time	Total Indeterminate	
NSW	1	0	1	0	0	0	0	0	0	1
Qld	0	0	0	0	0	0	0	0	0	0
SA	0	0	0	0	0	0	0	0	0	0
Tas	0	0	0	0	0	0	0	0	0	0
Vic	0	0	0	0	0	0	0	0	0	0
WA	0	0	0	0	0	0	0	0	0	0
ACT	2	0	2	1	0	1	0	0	0	3
NT	0	0	0	0	0	0	0	0	0	0
External Territories	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	0	0	0	0	0	0	0
Total	3	0	3	1	0	1	0	0	0	4

Note: in RIC's 2018-19 Annual Report, we incorrectly reported 4 non-ongoing males and 0 non-ongoing females in the ACT. This is now correctly reflected above as 1 female and 2 males in the ACT in 2018-19.

Information about remuneration for key management personnel

		Shortterm benefits				Post employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Name	Position title	Base salary	Bonuses	Other benefits and allowances	Superannuation contributions	Long service leave	Other longterm benefits			
Karen Smith - Pomeroy	Board Member	\$23,058	0	0	\$2,191	-	0	0	\$25,249	
Lucia Cade	Board Member	\$52,683	0	0	\$7,969	-	0	0	\$60,652	
David Foster	Board Member	\$22,400	0	0	\$3,450	-	0	0	\$25,849	
Prue Bondfield	Board Member	\$63,575	0	0	\$9,791	-	0	0	\$73,366	
Sharon Starick	Board Member	\$43,152	0	0	\$4,100	-	0	0	\$47,252	
Mark Lewis	Board Member	\$51,349	0	0	\$7,908	-	0	0	\$59,256	
Bruce King	CEO	\$346,025	0	0	\$24,049	\$8,600	0	0	\$378,674	
Duane Roberts	Acting Executive Director Corporate Services	\$114,119	0	0	\$21,330	\$28,247	0	0	\$163,696	
John Newcombe	Acting Executive Director Program Delivery	\$93,957	0	0	\$9,046	\$1,035	0	0	\$104,038	
Julia Brown	Acting Executive Director Engagement	\$96,684	0	0	\$8,829	\$1,503	0	0	\$107,016	

Information about remuneration for senior executives
The RIC has no senior executive remuneration to report.

Total remuneration bands	Number of senior executives	Shortterm benefits			Postemployment benefits	Other longterm benefits		Termination benefits	Total remuneration
		Average base salary	Average bonuses	Average other benefits and allowances		Average long service leave	Average other longterm benefits		
\$0- \$220,000									
\$220,001- \$245,000									
\$245,001- \$270,000									
\$270,001- \$295,000									
\$295,001- \$320,000									
\$320,001- \$345,000									
\$345,001- \$370,000									
\$370,001- \$395,000									
\$395,001- \$420,000									
\$420,001- \$445,000									
\$445,001- \$470,000									
\$470,001- \$495,000									
\$495,001- ...									

Information about remuneration other highly paid staff

Total remuneration bands	Number of other highly paid staff	Shortterm benefits				Postemployment benefits	Other longterm benefits		Termination benefits	Total remuneration
		Average base salary	Average bonuses	Average other benefits and allowances	Average superannuation contributions		Average long service leave	Average other longterm benefits		
\$225,001- \$245,000										
\$245,001- \$270,000	1	\$228,571	0	0	\$19,536		\$5,040	0	0	\$253,148
\$245,001- \$270,000										
\$270,001- \$295,000										
\$295,001- \$320,000										
\$320,001- \$345,000										
\$345,001- \$370,000										
\$370,001- \$395,000										
\$395,001- \$420,000										
\$420,001- \$445,000										
\$445,001- \$470,000										
\$470,001- \$495,000										
\$495,001-										

Appendix 3: Compliance index

PGPA Rule Reference	Part of Report	Description	Requirements
17BE	Contents of annual report		
17BE(a)	2.1	Details of the legislation establishing the body	Mandatory
17BE(b)(i)	2.1	A summary of the objects and functions of the entity as set out in legislation	Mandatory
17BE(b)(ii)	2.1	The purposes of the entity as included in the entity's corporate plan for the reporting period	Mandatory
17BE(c)	2.1	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers	Mandatory
17BE(d)	2.1	Directions given to the entity by the Minister under an Act or instrument during the reporting period	If applicable, mandatory
17BE(e)	2.1	Any government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(f)	2.1	Particulars of noncompliance with: (a) a direction given to the entity by the Minister under an Act or instrument during the reporting period; or (b) a government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(g)	3	Annual performance statements in accordance with paragraph 39(1)(b) of the Act and section 16F of the rule	Mandatory
17BE(h), 17BE(i)	2.3	A statement of significant issues reported to the Minister under paragraph 19(1)(e) of the Act that relates to noncompliance with finance law and action taken to remedy noncompliance	If applicable, mandatory
17BE(j)	2.3 & Appendix 1	Information on the accountable authority, or each member of the accountable authority, of the entity during the reporting period	Mandatory
17BE(k)	2.2	Outline of the organisational structure of the entity (including any subsidiaries of the entity)	Mandatory
17BE(ka)	Appendix 2	Statistics on the entity's employees on an ongoing and nonongoing basis, including the following: (a) statistics on fulltime employees; (b) statistics on parttime employees; (c) statistics on gender; (d) statistics on staff location	Mandatory
17BE(l)	2.2	Outline of the location (whether or not in Australia) of major activities or facilities of the entity	Mandatory
17BE(m)	2.3	Information relating to the main corporate governance practices used by the entity during the reporting period	Mandatory
17BE(n), 17BE(o)	N/A	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than \$10,000 (inclusive of GST)	If applicable, mandatory
17BE(p)	1.3	Any significant activities and changes that affected the operation or structure of the entity during the reporting period	If applicable, mandatory
17BE(q)	2.3	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the entity	If applicable, mandatory
17BE(r)	2.3	Particulars of any reports on the entity given by: (a) the Auditor General (other than a report under section 43 of the Act); or (b) a Parliamentary Committee; or (c) the Commonwealth Ombudsman; or (d) the Office of the Australian Information Commissioner	If applicable, mandatory

PGPA Rule Reference	Part of Report	Description	Requirements
17BE(s)	N/A	An explanation of information not obtained from a subsidiary of the entity and the effect of not having the information on the annual report	If applicable, mandatory
17BE(t)	2.3	Details of any indemnity that applied during the reporting period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs)	If applicable, mandatory
17BE(taa)	2.3 & Appendix 1	The following information about the audit committee for the entity: (a) a direct electronic address of the charter determining the functions of the audit committee; (b) the name of each member of the audit committee; (c) the qualifications, knowledge, skills or experience of each member of the audit committee; (d) information about each member's attendance at meetings of the audit committee; (e) the remuneration of each member of the audit committee	Mandatory
17BE(ta)	2.2	Information about executive remuneration	Mandatory




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