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FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Minister for Agriculture and Water Resources

Opinion

In my opinion, the financial statements of the Regional Investment Corporation for the year ended 30 June 2018:

- (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 Regional Investment Corporation as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Regional Investment Corporation, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Accountable Authority, 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 Regional Investment Corporation 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.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Regional Investment Corporation the Board is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation and fair presentation 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 Regional Investment Corporation's ability 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.

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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 those charged with governance 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



Serena Buchanan
Senior Executive Director

Delegate of the Auditor-General

Canberra
8 October 2018

CERTIFICATION



Australian Government



REGIONAL
INVESTMENT
CORPORATION

STATEMENT BY THE ACCOUNTABLE AUTHORITY, CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2018 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.

This statement is made in accordance with a resolution of the Board of the Corporation.

David Foster
Chair of the Board
5 October 2018

Matthew Ryan
Acting Chief Executive Officer
5 October 2018

Sean Evans
Acting Finance Manager
5 October 2018

PRIMARY FINANCIAL STATEMENTS

REGIONAL INVESTMENT CORPORATION STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2018

	Notes	2018
		\$
NET COST OF SERVICES		
Expenses		
Employee benefits	1.1A	2,119
Suppliers	1.1B	220,610
Total expenses		222,729
Own-source Income		
Interest	1.2A	1,835
Total own-source income		1,835
Net (cost of)/contribution by services		(220,894)
Revenue from government	1.2B	7,099,241
Total Comprehensive income/(loss)		6,878,347

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

REGIONAL INVESTMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	2018
		\$
ASSETS		
Financial assets		
Cash and cash equivalents	2.1A	7,017,033
Trade and other receivables	2.1B	51,987
Total financial assets		7,069,020
Total assets		7,069,020
LIABILITIES		
Payables		
Suppliers	2.2A	187,040
Other payables	2.2B	1,961
Total payables		189,001
Provisions		
Employee provisions	3.1A	1,672
Total provisions		1,672
Total liabilities		190,673
Net assets		6,878,347
EQUITY		
Retained surplus/(accumulated deficit)		6,878,347
Total equity		6,878,347

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

REGIONAL INVESTMENT CORPORATION STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2018

	2018
	\$
RETAINED EARNINGS	
Opening balance	
Adjusted opening balance	-
Comprehensive income	
Surplus/(deficit) for the period	6,878,347
Closing balance as at 30 June	6,878,347
TOTAL EQUITY	
Opening balance	
Balance carried forward from previous period	-
Comprehensive income	
Surplus/(deficit) for the period	6,878,347
Total comprehensive income	6,878,347
Closing balance as at 30 June	6,878,347

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

REGIONAL INVESTMENT CORPORATION CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2018

	2018
	\$
OPERATING ACTIVITIES	
Cash received	
Receipts from government	7,072,040
Total cash received	7,072,040
Cash used	
Suppliers	55,007
Total cash used	55,007
Net cash from/(used by) operating activities	7,017,033
Net increase/(decrease) in cash held	7,017,033
Cash and cash equivalents at the beginning of the reporting period	-
Effect of exchange rate movements on cash and cash equivalents at the beginning of the reporting period.	-

REGIONAL INVESTMENT CORPORATION OVERVIEW

Scope of Regional Investment Corporation's activities in the financial year ending 30 June 2018

The Regional Investment Corporation (RIC) was created on 8 March 2018 through its enabling legislation, the *Regional Investment Corporation Act 2018*.

Throughout the remainder of the financial year ending 30 June 2018, the Department of Agriculture and Water Resources, consistent with its responsibility to establish portfolio agencies as directed by government and legislation, undertook activities to establish governance arrangements, business processes and systems of the RIC.

As the department is a separate entity to the RIC, transactions the department undertook for establishing the RIC are not incorporated into these financial statements.

It was necessary for the RIC to enter contractual relationships and other arrangements in its own right in the course of its establishment. Only these transactions are reflected in these financial statements.

Consistent with its enabling legislation, the RIC did not commence operations until 1 July 2018 (after the final date these financial statements report upon).

Functions of the Regional Investment Corporation

The Regional Investment Corporation is an Australian Government controlled entity. It is a not-for-profit entity. The functions of the Regional Investment Corporation, as prescribed under its enabling legislation are:

- a to administer farm business loans;
- b to administer, on behalf of the Commonwealth, financial assistance granted before the start day to States and Territories in relation to water infrastructure projects;
- c to administer, on behalf of the Commonwealth, financial assistance to States and Territories in relation to water infrastructure projects;
- d to set, and adjust as required, the interest rates applicable to loans and financial assistance;
- e to provide advice to the responsible Ministers on the activities that are or could be undertaken by the Corporation;
- f to provide advice and assistance to borrowers in relation to approved loans, and prospective borrowers in relation to loans;
- g to administer programs prescribed by rules made by the Corporation's responsible Ministers;
- h any other functions conferred on the Corporation by the *Regional Investment Corporation Act 2018* (and associated rules), or any other Commonwealth law; and
- i anything incidental to, or conducive to, the performance of the above functions.

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

The basis of preparation of the financial statements

The financial statements are general purpose financial statements and are required by:

- a 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) for reporting periods ending on or after 1 July 2017 (as registered on 3 April 2018); 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 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.

New accounting standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

Taxation

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

Revenues, expenses and assets are recognised net of GST except:

- a where the amount of GST incurred is not recoverable from the Australian Taxation Office;
- b for receivables and payables which are recognised inclusive of GST.

Events after the reporting period

There have been no events after the reporting period that had the potential to significantly affect the ongoing structure and financial activities of the Corporation.

Budget commentary

Consistent with its remit to establish the Regional Investment Corporation, the Department of Agriculture and Water Resources was allocated all of the budget for undertaking establishment activities in 2017–18. No budget was allocated directly to the Regional Investment Corporation.

In June 2018, uncommitted cash which the Department of Agriculture and Water Resources was appropriated to establish the Regional Investment Corporation, was transferred to the Corporation to continue establishment activities. The receipt of this cash was recognised as Revenue from Government by the Regional Investment Corporation. Subsequent payments for employee benefits and supplier arrangements for contracts entered into by the Regional Investment Corporation are recognised in the Corporation's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 FINANCIAL PERFORMANCE

REGIONAL INVESTMENT CORPORATION

1.1 EXPENSES

2018

\$

1.1A Employee benefits	
Wages and salaries	1,651
Superannuation	
Defined contribution plans	-
Defined benefit plans	310
Leave and other entitlements	158
Total employee benefits	2,119

Accounting policy

Accounting policies for employee related expenses are contained in Note 3.1 *Employee provisions*.

1.1B Suppliers	
Goods and services supplied or rendered	
Consultants	14,113
Contractors	42,657
Travel	8,176
IT services	19,025
Legal services	130,395
Other	6,244
Total goods and services supplied or rendered	220,610
Good supplied	-
Services rendered	220,610
Total goods and services supplied or rendered	220,610
Total suppliers	220,610

REGIONAL INVESTMENT CORPORATION

1.2 OWN-SOURCE REVENUE AND GAINS

Own-source revenue	2018
	\$
1.2A Interest	
Deposits	1,835
Total interest	1,835

Accounting policy

Interest revenue is recognised using the effective interest method.

1.2B Revenue from government	
Department of Agriculture and Water Resources	
Other	7,099,241
Total revenue from government	7,099,241

Accounting policy

Revenue from government

Funding received or receivable from non-corporate Commonwealth entities is recognised as revenue from government by the corporate Commonwealth entity unless the funding is in the nature of an equity injection or a loan.

2 FINANCIAL POSITION

REGIONAL INVESTMENT CORPORATION

2.1 FINANCIAL ASSETS

2018

\$

2.1A Cash and cash equivalents	
Cash on hand or on deposit	7,017,033
Total cash and cash equivalents	7,017,033
2.1B Trade and other receivables	
Other receivables	
Interest	1,835
Input Tax Credits	21,437
Other	28,715
Total other receivables	51,987
Total trade and other receivables (gross)	51,987

Accounting judgements and estimates

All receivables are due from other Commonwealth entities. No impairment has been applied as receivables are considered fully recoverable.

REGIONAL INVESTMENT CORPORATION

2.2 PAYABLES

2018

\$

2.2A Suppliers	
Trade creditors and accruals	187,040
Total suppliers	187,040

Suppliers were paid within 14 days of submitting invoices.

2.2B Other payables	
Salaries and wages	1,065
Superannuation	310
Other	586
Total other payables	1,961

Accounting judgements and estimates

Payables are recognised at transaction value.

3 PEOPLE AND RELATIONSHIPS

REGIONAL INVESTMENT CORPORATION

3.1 EMPLOYEE PROVISIONS

	2018
	\$
3.1A Employee provisions	
Leave	1,672
Total employee provisions	1,672
Employee provisions expected to be settled	
No more than 12 months	1,672
Total employee provisions	1,672

Accounting policy

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.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave.

The leave liabilities are calculated on the basis of employee's remuneration at the estimated salary rate that will be applied at the time the leave is taken, including the entity's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

No liability for long service leave has been recognised given no employees have been engaged on a permanent basis.

Separation and redundancy

No provision is made for separation and redundancy benefit payments as no permanent employees have been appointed.

Superannuation

The entity's sole employee is a member of a defined benefit scheme managed by the Commonwealth Superannuation Corporation. 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.

Regional Investment Corporation makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. Regional Investment Corporation 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.

Accounting judgements and estimates

No provision has been made for long service leave as no employees have been permanently appointed.

REGIONAL INVESTMENT CORPORATION

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 entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Up to 28 June 2018, the remuneration of key management personnel was the responsibility of the Department of Agriculture and Water Resources. The Department remunerated the Corporation's four board members and the Acting Chief Executive Officer. The Board was remunerated consistent with *Remuneration Tribunal (Remuneration and Allowances for Holders of Part-time Public Office) Determination 2018*.

On 28 June 2018, the Corporation assumed responsibility for remunerating one key management personnel: the Acting Chief Executive Officer. The Department of Agriculture and Water Resources continued responsibility for remunerating the Corporation's four board members. Only key management personnel remuneration borne by the Corporation is reported in the table below:

	2018
	\$
Short-term employee benefits	1,809
Post-employment benefits	310
Total key management personnel remuneration expenses¹	2,119

The total number of key management personnel that are included in the above table is one.

REGIONAL INVESTMENT CORPORATION

3.3 RELATED PARTY DISCLOSURES

Related party relationships:

The entity is an Australian Government controlled entity. Related parties to this entity are Directors, Key Management Personnel 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. These transactions have not been separately disclosed in this note.

No transactions with related parties outside of the government sector occurred during the financial year.

¹ In addition to key personnel remuneration borne by the Department of Agriculture and Water Resources, 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 entity. No remuneration pertaining to the entity's board has been disclosed, as the department was responsible for board remuneration throughout 2017-18.

4 MANAGING UNCERTAINTIES

REGIONAL INVESTMENT CORPORATION

4.1 FINANCIAL INSTRUMENTS

2018

\$

4.1A Categories of financial instruments	
Financial assets	
Loan and receivables	
Receivables	51,987
Total loans and receivables	51,987
Total financial assets	51,987
Financial liabilities	
Financial liabilities measured at amortised cost	
Payables	189,001
Total financial liabilities measured at amortised cost	189,001
Total financial liabilities	189,001

Accounting policy

Financial assets

All of the Regional Investment Corporation's Financial Instrument assets are classified as loans and receivables.

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost — if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Financial assets held at cost — if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Financial liabilities

All of the Regional Investment Corporation's financial liabilities are classified as payables.

Payables

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

REGIONAL INVESTMENT CORPORATION

4.2 FAIR VALUE MEASUREMENT

Accounting policy

The Regional Investment Corporation held no property, plant or equipment or other non-current assets throughout the 2017–18 financial year. All accounts receivables are due from Commonwealth entities and considered fully recoverable.

The Regional Investment Corporation holds no non-current liabilities. All liabilities are held recorded at transaction value.

4.2A Fair value measurement	Fair value measurements at the end of the reporting period
	2018
	\$
Financial assets	
Cash	7,017,033
Accounts receivable	51,987
Financial liabilities	
Payables	189,001
Provisions	1,672