

QRAA

# 2012–13 Annual Report

# QRAA Annual Report 2012-13

## Welcome

Welcome to the QRAA Annual Report for 2012-13.

QRAA is a statutory authority of the Queensland Government established under the *Rural and Regional Adjustment Act 1994* (the Act), reporting to the Minister for Agriculture, Fisheries and Forestry.

We provide specialist financial administrative services to the Queensland Government as well as to state and territory governments throughout Australia and for the Australian Government in accordance with the Act.

This report provides a summary of QRAA's achievements, performance, outlook and financial position for the 2012-13 financial year in accordance with legislative reporting obligations.

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### Interpreter service statement



The Queensland Government is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, you can contact us on **Freecall 1800 623 946** and we will arrange an interpreter to effectively communicate the report to you.

### Public availability and feedback

A copy of this Annual Report is available at [www.qraa.qld.gov.au](http://www.qraa.qld.gov.au). A checklist outlining the annual reporting requirements can be accessed at [www.qraa.qld.gov.au](http://www.qraa.qld.gov.au).

To provide feedback on this report, please contact us:

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## To the Minister

30 September 2013

The Honourable John McVeigh  
Minister for Agriculture, Fisheries and Forestry  
GPO Box 46  
BRISBANE QLD 4001

Dear Minister

I am pleased to present the QRAA Annual Report for 2012-13.

This report summarises QRAA's corporate performance for 2012-13 and has been endorsed by the QRAA Board of Directors.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Rural and Regional Adjustment Act 1994* and the *Financial Accountability Act 2009*, and
- the detailed requirements set out in the *Annual Report requirements for Queensland Government agencies (2012 – 2013 reporting period)*.

QRAA is proud of its achievements in 2012-13 and will continue to support the Queensland Government's objectives of doubling agricultural production by 2040 and growing a four pillar economy through tourism, agriculture, resources and construction.

Yours sincerely

Wayne Carlson  
**Chairperson**

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# Our year in review

## Chairperson's and Chief Executive Officer's report

### Our Performance

The past year has proved to be another challenging yet rewarding year for QRAA.

In the year ended, 30 June 2013, QRAA approved more than 9,400 applications totalling over \$166 million in financial assistance across all loan, grant, rebate and subsidy programs.

Application volumes and the dollar value of assistance were lower in 2012-13 than in the previous two years, as a result of the magnitude and timing of disaster events and the closure of the Queensland Government Solar Hot Water Rebate Scheme (QGSWRS).

### Our Programs

QRAA's activities remained significant in 2012-13 with eight new programs secured, including Tropical Cyclone Oswald and biosecurity and fisheries compensations programs.

Three disaster schemes were also implemented in 2012-13 following Tropical Cyclone Oswald. At 30 June 2013 over 7,000 applications and \$83 million in disaster recovery assistance had been approved under *Natural Disaster Relief and Recovery Arrangements* (NDRRA) jointly funded by the Australian and Queensland State Government.

A significant increase in demand for First Start and Sustainability loans under the Queensland Government Primary Industry Productivity Enhancement Scheme (PIPES) resulted in 250 applications and a record \$78.9 million being approved to new and existing producers throughout the financial year.

QRAA's loan portfolio increased by over \$23 million (as compared to June 2012 restated balance) reaching more than \$330 million at 30 June 2013. The growth reflects strong demand for productivity loans to boost Queensland's primary production sector and the ongoing need for natural disaster assistance loans by primary producers, businesses and non-profit organisations.

### Our people and our clients

The results of our biennial client satisfaction survey provided a great boost to all QRAA staff - 86 per cent of clients surveyed indicated that they were satisfied or very satisfied with the service received from QRAA. These results are particularly pleasing as they include feedback from clients who were not actually successful with their application for assistance from QRAA.

Government agencies who engaged QRAA to deliver programs on their behalf were also very satisfied with QRAA.

All survey respondents indicated that they would definitely recommend QRAA to other agencies and agreed that QRAA provides a professional, efficient, reliable, trustworthy and responsive service.

### Our Financial Performance

In 2012-13, QRAA achieved an operating surplus of \$10.24 million. This was an increase of \$9.44 million from the previous year.

During 2012-13, QRAA approved \$69.74 million in grants, rebates and subsidies, including \$66 million in NDRRA assistance, and \$1.46 million under QGSWRS). For the same period, QRAA approved \$96.49 million in loans under both PIPES, and NDRRA assistance.

As a result of the reduction in activity relating to natural disasters, QRAA achieved a significant reduction of its normal operating expenses of approximately \$2.94 million, or 20 per cent, in 2012-13. This result reflects one of QRAA's unique strengths in terms of its ability to upscale and downscale to respond to significant events such as natural disasters.

In 2012-13, QRAA received a core funding operating grant from Queensland Government of \$9.08 million. QRAA also received \$0.53 million in fees for administering assistance programs on behalf of various government departments. Fee for service revenue is expected to increase in 2013-14 with a range of new schemes on track to be implemented early 2013-14.

### The year ahead

QRAA will continue to provide a broad, flexible and cost effective range of administrative services to assist government agencies to deliver financial programs to the highest standards.

We will continue to build our capabilities through the acquisition and delivery of new programs in Queensland and interstate and will remain flexible and responsive to government priorities and the needs of our growing client base.

QRAA's 2013-17 Strategic Plan provides the framework that will enable the organisation to progress our strategic intent of achieving self-sufficiency and vision of being the preferred provider of government financial assistance programs.



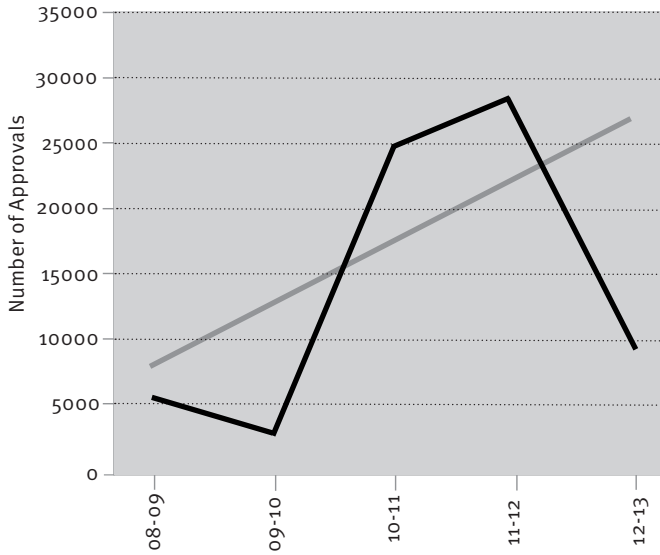
Wayne Carlson  
Chairperson



Colin Holden  
Chief Executive Officer

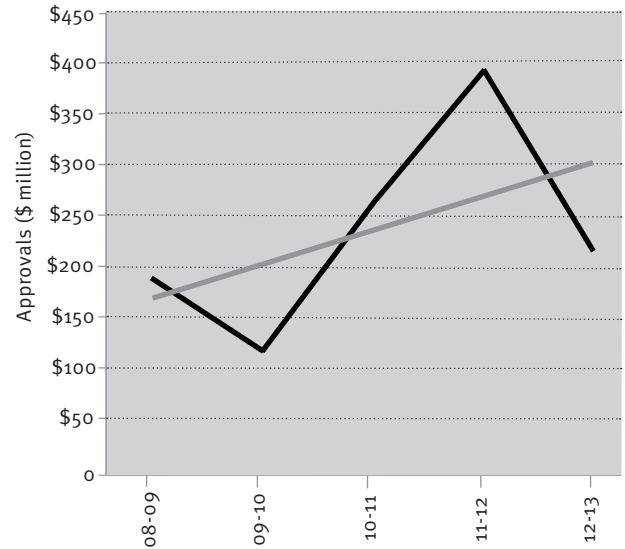
# Five year snapshot

### Applications approved



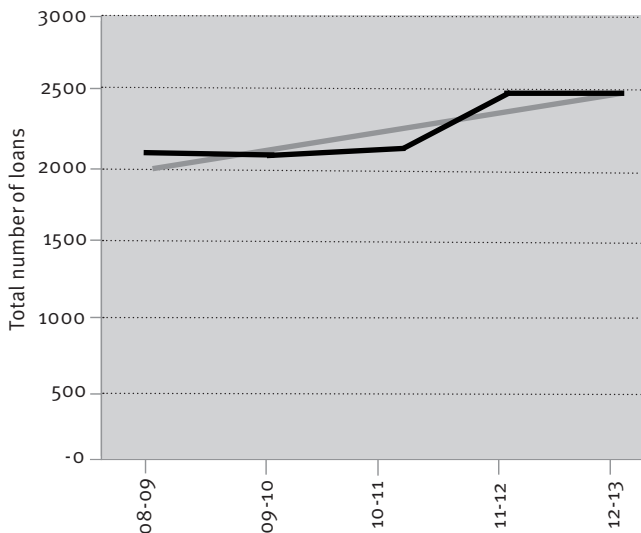
QRAA approved 9,480 applications across all financial assistance programs in 2012-2013. This represents a return to more usual activity.

### Program approvals



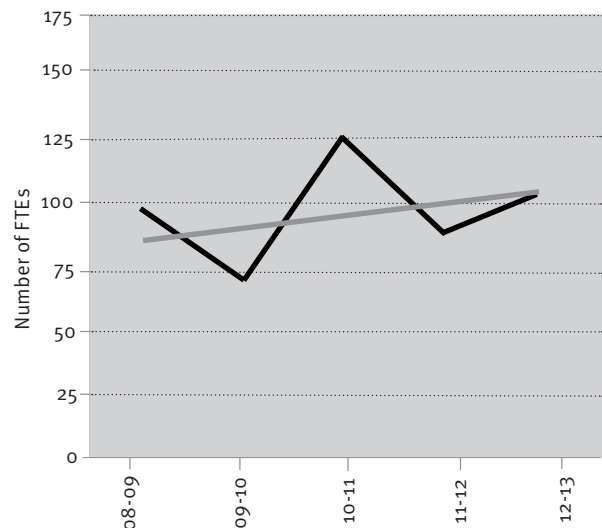
In 2012-13, QRAA approved more than \$166 million in financial assistance in the form of loans, rebates, grants and subsidies.

### Total number of loans



The continued expansion of QRAA's loan portfolio highlights the community need and value of PIPES and NDRRA loans.

### Staffing



As at 30 June 2013, QRAA employed 101 full-time equivalent employees (FTE) across all business units. Staff numbers vary throughout the year to match business needs.

— Total number      — Trend line

# Our organisation

## About us

### Who we are

QRAA is a statutory authority of the Queensland Government established under the *Rural and Regional Adjustment Act 1994* (the Act), reporting to the Minister for Agriculture, Fisheries and Forestry.

### What we do

QRAA is a specialist administrator of government financial assistance programs including loans, grants, rebates and subsidies.

Since 1994, QRAA has established a reputation for cost-effective, timely, robust and transparent service delivery.

Through the assistance programs it administers, QRAA contributes to Queensland Government objectives by:

- fostering the development of a more productive and sustainable rural and regional sector in Queensland
- supporting the state's economy by providing assistance to primary producers, small businesses and other elements of the state's economy
- giving assistance by administering programs for the Australian Government and other states in rural and regional sectors outside Queensland.

QRAA's core responsibility is to administer the Queensland Government's Primary Industry Productivity Enhancement Scheme and when required, supports the delivery of selected Natural Disaster Relief and Recovery Arrangements assistance for primary producers, businesses and non-profit organisations (jointly funded by the Queensland and Australian Governments).

QRAA is also empowered under the Act to deliver additional programs and services to state and territory governments throughout Australia and for the Australian Government.

QRAA's administration services are complemented by a dedicated and responsive customer service unit which includes:

- direct access to experienced Customer Service Officers based in the Brisbane head office via the **Freecall 1800 623 946** number
- personalised support throughout regional Queensland through our network of eight Client Liaison Officers located in Bundaberg, Innisfail, Kingaroy, Longreach, Mackay, Rockhampton, Roma and Toowoomba.

### Our values

QRAA's operations are governed by its commitment to six core values:

#### *Continual improvement*

we will develop a higher level of excellence in the delivery of high-quality, efficient, timely and responsive services.

#### *Equity*

we ensure that our performance demonstrates transparency, fairness, consistency and professionalism.

#### *Integrity*

we act with honesty, empathy and confidentiality in all of our dealings.

#### *Responsibility*

we will deliver on our commitments by taking ownership and responsibility for our decisions.

#### *Respect and recognition*

we value and acknowledge the contribution of our staff and commit to providing recognition, development and the giving and receiving of constructive feedback.

#### *Harmony and satisfaction*

we provide a safe, equitable, harmonious and challenging work environment encouraging teamwork and creativity.

### Our vision



To be the preferred provider of government financial programs and services.

### Strategic intent



To achieve self sufficiency.

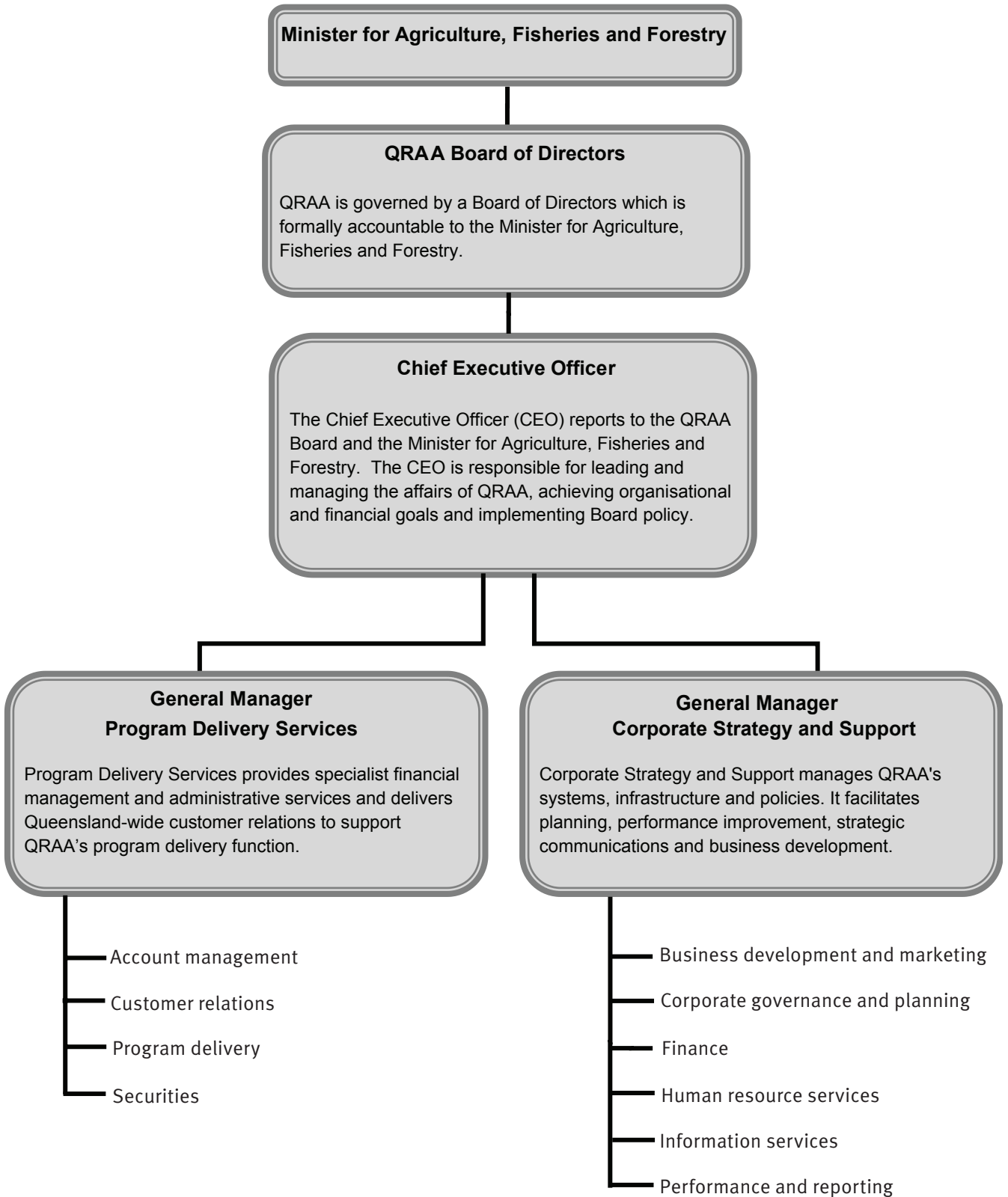
### Strategic framework



QRAA's Strategic Plan 2012-16 outlined four strategic priorities that guide and support the achievement of our vision and strategic intent. These are:

1. Cost leadership
2. Service excellence
3. Business Growth
4. Capability

# Organisational structure





# Corporate governance

## QRAA Board of Directors

QRAA's Board of Directors (the Board) is responsible for the way QRAA performs its functions and exercises its powers.

The Board consists of seven directors, including representatives from Queensland industry as well as the Department of Agriculture, Fisheries and Forestry (QDAFF) and Queensland Treasury and Trade.

The Board's role includes:

- approving strategies and operational, administrative and financial policies
- ensuring QRAA performs its functions properly, effectively and efficiently
- annual review of the performance of QRAA's CEO.

The Board is formally accountable to the Minister for Agriculture, Fisheries and Forestry. During 2012-13, the Board reported to the Minister on QRAA's achievements on a quarterly basis.

Under the Act, the Board must meet at least once every three months. The Chairperson may call a Board meeting more frequently as required.

During 2012-13 the Board met 13 times.

| Director         | Board meetings     |          | Audit and Risk Management Committee meetings |          | Remuneration Committee meetings |          | 'Special' meetings * |          |
|------------------|--------------------|----------|--|----------|---------------------------------|----------|----------------------|----------|
|                  | Eligible to attend | Attended | Eligible to attend                           | Attended | Eligible to attend              | Attended | Eligible to attend   | Attended |
| Wayne Carlson    | 11                 | 11       | 6  | 6        | 3                               | 3        | 2                    | 2        |
| Joy Cooper       | 5                  | 5        | 3  | 3        | 2                               | 2        | 1                    | 1        |
| Christopher Hood | 10                 | 9        | -  | -        |                                 |          | 2                    | 2        |
| Elizabeth Woods  |                    |          | -  | -        |                                 |          | 2                    | 2        |
| John O'Connell   | 3                  | 2        | 2  | 2        | -                               | -        | -                    | -        |
| Drew Ellem       | 7                  | 6        | 3  | 2        |                                 |          | 2                    | 2        |
| John Pollock     | 11                 | 11       | 6  | 6        | 1                               | 1        | 2                    | 2        |
| Georgie Somerset | 11                 | 11       | 3  | 3        | 3                               | 3        | 2                    | 2        |
| Damian Morgan    | 6                  | 3        | -  | -        | -                               | -        | 1                    | 0        |

## NOTES

The restructure of Queensland Treasury (September 2012) saw John O'Connell's responsibilities change and therefore the Under-Treasurer delegated directorship on QRAA's Board to Drew Ellem. On 12 June 2013, Drew Ellem was seconded to the Department of Premier and Cabinet. As at 30 June 2013, advice was pending with regards to a new delegate.

Christopher Hood was appointed 19 July 2012 replacing Director, Sarah Israel who resigned on 6 June 2012.

Joy Cooper retired from QRAA's Board of Directors and as Chair of the A&RM Committee and member of the Remuneration Committee on 2 December 2012. Damian Morgan was appointed as a director on 3 December 2012.

John Pollock was appointed as Chair of the A&RM Committee on 18 December 2012. Georgie Somerset was appointed the third member of the A&RM Committee by the Board on 18 December 2012.

\* Special meetings [27-29 November - Fassifern Valley - Brisbane] and [28-30 May - Stanthorpe-Warwick Regional Trip].



# Corporate governance (cont.)

## *Remuneration Committee*

The Remuneration Committee includes two directors and meets annually, with the QRAA CEO attending as an ex-officio member.

As part of the budget process, the Committee reviewed and advised the QRAA Board on the performance of senior management by means of a remuneration review.

## **Measuring performance**

Organisational performance goals and strategic targets are established as a result of the Board's strategic planning and budgeting processes and are subject to endorsement by the Minister for Agriculture, Fisheries and Forestry.

Organisational performance is monitored and reported against objectives and targets set out in QRAA's Strategic Plan.

The Remuneration Committee and the Board periodically review the performance of QRAA's CEO and other senior executives.

## **Risk management**

QRAA's risk management framework assists staff to implement risk management practices and facilitates a risk management culture.

A risk management reference group, comprised of representatives of QRAA's business units, assists and supports the Senior Executive Team and the A&RM Committee maintain an integrated risk management approach to:

- promote and further develop the risk management framework and act as risk champions to foster a culture of risk management
- review and consider the requirements and issues raised applicable to legislation, standards and guidelines
- effectively manage, monitor and review risk exposures and treatments
- promote emergency and business continuity management preparedness
- review fraud and corruption management practices
- identify emerging risks and opportunities and develop appropriate action plans to manage those risks and opportunities.

Strategies that supported successful risk management in 2012-13 included:

- managing the QRAA Risk Register, incorporating

the status of risk treatments (reviewed quarterly by the QRAA Senior Executive Team, QRAA's A&RM Committee and the QRAA Board)

- undertaking a Risk Management Health Check performed by QRAA's internal audit providers
- reviewing and updating the risk management framework and risk management guidelines and tools to improve accessibility and enhance employee engagement/ownership
- commencing a data analytics work plan
- testing emergency and business continuity management preparedness.

## **Internal audit**

Deloitte Touche Tohmatsu (Deloitte) provided internal audit services during the year. This internal audit function assisted QRAA in achieving strategic goals by providing an independent review of identified areas.

The reviews undertaken in 2012-13 assisted with:

- ensuring financial assistance programs are administered appropriately
- reliability and integrity of financial, human resource, payroll and information services processing and systems
- legislative compliance
- appropriate management of operational areas and projects.

Deloitte delivered these services through the development and monitoring of an annual audit plan of reviews. All final reports were considered by the QRAA A&RM Committee.

## **Ethical standards**

QRAA requires all directors, managers and employees to act with integrity and objectivity and to maintain high standards of ethical behaviour in the execution of their duties.

The QRAA Code of Conduct requires officers to:

- act with integrity and impartiality, ensuring high standards of workplace behaviour and personal conduct
- promote the public good through excellence in customer service, community engagement and working with other agencies
- commit to the system of government through conscientious service to QRAA and government
- act with accountability and transparency to support high standards of administration.

# Corporate governance (cont.)

All new appointees to QRAA provide a statement indicating that they have read and understood the QRAA Code of Conduct. In May 2013 all existing employees were required to acknowledge that they understand the Code of Conduct and responsibilities as part the ongoing reinforcement of ethical standards.

All QRAA policies and procedures are referenced to the Code of Conduct and are made available to staff via the QRAA intranet. Internal communications support ongoing awareness, understanding and compliance.

To support the QRAA Code of Conduct and to further strengthen connectivity with the *Public Sector Ethics Act 1994*, targeted training was conducted on:

- media management
- asset disposal and delegations
- finance controls
- Information Technology (IT) security including user access and password security
- procurement
- giving and receiving gifts and benefits.

In addition, the QRAA Fraud Management Control Plan and Risk Register were reviewed and updated in 2012-13 to support effective fraud management.

## Policy framework

During 2012-13, QRAA continued to focus on the development and review of its corporate policies and procedures in line with a three-year cyclical work plan. This ensured ongoing connectivity with legislation and government directives, audit outcomes and best practice.

Policies and procedures approved by the QRAA Board are made available centrally on the QRAA intranet and implemented with the support of education and training, monitoring and review mechanisms.

During 2012-13, a total of 34 policies and procedures were reviewed or developed.

## Information systems and recordkeeping

Information systems and recordkeeping are managed in accordance with the *Public Records Act 2002* and other key information standards, policies and guidelines that form the Queensland Government Recordkeeping Policy Framework.

Development and approval of the QRAA Business Classification Scheme (BCS) was also completed in 2012-13 which forms the foundation of a new organisational network directory with implementation commencing in

2013-14. A significant recordkeeping training program was conducted in 2012-13 to support the use of the BCS.

During 2012-13, QRAA completed a number of activities that contributed to the compliance with Information Standard 40 Recordkeeping, including reviewing procedures to support the management of document retention and disposal and the implementation of the BCS, including naming conventions, version control and file and folder creations framework/protocols.

## Open data

For 2012-13, QRAA's consultancies will be published through the Queensland Government's Open Data website ([www.data.qld.gov.au](http://www.data.qld.gov.au)) instead of in the annual report.

## Right to information

The *Right to Information Act 2009* (RTI Act) is the Queensland Government's approach to providing the community with access to information controlled by government.

QRAA supports the principles of the RTI Act by operating in an open, transparent and accountable manner while protecting the privacy of clients and staff.

QRAA is committed to releasing as much information as possible and provides access to information in accordance with the legislation, as well as publishing available information on the QRAA website.

During 2012-13, QRAA processed two requests for access to information in accordance with the RTI Act. Given the nature of the information, QRAA was not required to provide a disclosures log.

## Information privacy

The *Information Privacy Act 2009* (IP Act) gives all members of the public a legally enforceable right to access and amend their personal information. The IP Act also requires QRAA to safeguard the personal information that it holds and only disclose such information to the individual that the information relates to, where consent has been provided or it is required and authorised under law.

During 2012-13, QRAA did not process any requests for personal information in accordance with the IP Act.

## Work health and safety

QRAA is committed to providing a work environment that is conducive to protecting the health, safety and well-being of QRAA workers and visitors to the workplace. QRAA is bound by the *Work Health and Safety Act 2011*

## Corporate governance (cont.)

(WHS Act), *Work Health and Safety Regulation 2011* and relevant codes of practice.

All QRAA employees were provided with training on how to perform their work safely and without risk to their own or others' health and safety. New employees were informed about the WHS Act and QRAA Work Health and Safety Policy and Procedure through induction programs.

To support staff returning to work after illness or injury, QRAA has a workplace rehabilitation and return to work coordinator. QRAA has workplace accreditation from Q-COMP for its Workplace Rehabilitation Policy and Procedure.

To support the wellbeing of QRAA staff, influenza vaccinations were again offered to all staff prior to the onset of winter, with 46 per cent participating in the program (an increase of 7 per cent on the 2011-12 participation rate).

## QRAA workforce profile

QRAA staff provide a strong foundation for the effective administration of financial assistance programs.

QRAA's staffing levels are demand driven and vary to accommodate business needs such as responding to disaster events or new programs secured.

As at 30 June 2013, QRAA employed 101 full-time equivalent (FTE) staff as follows:

### QRAA employees by employment type (as at 30 June 2013)

|             | 2011-12 | 2012-13 | MOVEMENT |
|-------------|---------|---------|----------|
| Permanent   | 62.5    | 70      | ↑        |
| Temporary   | 28.3    | 31      | ↑        |
| Casual      | 0       | 0       | —        |
| Total (FTE) | 90.8    | 101     | ↑        |

### QRAA employees (as at 30 June 2013)

|                         | 2011-12 | 2012-13 | MOVEMENT |
|-------------------------|---------|---------|----------|
| Management (A07)        | 13.0    | 15.0    | ↑        |
| Professional (A05/6/7)  | 49.2    | 59      | ↑        |
| Administrative (to A04) | 28.6    | 27      | ↓        |
| Total (FTE)             | 90.8    | 101     | ↑        |

QRAA's permanent officer retention rate for 2011-12 was 89 per cent. The permanent officer separation rate for this period was 11 per cent.

### Recruitment

Recruitment activity in 2012-13 primarily occurred in response to Tropical Cyclone Oswald. Increases in staffing for this disaster event offset the reduction in temporary staff associated with the wind down and closure of older schemes. Therefore, overall net staffing figures remained largely unchanged.

The voluntary turnover rate of 9.47 per cent, down from the previous year (10.65 per cent), is considered to be a very good result in light of potential instability caused by changes in the workforce as temporary officers reached the end of their contracts and a number of mature officers entered retirement.

The organisation continued to successfully fill vacant positions on an as needs basis and used QRAA's Employee Value Proposition to promote the benefits of working for QRAA.

### Professional development

QRAA's Corporate Training Committee was aided by the addition of a Training Coordinator. This resource helped research, coordinate and record training initiatives throughout the year and recorded staff training requirements and training undertaken. This improved approach benefitted individuals and supported QRAA's strategic objectives - ensuring staff were equipped with the appropriate skills and knowledge to meet current and future business needs.

Many staff also undertook formal studies in finance, accounting, management and project management. Others participated in a range of professional and personal development activities including computer training, job specific (technical training), marketing and resilience training.

### Performance and development plans

QRAA's staff Performance and Development Plan (PDP) process commences in July each year. During 2012-13 each employee, together with their team leader or manager, developed a PDP in line with QRAA's Strategic Plan and Operational Plans. The process placed emphasis on matching employee training and development to business requirements and QRAA's strategic direction.

### Industrial and employee relations

In the 2012-13 financial year QRAA established a number of consultative committees and working groups to develop policies and procedures, review business development opportunities and to assist in planning and establishing new programs.

QRAA's consultative employee relations frameworks provide a mechanism to successfully address any employee concerns.

### **Early retirement, redundancy and retrenchment**

QRAA did not opt-in to the program of redundancies implemented by the Queensland Government during 2012-13, however, one retrenchment was processed in accordance with the standard provisions of the QRAA Award.

### **Voluntary Separation Program**

A Voluntary Separation Program was implemented by the Queensland Government during 2011-12. The program ceased during 2011-12. QRAA did not opt-in to this program. Accordingly, no QRAA employees received a voluntary separation package during 2012-13.

### **Looking ahead**

QRAA will continue to review employment arrangements to ensure appropriate staffing resources are available to meet workloads associated with existing programs and emerging new business opportunities. We will also ensure we retain our capacity to respond quickly to any future natural disaster events.

# Our performance

## Organisational performance summary

| Our priorities               | Our objectives   | Measuring performance   |
|------------------------------|--|---|
| <b>1. Cost leadership</b>    | Improve organisational efficiency and performance  | Arrears to loan portfolio   |
|                              |  | Operating budget performance  |
|                              |  | Operating revenue performance   |
| <b>2. Service excellence</b> | Maintain and continuously improve the quality and timeliness of service delivery to meet the needs of our external and internal stakeholders | Client satisfaction with QRAA's services  |
|                              |  | Program owner satisfaction with QRAA's administration   |
|                              |  | Applications processed within standard response indicators                                      |
| <b>3. Business Growth</b>    | Maximise uptake of the productivity enhancement scheme   | Productivity loan approved amount against budget  |
|                              | Secure new programs in Queensland and Australia  | New programs administered   |
| <b>4. Capability</b>         | Ensure that the capabilities of our staff are aligned to business requirements   | Staff achievement within personal development plans   |
|                              | Ensure that our corporate systems and processes are robust and aligned with business requirements  | Annual audit program recommendations implemented within agreed timeframes                       |
|                              | Ensure that our ICT systems and processes are robust and meet our current and future business needs  | Develop, implement and monitor a four year Strategic Information Communications Technology Plan |
|                              | Promote a culture that empowers and motivates staff to excel in reflecting our values  | Staff satisfaction rate result from Staff Survey  |

| 2012-13 target/<br>Estimate | 2012-13 actual |   | Commentary   | 2013-14 Target/<br>Estimate |
|-----------------------------|----------------|---|--|-----------------------------|
| 3%                          | 0.73%          | ✓ | Loan arrears remained well below the performance target, reflecting QRAA's continued commitment to effective loan management.  | 3%                          |
| 0%                          | -62.5%         | ✗ | This outcome reflects an additional expense from applying Australian Accounting Standard AASB139. The additional expense represents the fair value of concessions on loans that were advanced in 2012-13 to primary producers and small businesses.                    | 0%                          |
| 0%                          | 44.42%         | ✓ | This outcome was caused by the higher than projected level of interest earned from QRAA's loan portfolio, as a result of applying AASB139 to loans offered at concessional rates.  | 0%                          |
| 80%                         | 86%            | ✓ | On average, 86% of clients (approved and declined) are satisfied or very satisfied with QRAA's services. Despite the exponential increase in application volumes over the past two financial years, satisfaction levels have remained stable.                          | -                           |
| 75%                         | 100%           | ✓ | All program owners surveyed were satisfied or very satisfied with QRAA's service. This outstanding result reflects the findings of an online survey of government agencies who engaged QRAA to administer programs or deliver services on their behalf during 2012-13. | 75%                         |
| 85%                         | 87.42%         | ✓ | The record volume of productivity loan applications received placed significant pressure on QRAA's processing capacity during 2012-13, despite this, 87.42% of applications received were processed within the standard turnaround times established for each scheme.  | 85%                         |
| 95%                         | 144%           | ✓ | For the second successive year, QRAA exceeded the \$60 million budget target - approving a record \$78.9 million in First Start and Sustainability Loans.  | 95%                         |
| 3                           | 8              | ✓ | QRAA expanded into new markets, delivered on government priorities and supported organisational sustainability by administering eight new programs/ services in 2012-13.   | 3                           |
| 80%                         | 100%           | ✓ | Performance reviews completed in 2012-13 established staff achievements against personal development plans.  | 80%                         |
|                             |                |   | All reviews were undertaken in accordance with the annual audit plan with final reports considered by the QRAA Audit and Risk Management Committee.  |                             |
| 100%                        | 100%           | ✓ | ICT Strategic Plan was developed and incorporated into QRAA's strategic planning framework 2013-2017.  |                             |
| 80%                         | 86.2%          | ✓ | QRAA staff satisfaction levels have remained stable over the past two years with the findings of the staff survey returning an 86.2% overall staff satisfaction level.   | 80%                         |



# QRAA program portfolio

| PROGRAM OWNER   | PROGRAM   | PURPOSE OF PROGRAM / SERVICE   |
|---|---|--|
| <b>Productivity enhancement</b>   |   |  |
| Queensland Government   | First Start   | Provide loans at concessional rates of interest to an applicant in the first years of establishment of a primary production enterprise in Queensland.  |
|   | Sustainability  | Provide concessional loans to primary producers to implement systems and management practices that enhance sustainable primary production in Queensland.   |
| <b>Natural disaster</b>   |   |  |
| Australian and Queensland Governments<br><i>(Natural Disaster Relief and Recovery Arrangements)</i> | Natural Disaster Assistance Scheme Individually Disaster Stricken Properties  | Assist in meeting the recovery needs of primary producers affected by isolated disaster events outside of declared local government areas.   |
|   | Natural Disaster Assistance Scheme Queensland Flooding and Cyclones (January to April 2010)                               | Assist primary producers and small businesses pay for costs arising out of direct damage.  |
|   | Special Disaster Flood Assistance Scheme (March 2010)   | Assist primary producers and small businesses pay for costs arising out of direct damage.  |
|   | Special Disaster Flood Assistance Scheme Queensland Floods (November 2010 - January 2011)*                                | Assist primary producers, small business and non-profit organisations pay for costs arising out of direct damage.  |
|   | Special Disaster Assistance Scheme Tropical Cyclone Yasi*   | Assist primary producers, small businesses and non-profit organisations pay for costs arising out of direct damage.  |
|   | Natural Disaster Assistance Scheme Queensland Floods (November 2010 - January 2011)*                                      | Assist primary producers, small businesses and non-profit organisations pay for costs arising out of direct damage.  |
|   | Natural Disaster Assistance Scheme Tropical Cyclone Yasi*   | Assist primary producers, small businesses and non-profit organisations pay for costs arising out of direct damage.  |
|   | Exceptional Disaster Assistance Scheme Queensland Floods (November 2010 - January 2011)*                                  | Assist primary producers and businesses essential to key economic supply chains and regional employment and non-profit organisations that play a significant role in supporting the local community, to pay re-establishment costs arising out of direct extreme damage. |
|   | Exceptional Disaster Assistance Scheme Tropical Cyclone Yasi*   | Assist primary producers and businesses essential to key economic supply chains and regional employment and non-profit organisations that play a significant role in supporting the local community, to pay re-establishment costs arising out of direct extreme damage. |
|   | Special Disaster Assistance Scheme Western Queensland Tropical Low (February 2012)*                                       | Assist primary producers, small businesses and non-profit organisations pay for costs arising out of direct damage.  |
|   | Natural Disaster Assistance Scheme Western Queensland Tropical Low (February 2012)*                                       | Assist primary producers and small businesses pay for costs arising out of direct damage.  |
|   | Natural Disaster Assistance Scheme Western Queensland Tropical Low (February 2012) - Non Profit organisations             | Assist non-profit organisations pay for costs arising out of direct damage.  |
|   | Natural Disaster Assistance Scheme Far North Queensland Bushfires 2012  | Assist primary producers pay for costs arising out of direct damage.   |
|   | Special Disaster Assistance Scheme Tropical Cyclone Oswald  | Assist primary producers, small businesses and non-profit organisations pay for costs arising out of direct damage.  |
|   | Natural Disaster Assistance Scheme Tropical Cyclone Oswald  | Assist primary producers and small businesses pay for costs arising out of direct damage.  |
| Exceptional Disaster Assistance Scheme Tropical Cyclone Oswald                                      | Assist primary producers and businesses to pay re-establishment costs arising out of direct extreme damage.               |  |
| <b>Drought Assistance</b>   |   |  |
| Queensland Government   | Drought Carry-On Scheme and Drought Recovery Scheme   | Assist primary producers who are carrying on primary production enterprises in drought affected areas to recover from the impacts of the drought.  |
| Australian and Queensland Governments   | Rural Adjustment Scheme - Exceptional Circumstances (primary producers and small business)                                | Assist affected primary producers and small businesses if, had exceptional circumstances not happened, their enterprises would have long term prospects of profitability and sustainability.   |
| <b>Adjustment</b>   |   |  |
| Queensland Government   | Queensland East Coast Commercial Net Fishing Reduction Scheme   | To make the Queensland East coast net fishery more sustainable by the voluntary surrender of 'N1' and 'N2' licences under a competitive tender.  |
|   | Subsidised Interest Rate Scheme for Pastoralists and Service Businesses involved in Live Cattle Exports to Indonesia      | To assist pastoralists and service businesses affected by the Australian Government's temporary suspension of live cattle exports to the Republic of Indonesia.  |
| <b>Other</b>  |   |  |
| Queensland Government   | Hendra virus Personal Protective Equipment Rebate Scheme  | To assist in offsetting the purchase price of prescribed personal protective equipment (PPE) for eligible veterinary surgeons who may be at significant risk of being exposed to the Hendra virus.   |
|   | Queensland Cattle Industry Biosecurity Fund   | Administration and management of the Queensland Cattle Industry Biosecurity Fund established to support the delivery of assistance schemes in response to disease outbreaks affecting the Queensland cattle industry.  |
|   | Bovine Johne's Disease Assistance Scheme  | To assist eligible applicants who have suffered financial loss because of the slaughter of cattle, or alternative supply actions affecting cattle, related to the  |
|   | Gladstone Ports Corporation Limited Western Basin Dredging and Disposal Project Commercial Fisheries Compensation Program | The provision to Gladstone Ports Corporation of assessment reports including conclusions on compliance with eligibility criteria and a calculation of financial compensation under the program.  |
|   | Queensland Government Solar Hot Water Rebate Scheme   | A rebate to eligible households that replace their electrical storage hot water system with a solar hot water system or heat pump.   |
| <b>TOTAL</b>  |   |  |

\* 2011-12 figures have been amended to reflect cancellations and adjustments that occurred during 2012-13. Figures are accurate as at 30 June 2013.



| SUPPORT AVAILABLE   | APPLICATION APPROVALS |              |              |              |               |
|---|-----------------------|--------------|--------------|--------------|---------------|
|   | 2011-12 (#)           | 2012-13 (#)  | 2011-12 (\$) | 2012-13 (\$) | Variance (\$) |
| Maximum loan amount of \$650,000  | 84                    | 118          | \$31,887,697 | \$45,815,748 | Up            |
| Maximum loan amount of \$650,000  | 101                   | 132          | \$23,656,401 | \$33,110,168 | Up            |
| Loan up to \$250,000  | 3                     | 1            | \$605,000    | \$89,000     | Down          |
| Loan up to \$250,000  | 1                     | -            | \$250,000    | -            | Closed        |
| Grants up to \$25,000   | 60                    | -            | \$635,776    | -            | Closed        |
| Grants up to \$25,000   | 7,383                 | 1,450        | \$89,177,461 | \$17,810,734 | Closed        |
| Grants up to \$25,000   | 3,679                 | 608          | \$38,999,843 | \$6,911,145  | Closed        |
| Loan up to \$250,000 for primary producers and small businesses and a loan/grant package of up to \$105,000 for non-profit organisations  | 91                    | 11           | \$11,664,987 | \$940,200    | Closed        |
| Loan up to \$250,000 for primary producers and small businesses and a loan/grant package of up to \$105,000 for non-profit organisations  | 45                    | 7            | \$5,971,600  | \$442,200    | Closed        |
| Loan/grant package up to \$650,000  | 86                    | 10           | \$37,736,141 | \$5,173,000  | Closed        |
| Loan/grant package up to \$650,000  | 50                    | 4            | \$19,094,363 | \$1,829,000  | Closed        |
| Grants up to \$25,000   | 752                   | 817          | \$5,778,914  | \$11,811,984 | Closed        |
| Loan up to \$250,000  | 1                     | 4            | \$28,490     | \$556,000    | Closed        |
| Loan/grant package up to \$105,000  | -                     | -            | -            | -            | New/Closed    |
| Loan up to \$250,000  | --                    | 1            | -            | \$180,000    | New           |
| Grants up to \$25,000   | --                    | 4017         | -            | \$27,765,410 | New           |
| Loan up to \$250,000 for primary producers and small businesses and a loan/grant package up to \$105,000 for non-profit organisations   | -                     | 18           | -            | \$1,642,200  | New           |
| Loan/grant package up to \$650,000  | -                     | 24           | -            | \$8,488,080  | New           |
| Maximum amount of \$200,000 for drought recovery loans and \$100,000 for drought carry-on loans   | 1                     | -            | \$39,000     | -            | Closed        |
| Interest subsidy up to \$100,000 for new or existing commercial loans   | 10                    | -            | \$321,278    | -            | Closed        |
| Payment for the surrender of an 'N1' or 'N2' licence accepted under a competitive tender  |                       | 35           |              | \$2,169,700  | New           |
| Interest subsidy to a maximum of \$36,000 over two years on new loans taken for business related purposes   | 14                    |              | \$154,090    |              |               |
| a) Rebates of \$250 for each eligible veterinary surgeon employed in a veterinary practice for the initial purchase of prescribed PPE; and<br>b) Rebates of \$250 for the purchase of prescribed PPE payable after an approved test of a suspected Hendra virus infection sample has been completed | -                     | 63           | -            | \$39,175     | New           |
| Service provision only  | -                     | -            | N/A          | N/A          | New           |
| Grants to a combined maximum of \$50,000 under the direct market assistance and supply chain pathway assistance components of the scheme  | -                     | -            | -            | -            | New           |
| Service provision only  | -                     | -            | N/A          | N/A          | New           |
| Rebate of \$600 or \$1,000 (for pensioners and low income earners)  | 16,153                | 2,122        | \$11,289,000 | \$1,463,600  | Closed        |
|   | <b>28,514</b>         | <b>9,442</b> |              |              |               |

# Our financials

## Financial performance

### Income statement

#### Operating expenses

The major expenditure item in 2012-13 was grants/rebates paid to QRAA clients. This item decreased from \$157.70 million in 2011-12 to \$68.23 million in 2012-13. This decrease was attributable to the peak of activity in 2011-12 relating to disaster events administered under the joint Australian/Queensland Government *Natural Disaster Relief and Recovery Arrangements* (NDRRA) assistance schemes. This included activations for the Queensland Floods (November 2010 – January 2011) and Tropical Cyclone Yasi.

QRAA's loss on discounted loans advanced represents the difference between the dollar value of concessional interest rate loans advanced to clients versus the fair value of those loans calculated with reference to market interest rates. This has decreased from \$45.06 million in 2011-12 to \$18.71 million in 2012-13 as a result of the peak of concessional loans issued in 2011-12 relating to disaster events under the NDRRA assistance schemes.

Employee expenses decreased from \$11.06 million to \$8.93 million in 2012-13, reflecting the decrease in employee numbers following the peak of workload in 2011-12 to administer the NDRRA assistance schemes.

For the same reason, supplies and services expenses also decreased from \$3.27 million in 2011-12 to \$2.46 million in 2012-13.

#### Operating income

QRAA receives contributions from the Queensland and Australian Governments to fund various programs it administers based on agreements between QRAA and the relevant program owners.

Total operating income in the 2012-13 financial year was \$116.29 million, a decrease of \$91.85 million from the previous year. The largest component of operating income is grants and contributions from program owners which are passed on to clients as described above.

Specific fees for the administration of government assistance programs totaled \$0.53 million. Schemes to which these fees related included the Queensland Government Solar Hot Water Rebate Scheme, Hendra virus Personal Protective Equipment Scheme, and the Queensland East Coast Commercial Net Fishing Reduction Scheme.

In 2013-14, QRAA expects this fee base to grow to cover the costs of administering the Queensland Cattle Industry Biodiversity Fund, and the Australian Government's Farm Finance Concessional Loans Scheme (Queensland).

QRAA borrows at concessional interest rates from the Queensland and Australian Governments under the NDRRA program. QRAA's gain on discounted borrowings represents the difference between the dollar value of concessional interest rate borrowings made by QRAA, versus the fair value of those borrowings calculated with reference to market interest rates. This has decreased from \$16.09 million in 2011-12 to \$2.33 million in 2012-13 as a result of the peak of activity in 2011-12 relating to disaster events under the NDRRA assistance schemes.

A contribution of \$9.08 million towards the overall administration of QRAA was received from the Queensland Government.

No fees are charged directly to our clients for processing applications or for the ongoing management of their loans (where relevant).

Interest is earned by QRAA both on loans provided to its clients (\$30.77 million) and funds held for use in the various programs it administers (\$5.24 million) on behalf of government.

All interest earned on loans is redirected to the programs or returned to program owners (where negotiated). No interest earned on loans to clients is used by QRAA to meet its administrative costs.

#### Operating result

QRAA's 2012-13 operating surplus was \$10.24 million in 2012-13 as compared to \$0.80 million in 2011-12. This increase in operating surplus is despite:

- a 47 per cent drop in total income and;
- an 8 per cent increase in the value of concessional loans under administration.

The fact that QRAA's operating surplus has increased under these circumstances is evidence of the scalability of QRAA's operations and of QRAA's prudent financial management.

### Financial position

#### Assets

QRAA's loan portfolio increased by 8 per cent to \$330.25 million in 2012-13.

Loans outstanding under the Queensland Government Primary Industry Productivity Enhancement Scheme increased from \$177.20 million at 30 June 2012 to \$206.79 million at 30 June 2013.

Loans outstanding under the NDRRA assistance schemes decreased from \$122.06 million at 30 June 2012 to \$117.99 million at 30 June 2013.

#### Liabilities

External borrowings at 30 June 2013 totaled \$148.81 million, an increase of \$4.71 million from the previous year. This increase reflects additional loan funding provided under the NDRRA assistance schemes.

During the year, \$15.86 million of payables and borrowings were redeemed and repaid to QRAA's external lenders.

#### Restatement of prior period results

QRAA's results for the 2011-12 financial year have been restated to reflect the application of Australian Accounting Standards to loans and borrowings at concessional interest rates. Details of the restatement are set out in note 12 to the financial statements.

# Financial statements

## General Information

These financial statements cover QRAA.

QRAA is a Queensland Government Statutory Body established under the *Rural and Regional Adjustment Act 1994*.

The body is controlled by the State of Queensland which is the ultimate parent.

The head office and principal place of business of the organisation is:

Level 9, 307 Queen Street  
BRISBANE QLD 4000

A description of the nature of QRAA's operations and its principal activities is included in the notes to the financial statements.

For information in relation to QRAA's financial statement, please call 07 3032 0100 or contact us@qraa.qld.gov.au or visit www.qraa.qld.gov.au.

Amounts shown in these financial statements may not add to the correct sub-totals due to rounding.

## Statement of comprehensive income for the year ended 30 June 2013

|  | Notes | 2013<br>\$'000 | 2012<br>\$'000 |
|--|-------|----------------|----------------|
| <b>Income from continuing operations</b>           |       |                |                |
| Grants and other contributions                     | 2     | 79,888         | 172,887        |
| Interest earned on loans and advances              | 3     | 30,769         | 28,504         |
| Interest earned from investments                   | 4     | 5,239          | 6,707          |
| Other revenue                                      | 5     | 395            | 45             |
| <b>Total revenue</b>                               |       | <b>116,291</b> | <b>208,143</b> |
| Gains  | 6     | 2,436          | 16,122         |
| <b>Total income from continuing operations</b>     |       | <b>118,726</b> | <b>224,265</b> |
| <b>Expenses from continuing operations</b>         |       |                |                |
| Employee expenses                                  | 7, 8  | 8,934          | 11,064         |
| Supplies and services                              | 9     | 2,456          | 3,266          |
| Grants and subsidies                               | 10    | 68,225         | 157,694        |
| Depreciation and amortisation                      | 11    | 369            | 314            |
| Loss on discounted loans advanced                  |       | 18,710         | 45,057         |
| Impairment of doubtful loans                       | 26    | 2,218          | 677            |
| Finance/borrowing costs                            | 13    | 7,575          | 5,396          |
| <b>Total expenses from continuing operations</b>   |       | <b>108,487</b> | <b>223,468</b> |
| <b>Operating result from continuing operations</b> |       | <b>10,239</b>  | <b>797</b>     |
| <b>Operating result for the year</b>               |       | 10,239         | 797            |
| Other comprehensive income                         |       | -              | -              |
| <b>Total comprehensive income</b>                  |       | <b>10,239</b>  | <b>797</b>     |

The accompanying notes form part of these statements.

# Statement of financial position

as at 30 June 2013

|                                      | Notes | 30 June<br>2013<br>\$'000 | 30 June<br>2012<br>\$'000 | 1 July<br>2011<br>\$'000 |
|--------------------------------------|-------|---------------------------|---------------------------|--------------------------|
| <b>Current assets</b>                |       |                           |                           |                          |
| Cash and cash equivalents            | 14    | 108,967                   | 116,194                   | 119,933                  |
| Loans and advances                   | 15    | 37,436                    | 28,235                    | 27,055                   |
| Receivables                          | 16    | 4,502                     | 5963                      | 3,890                    |
| Other                                | 17    | 37                        | 36                        | 11                       |
| <b>Total current assets</b>          |       | <b>150,942</b>            | <b>150,428</b>            | <b>150,889</b>           |
| <b>Non-current assets</b>            |       |                           |                           |                          |
| Loans and advances                   | 15    | 292,812                   | 278,539                   | 230,885                  |
| Intangible assets                    | 19    | -                         | -                         | -                        |
| Property, plant and equipment        | 18    | 496                       | 543                       | 664                      |
| <b>Total non-current assets</b>      |       | <b>293,307</b>            | <b>279,082</b>            | <b>231,549</b>           |
| <b>Total assets</b>                  |       | <b>444,249</b>            | <b>429,510</b>            | <b>382,438</b>           |
| <b>Current liabilities</b>           |       |                           |                           |                          |
| Payables                             | 20    | 902                       | 1,137                     | 7,930                    |
| Other financial liabilities          | 21    | 16,518                    | 17,815                    | 16,604                   |
| Accrued employee benefits            | 22    | 1,902                     | 1,826                     | 1,434                    |
| Provisions                           | 23    | 191                       | 227                       | -                        |
| <b>Total current liabilities</b>     |       | <b>19,513</b>             | <b>21,005</b>             | <b>25,968</b>            |
| <b>Non-current liabilities</b>       |       |                           |                           |                          |
| Other financial liabilities          | 21    | 132,294                   | 126,292                   | 75,028                   |
| Accrued employee benefits            | 22    | 195                       | 205                       | 231                      |
| <b>Total non-current liabilities</b> |       | <b>132,489</b>            | <b>126,497</b>            | <b>75,259</b>            |
| <b>Total liabilities</b>             |       | <b>152,002</b>            | <b>147,502</b>            | <b>101,227</b>           |
| <b>Net assets</b>                    |       | <b>292,247</b>            | <b>282,008</b>            | <b>281,211</b>           |
| <b>Equity</b>                        |       |                           |                           |                          |
| Contributed equity                   |       | 137,652                   | 137,652                   | 137,652                  |
| Accumulated surplus                  |       | 154,595                   | 144,356                   | 143,559                  |
| <b>Total equity</b>                  |       | <b>292,247</b>            | <b>282,008</b>            | <b>281,211</b>           |

The accompanying notes form part of these statements.

\*See note 12 for details regarding the restatement as a result of an error.

# Statement of changes in equity

for the year ended 30 June 2013

|   | Notes | Accumulated<br>Surplus<br>\$'000 | Contributed<br>Equity<br>\$'000 | Total<br>\$'000 |
|---|-------|----------------------------------|---------------------------------|-----------------|
| <b>Balance as at 1 July 2011</b>                                    |       | 166,216                          | 137,652                         | 303,868         |
| Adjustment on correction of error                                   | 12    | (22,657)                         | -                               | (22,657)        |
| <b>Restated total equity at the beginning of the financial year</b> |       | <b>143,559</b>                   | <b>137,652</b>                  | <b>281,211</b>  |
| Operating result for the year                                       |       | 19,697                           | -                               | 19,697          |
| Adjustment on correction of error                                   | 12    | (18,900)                         | -                               | (18,900)        |
| Restated operating result for the year                              |       | 797                              | -                               | 797             |
| Other comprehensive income  |       | -                                | -                               | -               |
| Total comprehensive income for the year                             |       | 797                              | -                               | 797             |
| <b>Balance as at 30 June 2012</b>                                   |       | <b>144,356</b>                   | <b>137,652</b>                  | <b>282,008</b>  |
| <b>Balance as at 1 July 2012</b>                                    |       | 144,356                          | 137,652                         | 282,008         |
| Operating result for the year                                       |       | 10,239                           | -                               | 10,239          |
| Total comprehensive income for the year                             |       | 10,239                           | -                               | 10,239          |
| <b>Balance as at 30 June 2013</b>                                   |       | <b>154,595</b>                   | <b>137,652</b>                  | <b>292,247</b>  |

*The accompanying notes form part of these statements.*

# Statement of cash flows

for the year ended 30 June 2013

|  | Notes | 2013<br>\$'000  | 2012<br>\$'000  |
|--|-------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                |       |                 |                 |
| <i>Inflows:</i>  |       |                 |                 |
| Grants and other contributions - Queensland Government     |       | 80,899          | 170,612         |
| Grants and other contributions - Australian Government     |       | 79              | 264             |
| Interest received on investments                           |       | 5,471           | 6,615           |
| Interest received on loans and advances                    |       | 17,133          | 17,346          |
| GST input tax credits from ATO                             |       | 442             | 1,011           |
| GST collected from customers                               |       | 6,795           | 15,007          |
| Other  |       | 395             | 45              |
| <i>Outflows:</i>   |       |                 |                 |
| Employee expenses  |       | (8,865)         | (10,711)        |
| Supplies and services                                      |       | (2,454)         | (3,023)         |
| Grants and subsidies                                       |       | (68,230)        | (157,694)       |
| Finance/borrowing costs                                    |       | (1,030)         | (1,512)         |
| GST paid to suppliers                                      |       | (463)           | (928)           |
| GST remitted to ATO  |       | (7,068)         | (21,828)        |
| <b>Net cash provided by (used in) operating activities</b> | 24    | <b>23,102</b>   | <b>15,204</b>   |
| <b>Cash flows from investing activities</b>                |       |                 |                 |
| <i>Inflows:</i>  |       |                 |                 |
| Sales of property, plant and equipment                     |       | 157             | 63              |
| Loans and advances repaid                                  |       | 52,904          | 59,856          |
| <i>Outflows:</i>   |       |                 |                 |
| Payments for property, plant and equipment                 |       | (373)           | (222)           |
| Loans and advances made                                    |       | (83,509)        | (143,319)       |
| <b>Net cash provided by (used in) investing activities</b> |       | <b>(30,822)</b> | <b>(83,622)</b> |
| <b>Cash flows from financing activities</b>                |       |                 |                 |
| <i>Inflows:</i>  |       |                 |                 |
| Borrowings   |       | 16,351          | 81,054          |
| Equity injections  |       |                 |                 |
| <i>Outflows:</i>   |       |                 |                 |
| Borrowing redemptions                                      |       | (15,859)        | (16,375)        |
| <b>Net cash provided by (used in) financing activities</b> |       | <b>492</b>      | <b>64,679</b>   |
| Net increase (decrease) in cash and cash equivalents       |       | (7,228)         | (3,739)         |
| Cash and cash equivalents at beginning of financial year   |       | 116,194         | 119,933         |
| <b>Cash and cash equivalents at end of financial year</b>  | 14    | <b>108,966</b>  | <b>116,194</b>  |

The accompanying notes form part of these statements.

# Notes

## to the financial statements 2012-2013

### Objectives and principal activities of QRAA

|          |   |
|----------|---|
| Note 1:  | Summary of significant accounting policies                                |
| Note 2:  | Grants and other contributions  |
| Note 3:  | Interest earned on loans and advances                                     |
| Note 4:  | Interest earned from investments  |
| Note 5:  | Other income  |
| Note 6:  | Gains   |
| Note 7:  | Employee expenses   |
| Note 8:  | Key management personnel and remuneration                                 |
| Note 9:  | Supplies and services   |
| Note 10: | Grants and subsidies  |
| Note 11: | Depreciation and amortisation   |
| Note 12: | Correction of error in accounting for financial instruments               |
| Note 13: | Finance/borrowing costs   |
| Note 14: | Cash and cash equivalents   |
| Note 15: | Loans and advances  |
| Note 16: | Receivables   |
| Note 17: | Prepayments   |
| Note 18: | Plant and equipment   |
| Note 19: | Intangible assets   |
| Note 20: | Payables  |
| Note 21: | Other financial liabilities   |
| Note 22: | Accrued employee benefits   |
| Note 23: | Movements in provisions make good   |
| Note 24: | Reconciliation of operating surplus to net cash from operating activities |
| Note 25: | Commitments for expenditure   |
| Note 26: | Financial instruments   |
| Note 27: | Board members' fees   |
| Note 28: | Contingencies   |



# Notes

## to the financial statements 2012-2013

### Objectives and principal activities of QRAA

QRAA was established as a statutory body under the *Rural and Regional Adjustment Act 1994*.

The objective of QRAA is to be the preferred provider of financial programs to rural and regional Queensland on behalf of the Australian and Queensland Governments. The principal activity of QRAA is to provide primary producers and small businesses with loans and subsidies including concessional productivity loans, industry adjustment programs, drought and natural disaster programs, small business emergency assistance, training and skills development assistance and regional development programs.

### Note 1. Summary of significant accounting policies

#### (a) Statement of compliance

QRAA has prepared these financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury and Trade's Minimum Reporting Requirements for the year ending 30 June 2013, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, QRAA has applied those requirements applicable to not-for-profit entities, as QRAA is a statutory body. Except where stated, the historical cost convention is used.

#### (b) Grants and contributions

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which QRAA obtains control over them (control is generally obtained at the time of receipt). Where grants are received that are reciprocal in nature, revenue is progressively recognised as it is earned, according to the terms of the funding agreements.

#### (c) Cash and cash equivalents

For the purpose of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call with financial institutions. It also includes investments with short periods of maturity that are readily convertible to cash on hand at QRAA's option and that are subject to a low risk of changes in value.

#### (d) Receivables

Receivables, including loans and advances, are recognised at the amount due at the time the amount is advanced. Interest earned on receivables is taken to account as it accrues.

Collateral in the form of mortgages, charges and liens are held as security against the loans.

#### (e) Bad and impaired debts

The collectability of receivables is assessed periodically with a provision being made for impairment. A specific provision for impaired debts has been raised for all identifiable doubtful debts based upon the likely shortfall between the outstanding amount and the expected proceeds of property secured by mortgage or other form of security.

Outstanding receivables are written off as bad debts at 30 June when there is no likelihood of recovery or the extent the outstanding amount exceeds the present value of the expected recovery from realisation of any security.

#### (f) Acquisition of assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the asset ready for use. However, any training costs are expensed as incurred.

#### (g) Plant and equipment

Items of plant and equipment with a cost or other value equal to or in excess of the asset recognition threshold of \$5,000 are recognised for financial reporting purposes in the year of acquisition.

Items with a lesser value are expensed in the year of acquisition.

#### (h) Intangible assets

Intangible assets with a cost or other value equal to or greater than \$100,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset, less any anticipated residual value, is amortised over its estimated useful life to QRAA. The residual value is zero for all of QRAA's intangible assets.

Costs associated with the development of computer software are capitalised and amortised on a straight-line basis over the period of expected benefit to QRAA, namely five years.

#### (i) Amortisation and depreciation of intangibles and property, plant and equipment

All intangible assets of QRAA have finite useful lives and are amortised on a straight line basis.

Plant and equipment is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life to QRAA.

Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes with property, plant and equipment.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

# Notes

## to the financial statements 2012-2013

### Note 1. Summary of significant accounting policies (continuation)

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to QRAA.

Major spares purchased specifically for particular assets are capitalised and depreciated on the same basis as the asset to which they relate.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements or the unexpired period of the lease, whichever is the shorter. The unexpired period of a lease includes any option period where exercise of the option is probable.

Plant and equipment subject to a finance lease is amortised on a straight line basis over the term of the lease, or, where it is likely that QRAA will obtain ownership of the asset, the expected useful life of the asset to QRAA.

For each class of depreciable asset, the following depreciation and amortisation rates are used:

| <u>Class</u>           | <u>Rate %</u> |
|------------------------|---------------|
| Plant and equipment:   |               |
| Computer equipment     | 40            |
| Leasehold improvements | 17            |
| Motor Vehicles         | 25 - 33.3     |
| Office equipment       | 10 - 17       |

#### (j) Impairment of non-current assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, QRAA determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation reserve of the relevant class to the extent available.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### (k) Leases

A distinction is made in the financial statements between finance leases, that effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership, and operating leases under which the lessor retains substantially all risks and benefits.

Where a non-current physical asset is acquired by means of a finance lease, the asset is recognised at an amount equal to the lower of the fair value of the leased property and the present value of minimum lease payments. The liability is recognised at the same amount. Lease payments are allocated between the principal component of the lease liability and the interest expense.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

#### (l) Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the nominal amount i.e. agreed purchase/contract price, of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

#### (m) Financial instruments

##### *Recognition*

Financial assets and financial liabilities are recognised in the Statement of Financial Position when QRAA becomes party to the contractual provisions of the financial instrument.

##### *Classification and Measurement*

Financial instruments are classified and measured as follows:

- cash and cash equivalents – held at fair value through profit and loss
- loans and advances – held at amortised cost
- receivables – held at amortised cost
- payables – held at amortised cost
- borrowings – held at amortised cost

Where loans and advances are provided with interest free periods or at concessional interest rates, these financial instruments are considered to have fair value different from the transaction price (i.e. the fair value of the consideration given or received) and accordingly, the fair value is estimated using a valuation technique (i.e. the fair value can be estimated as the present value of all future cash receipts discounted using the prevailing market rate(s) of interest for a similar instrument with a similar credit rating). Any additional amount lent is recognised as charge for discounted loans in profit or loss. Subsequently, the entity accretes the discount as part of interest earned on loans and advances in profit or loss.

# Notes

## to the financial statements 2012-2013

### Note 1. Summary of significant accounting policies (continuation)

Where borrowings are provided interest free or at concessional interest rates, these financial instruments are considered to have fair value different from the transaction price (i.e. the fair value of the consideration given or received) and accordingly, the fair value is estimated using a valuation technique (i.e. the fair value can be estimated as the present value of all future cash receipts discounted using the prevailing market rate(s) of interest for a similar instrument with a similar credit rating). Borrowings are initially recognised at fair value, plus any transaction costs directly attributable to the borrowings, then, subsequently held at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument (or, when appropriate, a shorter period) to the net carrying amount of that instrument.

Any borrowing costs are added to the carrying amount of the borrowing to the extent they are not settled in the period in which they arise. Borrowings are classified as non-current liabilities to the extent that QRAA has an unconditional right to defer settlement until at least 12 months after reporting date.

QRAA does not enter into transactions for speculative purposes, nor for hedging. QRAA holds no financial assets classified at fair value through profit or loss.

All other disclosures relating to the measurement and financial risk management of financial instruments held by QRAA are included in Note 26.

#### **(n) Employee benefits**

Employer superannuation contributions, annual leave and long service leave are regarded as employee benefits.

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

#### *Wages, Salaries, Annual Leave, Long Service Leave, TOIL and Sick Leave*

Wages, salaries and TOIL due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values inclusive of on-costs and salary inflation. Entitlements not expected to be paid within 12 months are classified as non-current liabilities and recognised at their present value inclusive of on-costs and salary inflation, calculated using yields on Fixed Rate Australian Government bonds of similar maturity, after projecting the remuneration rates expected to apply at the time of likely settlement.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

As sick leave is non-vesting, an expense is recognised for this as it is taken.

#### *Superannuation*

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period that they are paid or payable. QRAA's obligation is limited to its contribution to QSuper.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

#### *Key Management Personnel and Remuneration*

Key management personnel and remuneration disclosures are made in accordance with section 5 of the *Financial Reporting Requirements for Queensland Government Agencies* issued by the Queensland Treasury and Trade. Refer to Note 8 for the disclosures on key executive management personnel and remuneration.

#### **(o) Provisions**

Provisions are recorded when QRAA has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period. Where the settlement of the obligations is expected after 12 or more months, the obligation is discounted to the present value using an appropriate discount rate.

#### **(p) Other financial liabilities**

Interest-bearing liabilities payable are recognised at fair value at initial recognition and thereafter at amortised cost.

All borrowing expenses are accounted for on an accrual basis in the Statement of Comprehensive Income using the effective interest rate method and are added to the carrying amount of the borrowing to the extent they are not settled in the period in which they arise.

#### **(q) Financing/borrowing Costs**

Finance costs are recognised as an expense in the period in which they are incurred.

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- finance lease charges;
- amortisation of discounts or premiums relating to borrowings; and
- ancillary administration charges.

No borrowing costs are capitalised into qualifying assets.

#### **(r) Insurance**

QRAA's non-current physical assets and other risks are insured through Marsh Pty Ltd, insurance brokers, premiums being paid on a risk assessment basis. Motor vehicles are insured directly with an underwriter. In addition, QRAA pays premiums to WorkCover Queensland in respect of its obligations for employees' compensation.

# Notes

## to the financial statements 2012-2013

### Note 1. Summary of significant accounting policies (continuation)

#### (s) Taxation

QRAA is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by QRAA. GST credits receivable from, and GST payable to the ATO, are recognised (refer to Note 16 & Note 20).

#### (t) Issuance of financial statements

The financial statements are authorised for issue by the Chairman, Chief Executive Officer and Senior Finance Manager at the date of signing the Management Certificate.

#### (u) Accounting estimates and judgements

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

Other Income – Note 5

Provisions – Note 23

Other Financial Liabilities – Note 21

The Australian government passed its *Clean Energy Act* in November 2011 which resulted in the introduction of a price on carbon emissions made by Australian businesses from 1 July 2012.

The flexible market-based price phase of the carbon pricing mechanism will commence on 1 July 2015. It is preceded by a three-year period during which the price permits will be fixed at \$23 per tonne of carbon dioxide equivalent in year one, \$24.15 in year two and \$25.40 in year three.

Section 4.3.4 of Queensland Treasury and Trade's report on 'Carbon Price Impacts for Queensland' dated August 2011 indicates that, for non-residential construction activities, costs may increase by between 0.7 per cent and 0.8 per cent over the period 2012-13 to 2015-16.

On this basis and other information available, the introduction of the carbon pricing mechanism is not expected to have a significant impact on QRAA's critical accounting estimates, assumptions and management judgements.

#### *Provision for Impairment*

QRAA loans and advances are classified on a numerical scale, based on risk (against real estate security). The risk classification system utilises an ascending numerical scale. The scale rating used 1-8 where (1) represents the least risk and (8) the greatest risk.

All loans within the scale banks 1 to 4 are fully covered by real estate security. However all loans with the scale ranks 5 to 8 are

examined individually as these are regarded as the most vulnerable to loss notwithstanding real estate or other forms of security may be held. Where sufficient doubt exists about the collectability of principal and interest and further, where the market value of QRAA's held security may be insufficient to cover the full payment of a client's loan, a provision is established. The provision for doubtful debts at 30 June 2013 is \$3.002 million. Key sources of uncertainty with regard to credit risk are explained in Note 26 c.

#### *Prevailing market interest rates*

Note 1 (m) explains that the initial fair value of concessional loans is estimated using a valuation technique (i.e. the fair value can be estimated as the present value of all future cash receipts discounted using the prevailing market rate(s) of interest for a similar instrument with a similar credit rating). For financial liabilities, QRAA takes the QTC ten year debt pool interest rates as to be the prevailing market rates for a Queensland Government Agency receiving ten year loans. For loans and advances, QRAA estimates these prevailing market rates by reference to the 90 day bank bill swap bid rate (BBSY 90 Bid) plus a risk premium. The risk premium takes account of the term of the loan and the security available. These risk premiums range from 235 basis points to 620 basis points.

#### (v) Rounding and comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

#### (w) New and revised accounting standards

QRAA did not voluntarily change any of its accounting policies during 2012-13. Australian Accounting Standard changes applicable for the first time for 2012-2013 have had minimal effect on QRAA's financial statements, as explained below.

AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] became effective from reporting periods beginning on or after 1 July 2012. The only impact for QRAA is that, in the Statement of Comprehensive Income, items within the 'Other Comprehensive Income' section are now presented in different subsections, according to whether or not they are subsequently classifiable to the operating result. Whether subsequent reclassification is possible depends on the requirements or criteria in the accounting standard/interpretation that relates to the item concerned.

QRAA is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Queensland Treasury and Trade. Consequently, QRAA has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. QRAA applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards with future commencement dates are as set out below.



# Notes

## to the financial statements 2012-2013

### Note 1. Summary of significant accounting policies (continuation)

AASB 13 *Fair Value Measurement* applies from reporting periods beginning on or after 1 January 2013. AASB 13 sets out a new definition of “fair value”, as well as new principles to be applied when determining the fair value of assets and liabilities. The new measurements apply to all of QRAA’s assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relates to the fair value measurement methodologies used and financial statement disclosures made in respect of such assets and liabilities.

QRAA has commenced reviewing its fair value methodologies to determine whether those methodologies comply with AASB 13. To the extent that the methodologies don’t comply, changes will be necessary. While QRAA is yet to complete this review, no substantial changes are anticipated, based on the fair value methodologies presently used. Therefore, at this stage, no consequential material impacts are expected for QRAA’s assets or liabilities as from 2013-14.

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. To the extent that any fair value measurement for an asset or liability uses data that is not ‘observable’ outside QRAA, the amount of information to be disclosed will be relatively greater.

A revised version of AASB 119 *Employee Benefits* applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively. Given QRAA’s circumstances, the only implications for QRAA are that the revised standard clarifies the concept of ‘termination benefits’, and the recognition criteria for liabilities for termination benefits will be different. If termination benefits meet the timeframe criterion for ‘short-term employee benefits’, they will be measured according to the AASB 119 requirements for ‘short-term employee benefits’. Otherwise, termination benefits will need to be measured according to the AASB 119 requirements for ‘other long-term employee benefits’. Under the revised standard, the recognition and measurement of employer obligations for ‘other long-term employee benefits’ will need to be accounted for according to most of the requirements for defined benefit plans.

The revised AASB 119 includes changed criteria for accounting for employee benefits as ‘short-term employee benefits’. The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. QRAA makes employer superannuation contributions only to the QSuper defined benefit plan, and the corresponding QSuper employer benefit obligation is held by the State. Therefore, those changes to AASB 119 will have no impact on QRAA.

AASB 1053 *Application of Tiers of Australian Accounting Standards* applies as from reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two Tiers of reporting requirements – Australian Accounting Standards (commonly referred to as ‘Tier 1’), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as ‘Tier 2’). Tier 1

measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between the Tier 1 and Tier 2 requirements is that Tier 2 requires fewer disclosures than Tier 1.

Details of which disclosures in standards and interpretations are not required under tier 2 reporting are set out in amending standards AASB 2010-2, AASB 2011-2, AASB 2011-6 and AASB 2011-11, AASB 2012-1, AASB 2012-7 and AASB 2012-11 (which also apply from reporting periods beginning on or after 1 July 2013). However, Queensland Treasury and Trade’s Financial Reporting Requirements effectively do not allow application of AASB 2011-6 in respect of controlled entities, associates or interests in jointly controlled entities.

Pursuant to AASB 1053, public sector entities like QRAA may adopt Tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the Tier 1 requirements. In the case of QRAA, Queensland Treasury and Trade is the regulator. Queensland Treasury and Trade has advised that its policy decision is to require adoption of Tier 1 reporting by all Queensland Government departments and statutory bodies (including QRAA) that are consolidated into the whole-of-Government financial statements. Therefore, the release of AASB 1053 and associated amending standards will have no impact on QRAA.

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2014 –

AASB 1055 *Budgetary Reporting* applies from reporting periods beginning on or after 1 July 2014. From that date, based on what is currently published in the Queensland Government’s Budgetary Service Delivery Statements, this means QRAA will need to include in these financial statements the original budgeted statements for the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Statement of Cash Flows. These budgeted statements will need to be presented consistently with the corresponding (actual) financial statements, and will be accompanied by explanations of major variances between the actual amounts and the corresponding budgeted financial statement.

In addition, based on what is currently published in the Queensland Government’s Service Delivery Statements, QRAA will need to include in these financial statements the original budgeted information for major classes of administered income and expenses, and major classes of administered assets and liabilities. This budgeted information will need to be presented consistently with the corresponding (actual) administered information, and will be accompanied by explanations of major variances between the actual amounts and the corresponding budgeted financial information.

AASB 9 *Financial Instruments* (December 2010) and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] become effective from reporting periods beginning on or after 1 January 2015. The main impacts of these standards on QRAA are that they will change the requirements for the classification, measurement and disclosures associated with QRAA’s financial assets. Under the new requirements, financial assets will be more simply

# Notes

## to the financial statements 2012-2013

### Note 1. Summary of significant accounting policies (continuation)

classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

QRAA has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, QRAA's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions QRAA enters into, it is expected that all of QRAA's loans receivable will meet the criteria in AASB 9 to be measured at fair value at initial recognition, then amortised cost subsequent to initial recognition using the effective interest method. In the case of QRAA's other receivables as presented in Note 16, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value. Therefore, no changes in the classification or measurement of financial assets are anticipated from the adoption of AASB 9.

All other Australian accounting standards and interpretations with future commencement dates are either not applicable to QRAA's activities, or have no material impact on QRAA.

### Note 2. Grants and other contributions

The Australian and Queensland Governments contribute to the funding of the various schemes of assistance depending upon the nature of the scheme and the arrangements under the agreements between the Australian and Queensland Governments. The State's contributions are made by a number of government agencies, mainly Queensland Treasury and Trade, the Queensland Department of Agriculture, Fisheries and Forestry and the Department of Environment and Resource Management.

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
| <b>(a) Queensland Government contributions</b>   |                |                |
| Administration   | 9,083          | 8,887          |
| Dawson Valley Irrigators Water Rebate Scheme   | -              | 621            |
| Hendra virus PPE Rebate Scheme   | 274            | -              |
| Natural Disaster Relief and Recovery Arrangements assistance   | 65,725         | 151,754        |
| Queensland Cattle Industry Biosecurity Fund  | 2,000          | -              |
| Queensland East Coast Commercial Net Fishing Reduction Scheme  | 2,421          | -              |
| Queensland Government Solar Hot Water Rebate Scheme  | 191            | 11,315         |
| Rural Adjustment Scheme  | -              | 16             |
| Other schemes  | 115            | 30             |
|  | <b>79,809</b>  | <b>172,623</b> |
| <b>(b) Australian Government contributions</b>   |                |                |
| Rural Adjustment Scheme  | -              | 163            |
| Subsidised Interest Rate Scheme for Pastoralists and Service Businesses Involved in Live Cattle Exports to Indonesia | 79             | 101            |
|  | <b>79</b>      | <b>264</b>     |
| <b>Total</b>   | <b>79,888</b>  | <b>172,887</b> |

### Note 3. Interest earned on loans and advances

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
| Effective interest adjustment on discounted loans and advances | 13,798         | 11,104         |
| Citrus Industry Reimbursement & Recovery Scheme                | 40             | 27             |
| Coral Reef Fishery Temporary Assistance Scheme                 | 6              | 7              |
| Emergency Assistance - Drought Carry On & Recovery             | 374            | 520            |
| Natural Disaster Relief and Recovery Arrangements assistance   | 2,854          | 3,219          |
| Primary Industry Productivity Enhancement Scheme               | 13,689         | 13,611         |
| Young Farmers Establishment                                    | 8              | 16             |
|  | <b>30,769</b>  | <b>28,504</b>  |

# Notes

## to the financial statements 2012-2013

### Note 4. Interest earned from investments

|   | 2013<br>\$'000 | 2012<br>\$'000 |
|---|----------------|----------------|
| Dawson Valley Irrigators Water Rebate Scheme                  | -              | 7              |
| Hendra virus PPE Rebate Scheme                                | 10             | -              |
| Queensland East Coast Commercial Net Fishing Reduction Scheme | 2              | -              |
| Queensland Government Solar Hot Water Rebate Scheme           | 19             | 88             |
| Rural Adjustment Scheme                                       | -              | 1              |
| Other (i)   | 5,208          | 6,611          |
| <b>Total</b>  | <b>5,239</b>   | <b>6,707</b>   |

(i) Interest earned on funds invested under the schemes as detailed above accrues directly to those schemes to be used for the purposes of those schemes. All other interest earned becomes revenue of QRAA.

### Note 5. Other income

|                | 2013<br>\$'000 | 2012<br>\$'000 |
|----------------|----------------|----------------|
| GST refund (i) | 379            | -              |
| Other          | 16             | 45             |
| <b>Total</b>   | <b>395</b>     | <b>45</b>      |

(i) In January 2013, the Australian Tax Office (ATO) issued a private ruling to QRAA allowing QRAA to change its methodology for the determining the "extent of creditable purpose" (ECP) apportionment of GST input tax credits relating to expenses that could not be directly allocated to either input taxed supplies or non-input taxed supplies. The new methodology is based on transactions and time spent by staff, whereas the previous apportionment methodology was to apply a fixed rate of 50 per cent. This ruling was applied retrospectively to the period from December 2007 to January 2013. As a result of the retrospective application of this ruling, QRAA received a GST refund of \$413,793 from the ATO. \$37,220 of this refund related to the current financial year. \$376,573 related to financial years ended June 2008, 2009, 2010, 2011, and 2012. This refund has been accounted for prospectively as a change in an accounting estimate under AASB 108. The revised methodology has also been employed in recognising GST input credits during the five months ended June 2013.

### Note 6. Gains

|                                   | 2013<br>\$'000 | 2012<br>\$'000 |
|-----------------------------------|----------------|----------------|
| Gain on discounted loans received | 2,331          | 16,088         |
| Gain on sale of motor vehicles    | 105            | 34             |
| <b>Total</b>                      | <b>2,436</b>   | <b>16,122</b>  |

### Note 7. Employee expenses

|                                       | 2013<br>\$'000 | 2012<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Wages and salaries                    | 6,605          | 8,131          |
| Annual and long service leave         | 838            | 1,161          |
| Employer superannuation contributions | 893            | 1,055          |
| Other employee benefits               | 597            | 717            |
| <b>Total</b>                          | <b>8,934</b>   | <b>11,064</b>  |

The number of employees as at 30 June, including both full-time employees and part-time employees, measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:

|                     | 2013 | 2012 |
|---------------------|------|------|
| Number of employees | 101  | 91   |



# Notes

## to the financial statements 2012-2013

### Note 8. Key Management Personnel and Remuneration

#### (a) Key Management Personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of QRAA during 2012-13. Further information can be found in the body of the Annual Report under the section relating to Executive Management.

| Position  | Responsibilities  | Current incumbents  |   |
|---|---|---|---|
|   |   | Contract classification and appointment authority         | Date appointed to position<br>(Date resigned from position) |
| Chief Executive Officer                                       | The Chief Executive Officer reports to QRAA's Board of Directors and the Minister for Agriculture, Fisheries and Forestry. He is responsible for leading and managing the affairs of QRAA including strategically positioning QRAA to achieve organisational and financial goals and implement Board policy.                    | Contract - Governor in Council                            | 16 August 2001  |
| General Manager, Program Delivery Services                    | Program Delivery Services delivers financial assistance programs that foster the development of rural and regional sector that supports the Queensland economy. Program Delivery Services also delivers programs in response to emergencies and natural disasters and fosters strong relationships with community and industry. | SES 2 Low - <i>Rural and Regional Adjustment Act 1994</i> | 20 November 2006  |
| Acting General Manager, Corporate Strategy and Support        | The Corporate Strategy and Support division develops and manages QRAA's systems, infrastructure and policies in the areas of finance, human resources and information services. It facilitates planning, performance improvement, strategic communications, and business development.   | SES 2 Low - <i>Rural and Regional Adjustment Act 1994</i> | 6 May 2013  |
| Project Director, Loans & Grants Administration System (LGAS) | Lead the procurement and implementation of a new loans and grants administration solution which is aligned with QRAA's strategic direction.   | SES 2 Low - <i>Rural and Regional Adjustment Act 1994</i> | 18 March 2013   |

#### (b) Remuneration

Remuneration policy for QRAA's key management personnel is set by the Board as provided under the *Rural and Regional Adjustment Act 1994*. The remuneration and other terms of employment for the key management personnel are specified in employment contracts. The contracts provide for the provision of performance-related cash bonuses and other benefits including motor vehicles.

For the 2012-13 year, remuneration of the General Manager Program Delivery Services and Project Director, Loans & Grants Administration System (LGAS) increased by 2.2 per cent in accordance with government policy.

# Notes

## to the financial statements 2012-2013

### Note 8. Key Management Personnel and Remuneration (continuation)

Remuneration packages for key management personnel comprise the following components:

- short term employee benefits which include:
  - Base – consisting of base salary, allowances and leave entitlements expensed for the entire year or for that part of the year during which the employee occupied the specified position.
  - Non-monetary benefits – consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- long term employee benefits include amounts expensed in respect of long service leave.
- post-employment benefits include amounts expensed in respect of employer superannuation obligations.
- redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.
- performance bonuses are not paid under the contracts in place.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post-employment benefits.

#### 1 July 2012 – 30 June 2013

| Position<br>(date resigned if applicable)              | Short term<br>employee benefits |                              | Post<br>employment<br>benefits | Total<br>remuneration | Long term<br>employee<br>benefits | Termination<br>benefits |
|--|---------------------------------|------------------------------|--------------------------------|-----------------------|-----------------------------------|-------------------------|
|  | Base                            | Non-<br>Monetary<br>Benefits |                                |                       |                                   |                         |
|  | \$'000                          | \$'000                       |                                |                       |                                   |                         |
| Chief Executive Officer                                | 216                             | 30                           | 40                             | 286                   | -                                 | N/A                     |
| General Manager, Program Delivery Services             | 146                             | 18                           | 21                             | 185                   | -                                 | N/A                     |
| General Manager, Corporate Strategy and Support #      | 23                              | -                            | 2                              | 25                    | 1                                 | N/A                     |
| Project Director, Loans & Grants Administration System | 164                             | -                            | 17                             | 181                   | 4                                 | N/A                     |

#Acting General Manager, Corporate Strategy and Support from 6 May 2013.

#### 1 July 2011 – 30 June 2012

| Position<br>(date resigned if applicable)       | Short term<br>employee benefits |                              | Post<br>employment<br>benefits | Total<br>remuneration | Long term<br>employee<br>benefits | Termination<br>benefits |
|---|---------------------------------|------------------------------|--------------------------------|-----------------------|-----------------------------------|-------------------------|
|   | Base                            | Non-<br>Monetary<br>Benefits |                                |                       |                                   |                         |
|   | \$'000                          | \$'000                       |                                |                       |                                   |                         |
| Chief Executive Officer                         | 213                             | 26                           | 27                             | 266                   | -                                 | N/A                     |
| General Manager, Program Delivery Services      | 139                             | 23                           | 17                             | 179                   | -                                 | N/A                     |
| General Manager, Corporate Strategy and Support | 161                             | -                            | 17                             | 178                   | 4                                 | N/A                     |

# Notes

## to the financial statements 2012-2013

### Note 9. Supplies and services

|   | 2013<br>\$'000 | 2012<br>\$'000 |
|---|----------------|----------------|
| Advertising and promotion                             | 103            | 87             |
| Audit fees - external                                 | 57             | 72             |
| Audit fees - internal                                 | 56             | 56             |
| Bank and other financial institution fees and charges | 35             | 49             |
| Computer expenses                                     | 268            | 311            |
| Consultants   | 52             | 205            |
| Contractors   | 257            | 281            |
| Insurance   | 82             | 78             |
| Lease-make good cost                                  | -              | 227            |
| Motor vehicle expenses                                | 107            | 127            |
| Photocopying  | 7              | 1              |
| Postage   | 59             | 71             |
| Printing  | 38             | 35             |
| Professional and legal expenses                       | 66             | 28             |
| Rent  | 767            | 899            |
| Securities expenses                                   | 79             | 183            |
| Stationery  | 24             | 28             |
| Telephone and fax                                     | 149            | 155            |
| Travel and accommodation                              | 117            | 143            |
| Other   | 135            | 230            |
| <b>Total</b>  | <b>2,456</b>   | <b>3,266</b>   |

Total audit fees paid to the Queensland Audit Office relating to the 2012-13 financial statements are estimated to be \$70,960 (2012: \$58,065).

Consultant expenses of \$52,022 included costs of \$18,608 associated with the initial stages of upgrading the loans and grants administration system (2012: \$204,676).

### Note 10. Grants and subsidies

Assistance was provided to primary producers and small businesses in the form of interest subsidies or grants. Other incidental costs that may be incurred in the guidelines relating to individual schemes are also included.

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
| Dawson Valley Irrigators Water Rebate Scheme   | -              | 607            |
| Hendra Virus PPE Rebate Scheme   | 39             | -              |
| Natural Disaster Relief and Recovery Arrangements assistance   | 64,299         | 145,301        |
| Queensland East Coast Commercial Net Fishing Reduction Scheme  | 2,090          | -              |
| Queensland Government Solar Hot Water Rebate Scheme  | 1,714          | 11,345         |
| Rural Adjustment Scheme  | -              | 437            |
| Subsidised Interest Rate Scheme for Pastoralists and Service Businesses Involved in Live Cattle Exports to Indonesia | 84             | 4              |
| <b>Total</b>   | <b>68,225</b>  | <b>157,694</b> |

# Notes

## to the financial statements 2012-2013

### Note 11. Depreciation and amortisation

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
| Depreciation was incurred in respect of: |                |                |
| Computer equipment                       | 55             | 40             |
| Leasehold improvements                   | 145            | 106            |
| Motor vehicles                           | 161            | 163            |
| Office equipment                         | 8              | 5              |
| <b>Total:</b>                            | <b>369</b>     | <b>314</b>     |

### Note 12. Correction of error in accounting for financial instruments

QRAA's historical financial statements have allowed for a reduction in the book value of certain loans and advances with an initial two year interest free period. However, this adjustment was not applied to other loans and advances with concessional interest rates. It was also not applied to QRAA's non-interest bearing financial liabilities, nor to QRAA's financial liabilities with concessional interest rates. As such, the adjustments taken up in QRAA's historical financial statements only partially captured the requirements of QRAA's accounting policy for financial instruments set out in note 1(m). This error has been corrected by restating each of the affected financial statement line items for the prior periods as shown.

#### (a) Statement of financial position (extract)

|  | 30 June 2012<br>\$'000 | Increase/<br>(decrease)<br>\$'000 | 30 June 2012<br>(restated)<br>\$'000 | 1 July 2011<br>\$'000 | Increase/<br>(decrease)<br>\$'000 | 1 July 2011<br>(restated)<br>\$'000 |
|--|------------------------|-----------------------------------|--------------------------------------|-----------------------|-----------------------------------|-------------------------------------|
| Loans and advances<br>(Non-current)          | 350,065                | (71,526)                          | 278,539                              | 271,307               | (40,422)                          | 230,885                             |
| Other financial liabilities<br>(Non-current) | 156,261                | (29,969)                          | 126,292                              | 92,793                | (17,765)                          | 75,028                              |
| Net assets                                   | <b>323,565</b>         | <b>(41,557)</b>                   | <b>282,008</b>                       | <b>303,868</b>        | <b>22,657</b>                     | <b>281,211</b>                      |
| Accumulated surplus                          | 185,913                | (41,557)                          | 144,356                              | 166,216               | (22,657)                          | 143,559                             |
| <b>Total equity</b>                          | <b>323,565</b>         | <b>(41,557)</b>                   | <b>282,008</b>                       | <b>303,868</b>        | <b>(22,657)</b>                   | <b>281,211</b>                      |

#### (b) Income statement (extract)

|  | 2012<br>\$'000 | Profit increase/<br>(decrease)<br>\$'000 | 2012 (restated)<br>\$'000 |
|--|----------------|--|---------------------------|
| <b>Income from continuing operations</b> |                |  |                           |
| Interest earned on loans and advances    | 17,400         | 11,104                                   | 28,504                    |
| Gain on discounted loans received        | 34             | 16,088                                   | 16,122                    |
| Loss on discounted loans advanced        | (2,849)        | (42,208)                                 | (45,057)                  |
| Finance/borrowing costs                  | (1,512)        | (3,884)                                  | (5,396)                   |
| <b>Operating result for the year</b>     | <b>19,697</b>  | <b>(18,900)</b>                          | 797                       |
| Other comprehensive income               | -              | -  | -                         |
| <b>Total comprehensive income</b>        | <b>19,697</b>  | <b>(18,900)</b>                          | <b>797</b>                |

The gain of \$0.034 million recognised in the original 2012 financial statements related to the sale of motor vehicles.

# Notes

## to the financial statements 2012-2013

### Note 13. Finance/borrowing costs

|   | 2013<br>\$'000 | 2012<br>\$'000 |
|---|----------------|----------------|
| Interest on borrowings  | 1,030          | 1,512          |
| Effective interest adjustment on discounted financial liabilities | 6,545          | 3,884          |
| <b>Total</b>  | <b>7,575</b>   | <b>5,396</b>   |

Refer to Notes 1(q) and 1(m) for further details.

Finance costs represent interest paid to Queensland Treasury Corporation for Emergency Assistance – Drought Carry On and Drought Recovery Programs and the Australian Government for Natural Disaster Relief and Recovery Arrangements assistance programs.

### Note 14. Cash and cash equivalents

This item includes cash and funds on short-term deposit. The amounts of cash and deposits are accounted for individually within the various schemes of assistance administered by QRAA.

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
| Administration   | 19,816         | 18,938         |
| Coral Reef Fishery Temporary Assistance  | 764            | 738            |
| Citrus Industry Recovery Scheme  | (770)          | -              |
| Emergency Assistance - Drought Carry On & Recovery   | 1,888          | 1,314          |
| Hendra Virus PPE Rebate Scheme   | 221            | -              |
| Natural Disaster Relief and Recovery Arrangements assistance   | 36,393         | 26,939         |
| Primary Industry Productivity Enhancement Scheme   | 11,948         | 38,847         |
| Queensland Cattle Industry Biosecurity Fund (Bovine Johne's Disease Fund)  | 2,000          | -              |
| Queensland East Coast Commercial Net Fishing Reduction Scheme  | 132            | -              |
| Queensland Government Solar Hot Water Rebate Scheme  | -              | 1,695          |
| Subsidised Interest Rate Scheme for Pastoralists and Service Businesses Involved in Live Cattle Exports to Indonesia | (7)            | -              |
| Sugar Cane Crop  | -              | 585            |
| Tourism Assistance Package   | -              | 473            |
| Young Farmers Establishment  | 2,658          | 2,551          |
| Reserves   | 33,922         | 24,114         |
| <b>Total</b>   | <b>108,967</b> | <b>116,194</b> |

Cash surplus to immediate requirements is invested according to the guidelines in the *Rural and Regional Adjustment Act 1994*, the *Statutory Bodies Financial Arrangements Act 1982* and QRAA's Investment Policy.

Cash and deposits held at the end of the year were:

|   | 2013<br>\$'000 | 2012<br>\$'000 |
|---|----------------|----------------|
| National Australia Bank - at call                     | 1,138          | 1,684          |
| Queensland Treasury Corporation - at call             | 21,635         | 21,884         |
| Australia and New Zealand Bank - 90 days term deposit | 17,113         | -              |
| National Australia Bank - 90 days term deposit        | 29,798         | 36,007         |
| Suncorp Bank - 90 days term deposit                   | 22,431         | 30,887         |
| Westpac Bank - 90 days term deposit                   | 16,852         | 25,732         |
|   | <b>108,967</b> | <b>116,194</b> |

Cash deposited with National Australia Bank earned interest at rates of between 2.65 per cent and 3.65 per cent for at call funds (2012: 3.25 per cent and 4.25 per cent) and 4.17 per cent and 5.35 per cent for term deposits (2012: 5.31 per cent and 5.85 per cent), cash deposited with Queensland Treasury Corporation earned interest at rates of between 3.61 per cent and 4.52 per cent for at call funds (2012: 4.10 per cent and 5.78 per cent), cash deposited with Australia and New Zealand Bank earned interest at rates of between 4.16 per cent and 4.69 per cent (2012: n/a), cash deposited with Suncorp Bank earned interest at rates of between 4.19 per cent and 5.36 per cent for term deposits (2012: 5.37 per cent and 6.13 per cent) and cash deposited with Westpac Bank earned interest at rates of between 4.05 per cent and 5.03 per cent for term deposits (2012: 4.96 per cent and 5.93 per cent).

# Notes

## to the financial statements 2012-2013

### Note 15. Loans and advances

Loans and advances are made to primary producers and small business at either a concessional or commercial interest rate.

|  | <b>Gross<br/>\$'000</b> | <b>Provision for<br/>impairment<br/>\$'000</b> | <b>Unamortised<br/>Discount on<br/>Loans Issued at<br/>Greater than Fair<br/>Value<br/>\$'000</b> | <b>Current<br/>\$'000</b> | <b>Non-<br/>current<br/>\$'000</b> | <b>2013<br/>total<br/>\$'000</b> |
|--|-------------------------|--|---|---------------------------|------------------------------------|----------------------------------|
| <b>2013</b>  |                         |  |   |                           |                                    |                                  |
| Citrus Industry Reimbursement and Recovery Scheme            | 868                     | -  | 139   | 112                       | 617                                | 729                              |
| Temporary Assistance Scheme                                  | 73                      | -  | 74  | 73                        | (74)                               | (0)                              |
| Emergency Assistance - Drought Carry-On and Recovery         | 4,945                   | -  | 313   | 1,580                     | 3,052                              | 4,632                            |
| Natural Disaster Relief and Recovery Arrangements assistance | 138,840                 | 2,893  | 17,958  | 16,471                    | 101,519                            | 117,990                          |
| Primary Industry Productivity Enhancement Scheme             | 268,411                 | 109  | 61,508  | 19,174                    | 187,620                            | 206,794                          |
| Young Farmers Establishment                                  | 112                     | -  | 9   | 26                        | 78                                 | 104                              |
|  | <b>413,249</b>          | <b>3,002</b>                                   | <b>79,999</b>   | <b>37,436</b>             | <b>292,812</b>                     | <b>330,248</b>                   |

|  | <b>Gross<br/>\$'000</b> | <b>Provision for<br/>impairment<br/>\$'000</b> | <b>Unamortised<br/>Discount on<br/>Loans Issued at<br/>Greater than Fair<br/>Value<br/>\$'000</b> | <b>Current<br/>\$'000</b> | <b>Non-<br/>Current<br/>\$'000</b> | <b>2012<br/>total<br/>\$'000</b> |
|--|-------------------------|--|---|---------------------------|------------------------------------|----------------------------------|
| <b>2012</b>  |                         |  |   |                           |                                    |                                  |
| Citrus Industry Reimbursement & Recovery Scheme              | 922                     | -  | 149   | 55                        | 718                                | 773                              |
| Temporary Assistance Scheme                                  | 93                      | -  | 2   | 93                        | (2)                                | 91                               |
| Emergency Assistance - Drought Carry On and Recovery         | 6,938                   | -  | 467   | 1,808                     | 4,663                              | 6,471                            |
| Natural Disaster Relief and Recovery Arrangements Assistance | 146,179                 | 922  | 23,198  | 10,440                    | 111,619                            | 122,059                          |
| Primary Industry Productivity Enhancement Scheme             | 229,038                 | 598  | 51,242  | 15,781                    | 161,417                            | 177,198                          |
| Young Farmers Establishment                                  | 210                     | -  | 29  | 58                        | 123                                | 181                              |
|  | <b>383,380</b>          | <b>1,520</b>                                   | <b>75,086</b>   | <b>28,235</b>             | <b>278,539</b>                     | <b>306,774</b>                   |



# Notes

to the financial statements 2012-2013

## Note 16. Receivables

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
| <b>Other receivables</b>                                     |                |                |
| GST receivable   | 70             | 48             |
| Grants receivable  | 920            | 2,010          |
|  | <b>990</b>     | <b>2,058</b>   |
| <b>Accrued interest - bank</b>                               | <b>478</b>     | <b>710</b>     |
| <b>Accrued interest - loans and advances</b>                 |                |                |
| Citrus Industry Reimbursement and Recovery Scheme            | 19             | 5              |
| Coral Reef Fishery Temporary Assistance                      |                | -              |
| Emergency Assistance - Drought Carry On & Recovery           | 84             | 124            |
| Natural Disaster Relief and Recovery Arrangements assistance | 356            | 408            |
| Primary Industry Productivity Enhancement Scheme             | 2,574          | 2,656          |
| Young Farmers Establishment                                  | 1              | 2              |
|  | <b>3,034</b>   | <b>3,195</b>   |
|  | <b>4,502</b>   | <b>\$5,963</b> |

## Note 17. Prepayments

|                  | 2013<br>\$'000 | 2012<br>\$'000 |
|------------------|----------------|----------------|
| Prepaid expenses | 37             | 36             |
|                  | <b>37</b>      | <b>36</b>      |

## Note 18. Plant and equipment

|                                  | 2013<br>\$'000 | 2012<br>\$'000 |
|----------------------------------|----------------|----------------|
| Computer equipment - at cost     | 440            | 351            |
| Accumulated depreciation         | (328)          | (273)          |
|                                  | <b>113</b>     | <b>78</b>      |
| Leasehold improvements - at cost | 894            | 894            |
| Accumulated depreciation         | (836)          | (692)          |
|                                  | <b>57</b>      | <b>202</b>     |
| Motor vehicles - at cost         | 477            | 498            |
| Accumulated depreciation         | (194)          | (261)          |
|                                  | <b>283</b>     | <b>237</b>     |
| Office equipment - at cost       | 277            | 252            |
| Accumulated depreciation         | (235)          | (226)          |
|                                  | <b>42</b>      | <b>26</b>      |
|                                  | <b>496</b>     | <b>543</b>     |
|                                  | <b>543</b>     | <b>664</b>     |

# Notes

to the financial statements 2011-2012

## Note 18. Plant and equipment (continuation)

### Reconciliations

Reconciliations of the carrying amounts of each class of asset are set out below:

|                                   | 2013<br>\$'000 | 2012<br>\$'000 |
|-----------------------------------|----------------|----------------|
| <b>Computer equipment</b>         |                |                |
| Carrying amount at 1 July         | 78             | 73             |
| Acquisitions                      | 89             | 45             |
| Depreciation                      | (55)           | (40)           |
| <b>Carrying amount at 30 June</b> | <b>113</b>     | <b>78</b>      |
| <b>Leasehold improvements</b>     |                |                |
| Carrying amount at 1 July         | 203            | 308            |
| Acquisitions                      | -              | -              |
| Depreciation                      | (145)          | (106)          |
| <b>Carrying amount at 30 June</b> | <b>57</b>      | <b>202</b>     |
| <b>Motor vehicles</b>             |                |                |
| Carrying amount at 1 July         | 237            | 264            |
| Acquisitions                      | 259            | 165            |
| Disposals                         | (52)           | (29)           |
| Depreciation                      | (161)          | (163)          |
| <b>Carrying amount at 30 June</b> | <b>283</b>     | <b>237</b>     |
| <b>Office equipment</b>           |                |                |
| Carrying amount at 1 July         | 26             | 19             |
| Acquisitions                      | 24             | 12             |
| Depreciation                      | (8)            | (5)            |
| <b>Carrying amount at 30 June</b> | <b>42</b>      | <b>26</b>      |
|                                   | <b>496</b>     | <b>543</b>     |

## Note 19. Intangible assets

|                                       | 2013<br>\$'000 | 2012<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Computer software purchased - at cost | 982            | 982            |
| Accumulated amortisation              | (982)          | (982)          |
|                                       | -              | -              |

## Note 20. Payables

|                              | 2013<br>\$'000 | 2012<br>\$'000 |
|------------------------------|----------------|----------------|
| <b>Current</b>               |                |                |
| Trade creditors and accruals | 158            | 118            |
| Accrued employee costs       | 81             | 78             |
| GST payable                  | 663            | 941            |
|                              | <b>902</b>     | <b>1,137</b>   |

# Notes

## to the financial statements 2012-2013

### Note 21. Other financial liabilities

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
| <b>Interest bearing liabilities</b>            |                |                |
| <b>Current</b>                                 |                |                |
| Queensland Treasury Corporation                | 1,525          | 1,440          |
| Australian Government                          | 7,872          | 7,282          |
|  | <b>9,397</b>   | <b>8,722</b>   |
| <b>Non-current</b>                             |                |                |
| Queensland Treasury Corporation                | 3,406          | 4,925          |
| Australian Government                          | 85,454         | 79,740         |
|  | <b>88,860</b>  | <b>84,665</b>  |
| <b>Non-interest bearing liabilities</b>        |                |                |
| <b>Current</b>                                 |                |                |
| Queensland Government                          | 7,121          | 9,093          |
|  | <b>7,121</b>   | <b>9,093</b>   |
| <b>Non-current</b>                             |                |                |
| Queensland Government                          | 43,434         | 41,627         |
|  | <b>43,434</b>  | <b>41,627</b>  |
| <b>Total current financial liabilities</b>     |                |                |
| Queensland Treasury Corporation                | 1,525          | 1,440          |
| Australian and Queensland Governments          | 14,993         | 16,375         |
| <b>Total current financial liabilities</b>     | <b>16,518</b>  | <b>17,815</b>  |
| <b>Total non-current financial liabilities</b> |                |                |
| Queensland Treasury Corporation                | 3,406          | 4,925          |
| Australian and Queensland Governments          | 128,888        | 121,367        |
| <b>Total non-current financial liabilities</b> | <b>132,294</b> | <b>126,292</b> |
| <b>Total other financial liabilities</b>       | <b>148,812</b> | <b>144,107</b> |

No assets have been pledged as security for any liabilities.

All borrowings are in \$A denominated amounts, and no interest has been capitalised during the current or comparative reporting period. There have been no defaults or breaches of the loan agreement during the period.

Interest rates on borrowings range from 0 per cent to 7.32 per cent. All borrowings are unsecured.

Under the Natural Disaster Relief and Recovery Arrangements assistance (NDRRA) Program, QRAA borrows funds from both the Australian and Queensland Governments. Funds borrowed from the Australian Government are interest bearing, while funds borrowed from the Queensland Government are interest free. All funds are advanced initially to QRAA by the Queensland Government. The portion of these borrowings which is funded by the Australian Government is sometimes not confirmed until after the publication of QRAA's financial statements. Where this occurs, QRAA estimates the ultimate split between interest bearing borrowings owed to the Australian Government and interest free borrowings owed to the Queensland Government. This split is estimated by gathering estimates of expenditure from other Queensland Government agencies, and by applying the guidelines in the NDRRA Determination 2012.

QRAA has a loan facility with Queensland Treasury Corporation which is approved under the Queensland Government's State Borrowing Program. At 30 June 2013, the amount undrawn under the facility was \$24 million.

# Notes

## to the financial statements 2011-2012

### Note 22. Accrued employee benefits

|                    | 2013<br>\$'000 | 2012<br>\$'000 |
|--------------------|----------------|----------------|
| <b>Current</b>     |                |                |
| Annual leave       | 735            | 695            |
| Long service leave | 1,167          | 1,131          |
|                    | <b>1,902</b>   | <b>1,826</b>   |
| <b>Non-current</b> |                |                |
| Long service leave | 195            | 205            |
|                    | <b>195</b>     | <b>205</b>     |

The discount rate used to calculate the present value of long service leave is 2.48 per cent to 3.23 per cent (2012: 2.40 per cent to 2.87 per cent).

### Note 23. Movements in provisions make good

|                                 | 2013<br>\$'000 | 2012<br>\$'000 |
|---------------------------------|----------------|----------------|
| Balance as at 1 July            | 227            | -              |
| Additional provision recognised | -              | 227            |
| Reductions in provision         | (36)           | -              |
| <b>Balance at 30 June</b>       | <b>191</b>     | <b>227</b>     |

The lease expiry on QRAA's existing office space has been extended from 31 October 2012 to 30 September 2013. The make good provision has been determined on the basis of commercial rates per square metre used by the Queensland Government in making good on leased areas. This is consistent with the approach used for QRAA's 2012 financial statements. However, of the total commercial space occupied by QRAA over the course of the tenancy, 16 per cent was vacated and made good during the financial year ended June 2013. Therefore the provision has been reduced accordingly.

### Note 24. Reconciliation of operating surplus to net cash from operating activities

|   | 2013<br>\$'000 | 2012<br>\$'000 |
|---|----------------|----------------|
| <b>Operating surplus/(deficit)</b>                                | 10,239         | 797            |
| Depreciation and amortisation expense                             | 369            | 314            |
| Gain on sale of property, plant and equipment                     | (105)          | (34)           |
| Impairment of doubtful loans                                      | 2,218          | 677            |
| Change in assets and liabilities:                                 |                |                |
| (Increase)/decrease in accrued interest income                    | 393            | (146)          |
| (Increase)/decrease in unamortised discount on borrowings         | 4,213          | (12,204)       |
| (Increase)/decrease in GST input tax credits receivable           | (22)           |                |
| (Increase)/decrease in other receivables                          | 1,090          | (1,928)        |
| (Increase)/decrease in prepayments/other                          | (1)            | (25)           |
| Increase/(decrease) in accounts payable                           | 40             | -              |
| Increase/(decrease) in unamortised discount on loans and advances | 4,913          | 33,953         |
| Increase/(decrease) in accrued employee benefits                  | 69             | (6,427)        |
| Increase/(decrease) in GST payable                                | (278)          | -              |
| Increase/(decrease) in provisions                                 | (36)           | 227            |
| <b>Net Cash from operating activities</b>                         | <b>23,102</b>  | <b>15,204</b>  |

# Notes

## to the financial statements 2012-2013

### Note 25. Commitments for expenditure

#### (a) Finance lease liabilities

At reporting date, QRAA has no commitments under finance leases.

#### (b) Non-cancellable operating lease

Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:

|   | 2013<br>\$'000 | 2012<br>\$'000 |
|---|----------------|----------------|
| Not later than one year                           | 575            | 324            |
| Later than one year and not later than five years | 2,569          | 19             |
| <b>Total</b>                                      | <b>3,144</b>   | <b>343</b>     |

Finance leases are entered into as a means of funding the acquisition of certain plant and equipment. Lease payments are generally fixed. Leases for photocopiers have a contingent rental obligation dependent on the volume of usage.

No leases have escalation clauses other than in the event of payment default. A small number of leases have renewal or purchase options. Where such options exist, they are all exercisable at market prices.

No lease arrangements create restrictions on other financing transactions.

Operating leases are entered into as a means of acquiring access to office accommodation and storage facilities. Lease payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined.

#### (c) Capital expenditure commitments

At reporting date, QRAA has no commitments for capital expenditure.

#### (d) Financial assistance commitments

At reporting date, QRAA has undrawn financial assistance commitments of \$34.974 million (2012: \$29.342 million). Undrawn commitments are loans and grants that have been approved and awaiting client drawdown at balance date.

### Note 26. Financial instruments

#### (a) Categorisation of financial instruments

QRAA has the following categories of financial assets and financial liabilities:

| Category  | Note | 2013<br>\$'000 | 2012<br>\$'000 |
|---|------|----------------|----------------|
| <b>Financial assets</b>                           |      |                |                |
| Cash and cash equivalents                         |      | 108,967        | 116,194        |
| Loans and advances                                | 15   | 330,248        | 306,774        |
| Receivables                                       | 16   | 4,502          | 5,963          |
| <b>Total</b>                                      |      | <b>443,717</b> | <b>428,931</b> |
| <b>Financial liabilities</b>                      |      |                |                |
| Financial liabilities measured at amortised cost: |      |                |                |
| Payables  | 20   | 902            | 1,137          |
| Other financial liabilities                       | 21   | 148,812        | 144,107        |
| <b>Total</b>                                      |      | <b>149,714</b> | <b>145,244</b> |

# Notes

## to the financial statements 2011-2012

### Note 26. Financial instruments (continuation)

#### (b) Financial Risk Management

QRAA's Board of Directors has endorsed a policy of compliance and risk management to suit the risk profile of QRAA including financial risk. Authority flows from the Board to the Audit and Risk Management Committee and from there to the Chief Executive Officer, the Senior Executive Team and management.

The main elements of risk governance are as follows:

##### (1) Board of Directors

This is the primary governing body that approves the level of risk to which QRAA is exposed and the framework for reporting and mitigating those risks.

##### (2) Audit and Risk Management Committee

Its key role in risk management is the assessment of the controls that are in place to mitigate risks. The Committee considers and confirms that the significant risks and controls are to be assessed within the internal audit plan. The A+RM Committee receives the internal audit reports on assessment and compliance with the controls, and provides feedback to the Board for their consideration.

##### (3) Internal Audit

QRAA outsources its internal audit function and the internal audit function has responsibility for implementing the controls testing and assessment as required by the A+RM Committee.

Financial risk management is implemented pursuant to Queensland Government and QRAA's policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of QRAA.

All financial risk is managed by the Finance and Program Delivery business units under policies approved by QRAA. QRAA provides written principles for overall risk management, as well as policies covering specific areas.

QRAA measures risk exposure using a variety of methods as follows:

| Risk exposure    | Measurement method                 |
|------------------|------------------------------------|
| Credit risk      | Ageing analysis                    |
| Liquidity risk   | Maturity analysis                  |
| Market risk      | Interest rate sensitivity analysis |
| Operational risk | Internal controls                  |

#### (c) Credit risk exposure

Credit risk exposure refers to the situation where QRAA may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

The method of managing credit risk exposure is by way of strict adherence to the credit assessment procedures before loans are approved and close monitoring of arrears in the repayments of loans thereafter on a daily basis with monthly reporting to the Board.

QRAA has established procedures over the:

- Credit assessment and approval of loans covering risk assessment and security requirements;
- Reassessing and review of the credit exposure on loans;
- Establishing appropriate provisions to recognise the impairment of loans;
- Debt recovery procedures; and
- Review of compliance with the above procedures.

A regular review of compliance is conducted as part of the annual internal audit plan.

##### (i) Past due and impaired loans

A loan is past due when the client has failed to make payment when contractually due. Past due does not mean that a client will never pay but it can trigger various actions such as renegotiation, enforcement of covenants or legal proceedings.

If appropriate, the estimated recoverable amount of the loan is determined and any impairment loss based on the net present value of future anticipated cash flows is recognised in the financial statements. A provision for impairment is established on all past due loans after a specified period of repayment default where it is probable that some of the asset will not be repaid or recovered.

##### (ii) Collateral securing loans

The majority of the loan portfolio is secured on real property in Australia. Therefore, QRAA is exposed to risk in the reduction of the Loan to Value (LVR) cover should the property market be subject to a decline.

The risk of loss from the loans undertaken is primarily reduced by the nature and quality of the security taken. At least 90 per cent of loans are well secured against real property mortgages which carry an 80 per cent LVR ratio or less.

##### (iii) Concentration risks

Concentration risk is a measurement of QRAA's exposure to an individual client or group of clients. QRAA minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of clients.



# Notes

to the financial statements 2011-2012

## Note 26. Financial instruments (continuation)

|                          | Maximum credit risk exposure |                |                |                |
|--------------------------|------------------------------|----------------|----------------|----------------|
|                          | % of total loans             |                | \$'000         |                |
|                          | 2013                         | 2012           | 2013           | 2012           |
| <b>Geographical area</b> |                              |                |                |                |
| Central Queensland       | 22.70%                       | 20.47%         | 93,816         | 78,480         |
| North Queensland         | 22.57%                       | 26.09%         | 93,263         | 100,026        |
| South East Queensland    | 43.07%                       | 41.26%         | 177,986        | 158,195        |
| South West Queensland    | 8.31%                        | 8.32%          | 34,327         | 31,892         |
| West Queensland          | 3.35%                        | 3.86%          | 13,857         | 14,786         |
| <b>Total</b>             | <b>100.00%</b>               | <b>100.00%</b> | <b>413,249</b> | <b>383,380</b> |
| <b>Industry</b>          |                              |                |                |                |
| Aquaculture & fishing    | 1.64%                        | 1.88%          | 6,767          | 7,202          |
| Banana growing           | 5.96%                        | 7.69%          | 24,613         | 29,475         |
| Beef cattle              | 34.94%                       | 33.43%         | 144,386        | 128,156        |
| Dairy cattle             | 3.75%                        | 4.25%          | 15,477         | 16,287         |
| Grain & livestock        | 9.21%                        | 8.52%          | 38,082         | 32,680         |
| Other crops              | 11.10%                       | 10.73%         | 45,881         | 41,160         |
| Other livestock          | 4.44%                        | 4.97%          | 18,369         | 19,061         |
| Small business           | 6.80%                        | 7.27%          | 28,095         | 27,866         |
| Small crops and fruit    | 6.39%                        | 7.13%          | 26,419         | 27,328         |
| Sugar cane               | 15.77%                       | 14.13%         | 65,162         | 54,166         |
| <b>Total</b>             | <b>100.00%</b>               | <b>100.00%</b> | <b>413,249</b> | <b>383,380</b> |

The following table represents QRAA's maximum exposure to credit risk based on contractual amounts net of any allowances:

| Maximum exposure to credit risk | 2013           | 2012           |
|---------------------------------|----------------|----------------|
| Category                        | \$'000         | \$'000         |
| <b>Financial assets</b>         |                |                |
| Loans and advances              | 413,249        | 383,380        |
| Receivables                     | 4,502          | 5,963          |
| <b>Total</b>                    | <b>417,751</b> | <b>389,343</b> |

### Financial Assets

QRAA manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that QRAA invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

All loans and advances are secured by collateral in the form of mortgages, charges and liens (refer Note 1(d)) and the valuation of securities is undertaken annually to ensure sufficient collateral to cover the indebtedness of customers. QRAA policy is to hold security over landed assets which are readily converted to cash.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to internal client loan risk classification based on collateral provided by borrowers/recipients:

# Notes

## to the financial statements 2012-2013

### Note 26. Financial instruments (continuation)

| Collateral Coverage         | 2013<br>\$'000 | 2012<br>\$'000 |
|-----------------------------|----------------|----------------|
| Loans and advances with:    |                |                |
| Full collateral coverage    | 410,791        | 382,256        |
| Partial collateral coverage | 2,458          | 1,124          |
| No collateral coverage      | -              | -              |
|                             | <b>413,249</b> | <b>383,380</b> |

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position. The allowance for impairment reflects the occurrence of loss events. The most readily identifiable loss event is where a debtor is overdue in paying a debt to QRAA, according to the due date (normally terms of 30 days).

The method for calculating any provision for impairment is based on past experience, current and expected changes in economic conditions and changes in client credit ratings. The main factors affecting the current calculation for provisions are disclosed below as loss events. These economic and geographic changes form part of QRAA's documented risk analysis assessment in conjunction with historic experience and associated industry data.

If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debt/group of debtors. If QRAA determines that an amount owing by such a debtor does become uncollectible (after appropriate range of debt recovery actions), that amount is recognised as a Bad Debt expense and written-off directly against Loans and Advances. In other cases where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debt, the excess is recognised directly as a Bad Debt expense and written-off directly against Loans and Advances.

The recognised provision for impairment is \$3.002 million for the current year (2012: \$1.520 million).

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated. Ageing of past due but not impaired as well as impaired financial assets within the total loan portfolio of \$330.248 million are disclosed in the following tables:

#### 2013 financial assets past due but not impaired

|  | Overdue                        |                           |                           |                                | Total<br>\$'000 |
|--|--------------------------------|---------------------------|---------------------------|--------------------------------|-----------------|
|  | Less than<br>30 days<br>\$'000 | 30 - 60<br>days<br>\$'000 | 61 - 90<br>days<br>\$'000 | More than<br>90 days<br>\$'000 |                 |
|  | Loans and advances (gross)     | 19,370                    | 4,382                     | 5,589                          |                 |

#### 2012 financial assets past due but not impaired

|  | Overdue                        |                           |                           |                                | Total<br>\$'000 |
|--|--------------------------------|---------------------------|---------------------------|--------------------------------|-----------------|
|  | Less than<br>30 days<br>\$'000 | 30 - 60<br>days<br>\$'000 | 61 - 90<br>days<br>\$'000 | More than<br>90 days<br>\$'000 |                 |
|  | Loans and advances (gross)     | 13,478                    | 2,651                     | 2,416                          |                 |

#### 2013 individually impaired financial assets

|                          | Overdue                        |                           |                           |                                | Total<br>\$'000 |
|--------------------------|--------------------------------|---------------------------|---------------------------|--------------------------------|-----------------|
|                          | Less than<br>30 days<br>\$'000 | 30 - 60<br>days<br>\$'000 | 61 - 90<br>days<br>\$'000 | More than<br>90 days<br>\$'000 |                 |
|                          | Loans and advances (gross)     | 12                        | 14                        | 8                              |                 |
| Provision for impairment | (12)                           | (14)                      | (8)                       | (202)                          | (236)           |
| <b>Carrying amount</b>   | <b>-</b>                       | <b>-</b>                  | <b>-</b>                  | <b>52</b>                      | <b>52</b>       |

#### 2012 individually impaired financial assets

|                          | Overdue                        |                           |                           |                                | Total<br>\$'000 |
|--------------------------|--------------------------------|---------------------------|---------------------------|--------------------------------|-----------------|
|                          | Less than<br>30 days<br>\$'000 | 30 - 60<br>days<br>\$'000 | 61 - 90<br>days<br>\$'000 | More than<br>90 days<br>\$'000 |                 |
|                          | Loans and advances (gross)     | 15                        | 11                        | 8                              |                 |
| Provision for impairment | (15)                           | (11)                      | (8)                       | (270)                          | (304)           |
| <b>Carrying amount</b>   | <b>-</b>                       | <b>-</b>                  | <b>-</b>                  | <b>-</b>                       | <b>-</b>        |

# Notes

## to the financial statements 2012-2013

### Note 26. Financial instruments (continuation)

| <b>Movements in Allowance for Impairment</b>                  | <b>2013</b>   | <b>2012</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| Balance at 1 July   | 1,520         | 1,198         |
| Increase/decrease in allowance recognised in operating result | 2,218         | 677           |
| Amounts written-off during the year                           | (736)         | (355)         |
| Balance at 30 June  | <b>3,002</b>  | <b>1,520</b>  |

#### (d) Liquidity Risk

Liquidity risk refers to a situation where QRAA may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

QRAA is exposed to liquidity risk in respect of its payables and borrowings from Queensland Treasury Corporation for on-lending. The borrowings are based on the Queensland Government's gazetted floating rate. QRAA manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring QRAA has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

The following table sets out the liquidity risk of financial liabilities held by QRAA. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date as advised by Queensland Treasury Corporation and Australian Government. The undiscounted cash flows in these tables differ from the amounts included in the Statement of Financial Position that are based on discounted cash flows.

| <b>Financial liabilities</b>               | Note | <b>2013 Payable in</b> |                  |                    | <b>Total</b>   |
|--|------|------------------------|------------------|--------------------|----------------|
|  |      | <b>&lt;1 year</b>      | <b>1-5 years</b> | <b>&gt;5 years</b> | <b>\$'000</b>  |
|  |      | <b>\$'000</b>          | <b>\$'000</b>    | <b>\$'000</b>      | <b>\$'000</b>  |
| Payables                                   |      | 902                    | -                | -                  | 902            |
| Australian Government borrowings           |      | 8,455                  | 22,943           | 4,517              | 35,914         |
| Queensland Government borrowings           |      | 7,121                  | 72,520           | 56,943             | 136,584        |
| Queensland Treasury Corporation borrowings |      | 1,783                  | 3,763            | -                  | 5,546          |
| <b>Total</b>                               |      | <b>18,261</b>          | <b>99,226</b>    | <b>61,460</b>      | <b>178,947</b> |

| <b>Financial liabilities</b>               | Note | <b>2012 Payable in</b> |                  |                    | <b>Total</b>   |
|--|------|------------------------|------------------|--------------------|----------------|
|  |      | <b>&lt;1 year</b>      | <b>1-5 years</b> | <b>&gt;5 years</b> | <b>\$'000</b>  |
|  |      | <b>\$'000</b>          | <b>\$'000</b>    | <b>\$'000</b>      | <b>\$'000</b>  |
| Payables                                   |      | 1,137                  | -                | -                  | 1,137          |
| Australian Government borrowings           |      | 7,909                  | 29,565           | 6,759              | 44,233         |
| Queensland Government borrowings           |      | 7,142                  | 46,691           | 73,543             | 127,376        |
| Queensland Treasury Corporation borrowings |      | 1,783                  | 4,776            | 757                | 7,316          |
| <b>Total</b>                               |      | <b>17,971</b>          | <b>81,031</b>    | <b>81,059</b>      | <b>180,061</b> |

#### (e) Market Risk

QRAA does not trade in foreign currency and is not materially exposed to commodity price changes. QRAA is exposed to interest rate risk through its borrowings from Queensland Treasury Corporation and cash deposited in interest bearing accounts. QRAA does not undertake any hedging in relation to interest risk and manages its risk as per QRAA's liquidity risk management strategy articulated in QRAA's Financial Management Practice Manual.

#### (f) Interest Rate Sensitivity Analysis

The following interest rate sensitivity analysis is based on a report similar to that provided to management, depicting the outcome on results if interest rates would change by +/- 1 per cent from the year-end rates applicable to the QRAA's financial assets and liabilities. With all other variables held constant, QRAA would have a surplus and equity increase/(decrease) of \$4.797 million (2012: \$4.478 million). This is mainly attributable to QRAA's exposure to variable interest rates on its loans and advances. The impact of interest rate movement on QRAA's profit and equity has increased in the current period due to increased borrowings for Natural Disaster Relief and Recovery Arrangements assistance Programs.

# Notes

## to the financial statements 2012-2013

### Note 26. Financial instruments (continuation)

| Financial instruments                      | 2013 interest rate risk   |                  |                  |                  |                  |
|--|---------------------------|------------------|------------------|------------------|------------------|
|  | Carrying amount<br>\$'000 | -1%              |                  | +1%              |                  |
|  |                           | Profit<br>\$'000 | Equity<br>\$'000 | Profit<br>\$'000 | Equity<br>\$'000 |
| Cash and cash equivalents                  | 108,967                   | (1,090)          | (1,090)          | 1,090            | 1,090            |
| Loans and advances                         | 330,248                   | (3,302)          | (3,302)          | 3,302            | 3,302            |
| Australian Government borrowings           | 93,326                    | 933              | 933              | (933)            | (933)            |
| Queensland Treasury Corporation borrowings | 4,931                     | 49               | 49               | (49)             | (49)             |
| <b>Overall effect on profit and equity</b> |                           | <b>(3,410)</b>   | <b>(3,410)</b>   | <b>3,410</b>     | <b>3,410</b>     |

| Financial instruments                      | 2012 interest rate risk   |                  |                  |                  |                  |
|--|---------------------------|------------------|------------------|------------------|------------------|
|  | Carrying amount<br>\$'000 | -1%              |                  | +1%              |                  |
|  |                           | Profit<br>\$'000 | Equity<br>\$'000 | Profit<br>\$'000 | Equity<br>\$'000 |
| Cash and cash equivalents                  | 116,194                   | (1,162)          | (1,162)          | 1,162            | 1,162            |
| Loans and advances                         | 306,695                   | (3,067)          | (3,067)          | 3,067            | 3,067            |
| Australian Government borrowings           | 87,022                    | 870              | 870              | (870)            | (870)            |
| Queensland Treasury Corporation borrowings | 6,365                     | 64               | 64               | (64)             | (64)             |
| <b>Overall effect on profit and equity</b> |                           | <b>(3,295)</b>   | <b>(3,295)</b>   | <b>3,295</b>     | <b>3,295</b>     |

#### (g) Fair Value

QRAA does not measure any loans or advances receivable or payable at fair value subsequent to initial recognition. The fair values estimated below are calculated using discounted cash flow analysis and the effective interest method. This method is applied by QTC in calculating the value of the QTC borrowings disclosed below. This method is applied by QRAA for all other items in the tables below.

| Financial liabilities                          | 2013            |                | 2012            |                |
|--|-----------------|----------------|-----------------|----------------|
|  | Carrying amount | Fair Value     | Carrying Amount | Fair value     |
|  | \$'000          | \$'000         | \$'000          | \$'000         |
| <b>Financial liabilities at amortised cost</b> |                 |                |                 |                |
| Queensland Government                          | 43,434          | 52,801         | 41,627          | 53,312         |
| Queensland Treasury Corporation borrowings     | 4,931           | 5,174          | 6,365           | 6,700          |
| Australian Government Borrowings               | 93,326          | 96,980         | 87,022          | 90,880         |
| <b>Total</b>                                   | <b>141,691</b>  | <b>154,955</b> | <b>135,014</b>  | <b>150,892</b> |

| Financial assets                              | 2013            |                | 2012            |                |
|---|-----------------|----------------|-----------------|----------------|
|   | Carrying amount | Fair Value     | Carrying Amount | Fair value     |
|   | \$'000          | \$'000         | \$'000          | \$'000         |
| <b>Financial assets at amortised cost</b>     |                 |                |                 |                |
| Loans and advances excluding accrued interest | 330,248         | 359,065        | 306,774         | 329,832        |
| <b>Total</b>                                  | <b>330,248</b>  | <b>359,065</b> | <b>306,774</b>  | <b>329,832</b> |

The fair value of trade payables, other receivables, and accrued interest are assumed to approximate the value of the original transaction, less any allowance for impairment.

# Notes

## to the financial statements 2012-2013

### Note 27. Board Members' Fees

Remuneration, including meeting fees and superannuation are paid to Board members. QRAA does not reimburse Board members who are government representatives.

|  | <b>2013</b>   | <b>2012</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Board members remuneration   | 79            | 72            |
| Number of Board members receiving remuneration in the following ranges |               |               |
| \$1 to \$9,999   | 3             | 4             |
| \$10,000 to \$19,999   | 2             | -             |
| \$20,000 to \$29,999   | -             | -             |
| \$30,000 to \$39,999   | -             | 1             |
| \$40,000 to \$49,999   | 1             | -             |

The Board members of QRAA are:

Wayne Carlson (Chairman)

John Pollock

Georgie Somerset

Dr Elizabeth Woods OAM

Damian Morgan (appointed 3 December 2012)

Mr Christopher Hood (appointed 19 July 2012)

Leigh Pickering (appointed 5 August 2013)

John O'Connell (resigned October 2012)

Joy Cooper (resigned 2 December 2012)

Drew Ellem (resigned 12 June 2013)

### Note 28. Contingencies

QRAA did not have any contingent liabilities as at 30 June 2013 (2012: nil).

# Certificate of QRAA

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), relevant sections of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act, we certify that in our opinion:

(a) the prescribed requirements for establishing and keeping of accounts have been complied with in all material respects; and

(b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of QRAA for the financial year ended 30 June 2013 and of the financial position of QRAA at the end of that year.



W S CARLSON  
Chairperson



J POLLOCK  
Chairperson – Audit & Risk Management Committee



C R HOLDEN  
Chief Executive Officer



A CRANSWICK  
Senior Manager Finance

29 August 2013



# Independent Auditor's report

## To the Board of QRAA

### Report on the Financial Report

I have audited the accompanying financial report of QRAA, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Board and Senior Manager Finance responsible for the financial administration of QRAA.

### The Board's Responsibility for the Financial Report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Board's responsibility also includes such internal control as the Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

### Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
  - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of QRAA for the financial year 1 July 2012 to 30 June 2013 and of the financial position as at the end of that year.

### Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



C F DOUGHERTY CPA  
as Delegate of the Auditor-General of Queensland



Queensland Audit Office  
Brisbane

# Glossary

## **Employee Value Proposition**

A statement of QRAA's employment experience including the nature of the organisation, culture, ethics, values and employee benefits.

## **Operational plan**

A plan which identifies the services (projects and activities) the business unit intends to deliver during the plan's timeframe (one year). It also supports the Strategic Plan.

## **Productivity Loans**

First Start and/or Sustainability Loan currently available under the Queensland Government *Primary Industry Productivity Enhancement Scheme*.

## **Program owner**

Government agency / departmental representative which has engaged QRAA to deliver specialist financial administrative services on its behalf.

## **Right to information**

The Queensland Government's approach to providing the community with open access to public information in accordance with right to information legislation which came into effect on 1 July 2009.

## **Strategic Plan**

A document used by QRAA to set its direction, align with the Queensland Government's objectives for the community and provide objectives and strategies for QRAA.

## **Strategic priorities**

The priorities identified for QRAA, which are contained within the Strategic Plan to guide QRAA's performance.

## **Vision**

Specifies what QRAA hopes to become or create. A vision statement takes into account QRAA's current status and serves to point the direction of where QRAA wishes to go.

