

# **RURAL BUSINESS DEVELOPMENT CORPORATION**

## **ANNUAL REPORT**

**for the year ended**

**30 June 2009**



Department of Agriculture and Food



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# RURAL BUSINESS DEVELOPMENT CORPORATION

## STATEMENT OF COMPLIANCE

For the year ended 30 June 2009


The Honourable Terry Redman MLA  
Minister for Agriculture and Food; Forestry  
Minister Assisting the Minister for Education

In accordance with Section 63 of the Finance Management Act 2006, we hereby submit for your information and presentation to Parliament, the Annual Report of the Rural Business Development Corporation for the financial year ended 30 June 2009.

The Annual Report has been prepared in accordance with the provisions of the Finance Management Act 2006 and the Rural Business Development Corporation Act 2000.



Robert Sands  
Chairman



Dexter Davies  
Director

Date 31/7/09

Date 31/7/09

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# ABOUT THE CORPORATION

## ***The Role of the Corporation***

The Corporation administers financial support schemes for the farm sector on behalf of the Australian and State governments, and delivers other services for the benefit of rural industry.

In 2008-2009 the schemes that required the majority of the Corporation's resources were:

- Exceptional Circumstances (EC) – The Corporation administered seven EC declarations during 2008-2009. The declarations covered:
  - the north eastern wheatbelt (declared 7 April 2005),
  - an extension of the north eastern wheatbelt area (declared 24 October 2006),
  - some southern rangelands pastoral stations (declared 24 October 2006),
  - small businesses (declared 7 November 2006), revoked and replaced (25 September 2007) and extended (12 June 2009),
  - an extension of the 24 October 2006 southern rangelands area (declared 19 February 2007),
  - the northern wheatbelt and northern areas of the central wheatbelt (declared 8 October 2007) and
  - the southern rangelands revised area (declared 27 February 2009).

Farmers/pastoralists in EC declared areas can apply for an Interest Rate Subsidy to alleviate the financial impacts of exceptionally adverse seasonal conditions and EC Relief Payments or Austudy/Youth Allowance, etc, through Centrelink;

- FarmTraining WA provided training subsidies for primary producers (including indigenous land holders) in Western Australia to assist in building their capacity to manage changing climatic conditions, fluctuating markets and other risks associated with managing and developing their business. The scheme also engaged a range of industry groups and a Registered Training Organisation to undertake pilot projects Recognising Current Competencies (RCC) and introducing the Skills Passports to a range of industries. One benchmarking project was also initiated. The Minister for Agriculture and Food; Forestry has agreed to extend the Scheme to 30 June 2010 to enable further expansion of the Skills Passport and Recognised Current Competencies (RCC) project and another benchmarking project.
- The 2007 Dry Season Assistance Scheme which concluded on 31 March 2008 was extended to provide counselling service grants, as large farming regions were experiencing economic hardship, terms of trade and drought and these factors may have a significant impact upon the mental health of the people in rural communities.

## ***The objective of the Corporation***

To improve the long-term profitability and competitiveness of farmers, leading to an internationally competitive and sustainable farm sector.

## ***The strategies of the Corporation***

Supporting farm businesses through training, and in so doing, encouraging farmers to identify and implement strategies that enhance sustainable long-term profitability.

- *Grants are available under FarmTraining WA to assist farmers in business capacity building, with special emphasis on managing their farm business in a very dry season with risk management for the future, to develop new skills and to attend training courses.*

Supporting farmers in developing farm business management skills and building the capacity of rural Western Australians to be self-determining.

- *Grants were available to assist farmers in business capacity building for farmers, with a special emphasis on managing in a very dry season and risk managing for the future.*

Supporting the farm sector during periods of financial difficulties arising from exceptional circumstances.

- *Interest subsidies of up to 80% of the interest and charges paid by farmers on eligible farm debt are available for exceptional circumstances upon the Australian Government's declaration of an event. A State Dry Season Assistance Scheme was also administered to cover the prolonged dry conditions.*

Supporting the farm sector through providing policy advice, encouraging innovation and identifying issues affecting rural industry that may require government response.

- *The RBDC Directors has provided research grants to identify skill and labour shortage issues and to develop a strategy to improve the availability of skilled labour in agriculture. Further work has also been undertaken in relation to land aggregation and land use change. A leadership and mentoring program is also being developed.*

# CHAIRMAN'S OVERVIEW

Due to improved seasonal conditions in most of the Western Australian agricultural area, the State now has no current Exceptional Circumstances (EC) Interest Rate Subsidy (IRS) support declarations for the first time in more than 8 years. Over this period there have been eleven individual EC declarations, including extensions of declared areas. Since the current sequence of EC declarations commenced in February 2001, 1,653 EC IRS totalling \$61.49 million have been approved.

The cessation of EC in WA has coincided with the Australian Government Drought Policy Improvement Review, specifically the Productivity Commission review of drought support measures. The final report from the Productivity Commission has recommended that the Australian Government cease the EC program and target programs on drought preparedness. The Australian Government is yet to announce its decision on the recommendations.

The RBDC provided a submission to the Productivity Commission and argued that the current EC arrangements should be replaced with new measures to shape the sector as a whole, to better manage changing conditions through improved resilience in the profitability and sustainability of farm businesses. The climate that agricultural industries will face in the future is likely to be more variable, with higher temperatures and lower rainfall being of particular concern.

A state funded "FarmTraining WA" scheme commenced in July 2008 to provide funding for training support to primary producers in WA, post FarmBis, and until the Commonwealth FarmReady program was launched. The scheme also engaged a range of industry groups and a Registered Training Organisation to undertake pilot projects Recognising Current Competencies (RCC) and introducing the Skills Passports to a range of industries. With the commencement of FarmReady in February 2009, participants and trainers were referred to this scheme to subsidise training.

The new FarmLink scheme will commence in July 2009. Under this scheme, a co-ordinator will continue to promote training activities for primary producers while assisting WA primary producers and rural businesses access and leverage against Commonwealth funding to develop their businesses.

The RBDC has continued to take a proactive role in identifying whether there is a need for government involvement in issues affecting rural industry. A strategic workshop was held to review and recast earlier work on the key issues that may impact on the WA agriculture and food industry in the next 10 years. RBDC directors identified a number of issues affecting agriculture in WA now and within the next 10 years. A report produced from this workshop outlining the discussion and identifying key recommendations was presented to the Minister.

Projects undertaken as part of this proactive role include development work in investigating whether the RBDC can play a role in land aggregation and land use change, investigating the development of a mentoring and leadership program and undertaking an investigation of rural labour supply issues affecting agriculture in WA.

As part of the land aggregation project known as "Better Landscapes" a joint consultancy was been awarded to develop and broker a Better Landscapes concept. The aim of this consultancy was to develop a process where Government can promote commercial land transactions to create a "Better Landscape" by removing some of the existing barriers to this process. The consultancy also looks at the incentives needed to create a business environment that allows Better Landscapes to become part of normal market forces so that land use in the agricultural landscape is influenced in such a way that a range of economic, social and environmental benefits can flow through the community. A report is anticipated in early August 2009.

A pilot project on mentoring and leadership is currently being implemented. This project looks at the reshaping of the rural sector through the development of its human capital. It targets the high achievers in the rural sector and encourages them to realise their full potential. The program will focus on economic development through business excellence, underpinned by sustainable production, greater biodiversity and improved social outcomes.

The RBDC forwarded a submission on the Commonwealth Government's Australia's Future Tax System Review. The submission argues that parts of both the Federal and State tax systems are major impediments to optimum land use and the restructure of land holdings of current farm businesses. The RBDC's recommendations included Capital Gains Tax exemption on Land Trading, ie swapping parcels of land, increasing Capital Gains Tax rollover relief equity limits and Stamp Duty relief (a State taxation matter).

The \$1.75m Climate Adaptation Assistance Scheme for the North Eastern Agricultural Region (NEAR) and the Eastern Wheatbelt of the Central Agricultural Region (EWCAR) has been approved to commence in mid 2009. This scheme is to address the NEAR community's needs for a long term strategy for the management of issues faced by farmers in the event of consecutive bad years. The scheme will assist the community to adapt to the changing climate while ensuring the viability of farming in this region as well as the EWCAR.

A major achievement in this financial year was that the RBDC administered the second highest level of assistance in dollar terms since commencement in 2000. Over \$15 million of assistance to rural industries was provided across a range of programs. The schemes were run efficiently with only 7.5% of total expenditure spent on administration.

A sub-committee of the RBDC, "Farm Inputs Taskforce" was formed during the year to provide advice to the Minister in response to the rapid rise and subsequent fluctuations in farm input costs that occurred in the 2008 calendar year. The final report from this sub-committee will be presented to the Minister in August 2009.

The RBDC Board met formally seven times during the last twelve months. In addition there were a number of other activities that involved directors outside the formal meetings. This included membership of the Farm Inputs sub-committee, a number of out-of-session decisions via email and telephone, meetings and discussions on the review of financial statements, internal audit, season updates and attendance at industry forums. Directors were also involved in the grant appeals process when required.

Ian Longson, Acting Chief Executive Officer of the Corporation, resigned during the year and board members acknowledge the dedicated contribution that Ian made in his 5 years in the position as well as his earlier role as a Director of the RBDC.

I acknowledge the valuable contributions of my fellow Board Directors Maree Gooch, Dexter Davies, Richard Joyce and Murray Gmeiner. Special thanks must go to the staff for their dedication and support in undertaking the responsibilities of the Corporation during this year.



Rob Sands  
Chairman

# HIGHLIGHTS 2008-2009

The highlights for the Corporation in brief:

- Grants totalling over \$15 million were paid during 2008-2009 representing 91% of total expenditure.
- Since the current sequence of Exceptional Circumstances (EC) declarations commenced in February 2001, 1,653 EC Interest Rate Subsidies (EC IRS) totalling \$61.49 million have been approved. There have been eleven EC declarations, including extensions of declared areas, since the commencement of adverse seasons in 1998.
- This financial year saw assessments being carried out on seven separate EC declared areas.
- A survey of customers who had been approved or declined applications for EC IRS, reported a 93% satisfaction rating with the department staff handling their applications.
- An extension of the 2007 Dry Season Assistance Scheme saw counselling grants provided to two organisations.
- FarmTraining WA provided training subsidies for primary producers (including indigenous land holders) in Western Australia to assist in building their capacity to manage changing climatic conditions, fluctuating markets and other risks associated with managing and developing their business. During the financial year, reimbursement grants of \$620,000 were paid.
- FarmTraining WA also engaged a range of industry groups and a Registered Training Organisation to undertake pilot projects Recognising Current Competencies (RCC) and introducing the Skills Passports to a range of industries.
- A total of \$647,635 was expended on Indigenous training throughout WA. This was funded by \$266,637 from FarmTraining WA, with matching funds from the Indigenous Land Corporation (ILC) and \$114,360 by collaborative partners (Aboriginal corporations or private enterprise). A total of 465 Indigenous people attended 52 courses on 36 Indigenous properties. Most of the training courses were in the area of corporate governance.
- The RBDC submitted a report to the Australian Government Inquiry into Government Drought Support being conducted by the Productivity Commission. Directors also attended hearings conducted in Perth.
- As part of the Better Landscapes Project a joint consultancy was awarded to develop and broker a Better Landscapes concept. A report is anticipated in early August.
- A strategic workshop was held to review and recast earlier work on the key issues that may impact on the Western Australian agriculture and food industry in the next 10 years. RBDC directors identified a number of issues affecting agriculture in WA now and within the next 10 years. A report, produced from this workshop, outlining the discussion and identifying key recommendations was presented to the Minister.
- The RBDC has forwarded its submission on the Commonwealth Government's Australia's Future Tax System Review.



# CORPORATE PROFILE

## ***Rural Business Development Corporation Directors***

The Rural Business Development Corporation (RBDC) Act 2000 requires that the RBDC consist of five Directors appointed by the Minister. The Board of the RBDC held seven formal meetings during 2008-2009. Directors were also involved in a number of other issues and activities outside the formal meetings, including a number of out of session decisions via email and phone.

All Directors were appointed for a term which expired on 30 April 2009. The appointment of Directors is currently (July 2009) being considered by the Minister. The RBDC Act stipulates that "a director whose term of office expires by the passage of time continues in office until the director is reappointed or his or her successor comes into office".

RBDC Directors during 2008-2009 were:

### **Chairman**

*Mr Robert Sands*, a farm management consultant, was appointed Chairman in August 2002. Mr Sands was initially appointed a Director in December 2000. Mr Sands attended six meetings of the Corporation in 2008-2009.

### **Directors**

*Mrs Maree Gooch*, involved in the agricultural industry, was appointed in December 2003. Mrs Gooch attended six meetings of the Corporation in 2008-2009.

*Mr Dexter Davies*, a consultant, was appointed in May 2005. Mr Davies attended seven meetings of the Corporation in 2008-2009.

*Mr Richard Joyce*, a farmer, was appointed in May 2005. Mr Joyce attended seven meetings of the Corporation in 2008-2009.

*Mr Murray Gmeiner*, a consultant, was appointed in August 2006. Mr Gmeiner attended seven meetings of the Corporation in 2008-2009.

## ***Interest in Contracts by Corporation Members***

Rob Sands, RBDC Chairman is a member of a company providing a consulting service to clients of the Corporation who may receive payment from the Corporation. Maree Gooch and Richard Joyce, RBDC Directors, are members of farm businesses that may be eligible to receive support under various schemes administered by the Corporation. Dexter Davies was Chairman of the Minister's Dry Season Advisory Committee and received sitting fees from the Department of Agriculture and Food. Murray Gmeiner provided consulting advice to the Department of Agriculture and Food on the North East Agriculture Strategy.

## ***Corporate Structure and Staff***

The RBDC has no staff. The Department of Agriculture and Food provides all services under a Memorandum of Understanding agreement. Under this agreement, the Department provided the RBDC with the staff and other resources required for the RBDC to undertake its functions. The services provided to the RBDC are delivered through a Department unit titled Farm Business Development. This unit operated principally through the Department of Agriculture and Food's offices in South Perth. The unit also provides support for projects administered by the Department.

The Department of Agriculture and Food, as the employer of staff, is responsible for the personal and skills development of its employees.

# LEGISLATION

## ***Administered Legislation***

### **Rural Business Development Corporation Act 2000**

The Rural Business Development Corporation (RBDC) Act 2000 which commenced on 20 December 2000, repealed the Rural Adjustment and Finance Corporation Act 1993. The RBDC (the Corporation) is established under Section 5 of the RBDC Act 2000.

The Corporation's functions are: -

- To administer approved assistance schemes and to ensure that such schemes administered by the Corporation are properly and fairly administered;
- To give directly the financial assistance to be given under approved assistance schemes administered by the Corporation;
- To provide moneys to a department of the Public Service, or to an agency or instrumentality of the Crown, for the purposes of the financial assistance to be given under an approved assistance scheme administered by the department, agency or instrumentality;
- To carry out research into, and develop policies on issues affecting persons likely to be given financial assistance under this Act;
- To review and give advice to the Minister on -
  - Proposed assistance schemes;
  - The implementation of approved assistance schemes; and
  - Economic and other conditions in the rural sector;
- To perform other functions given to the Corporation under this Act or another Act; and
- To perform any other functions that may be prescribed.

### ***Responsible Minister***

The Honourable Terry Redman MLA, Minister for Agriculture and Food; Forestry, Minister Assisting the Minister for Education.

### ***Other Legislation Impacting on the Corporation's Activities***

In the financial performance of its functions, the Corporation complies with the requirements of the Financial Management Act 2006 and every other relevant written law, and exercised controls which provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of public property and incurring of liabilities have been in accordance with legislative provisions.

At the date of signing, we are not aware of any circumstances which would render the particulars included in this statement misleading or inaccurate. In the performance of its functions, the RBDC complies with the following relevant written laws:

- Auditor General Act 2006;
- Corporations (Western Australia) Act 1990;

- Electoral Act 1907;

In compliance with section 175ZE of the Electoral Act 1907, the RBDC is required to report on expenditure incurred during the financial year in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

Details are as follows:

Expenditure with media advertising agencies	\$1,735.46
Adcorp Australia Ltd and Marketforce Advertising.	
<b>TOTAL EXPENDITURE</b>	<b>\$1,735.46</b>

- Financial Management Act 2006;
- Freedom of Information Act 1992;

The Corporation is required under the Freedom of Information Act to prepare and publish an Information Statement on its activities in regard to freedom of information issues.

This Statement is part of this Annual Report. The various components of the Information Statement are incorporated in the following sections:

Role, Objectives and Strategies of the Corporation - Page 2  
 Legislation - Page 8  
 Decision Making Functions (Members) – Legislation - Page 8  
 Formulation of Policy - Appendix 1  
 Documents held by the Corporation - Appendix 2

Clients may access files and documents outside the Freedom of Information Act guidelines, where the documentation or file refers particularly to a client's personal dealings with the Corporation. Client information may be available to other parties.

Documents, which have reference to third parties, may require editing before release is considered.

The Freedom of Information (FOI) Coordinator deals with all FOI applications. No applications were received during 2008-2009.

Under a Memorandum of Understanding, the Department of Agriculture and Food is the employer of staff and is therefore responsible for complying with the following Acts:

- Disability Services Act 1993 (Disability Access and Inclusion Plan Outcomes (Disability Services Act 1993, S29);  
  
The Memorandum of Understanding ensures that as the employer of staff and provider of office accommodation the Department of Agriculture and Food is responsible for developing and implementing Disability Access and Inclusion Plans.
- Equal Opportunity Act 1984;
- Industrial Relations Act 1979;
- Minimum Conditions of Employment Act 1993;
- Occupational Health, Safety and Welfare Act 1984;
- Corruption and Crime Commission Act 2003;

- Public Sector Management Act 1994 and the WA Code of Ethics and the Department's Code of Conduct;
- Salaries and Allowances Act 1975;
- State Records Act 2000;

The Memorandum of Understanding also ensures the provision of an efficient and effective recordkeeping system, including training, review of the training, an induction program which addresses employee roles and responsibilities in regard to their compliance with their recordkeeping plans;

- State Supply Commission Act 1991;
- Workers' Compensation and Injury Management Act 1981;

### ***Internal Audit Function***

The Internal Audit Committee was established by Directors and provides a monitoring mechanism for the review of the performance of the internal audit function and management audit reports.

The Department of Agriculture and Food is contracted to perform the Corporation's internal audit function.

# REPORT ON OPERATIONS

## **FINANCIAL**

During 2008-2009, the Rural Building Development Corporation (RBDC) provided assistance of over \$15 million to rural industries. Following on from 2007-2008, this was the second highest level of assistance provided since the RBDC commenced in 2000. This high level of assistance advanced was largely due to the demand for the Rural Adjustment Scheme's Exceptional Circumstances (EC) support, with most declarations concluding on 31 March 2009 due to improved seasonal conditions. Grants to farmers during 2008-2009 represented 91% of total expenditure.

The increase in the level of assistance provided also resulted in a large amount of Australian Government funding for EC support (\$11.06 million) being received.

The RBDC funds its operations from its own Trust Account known as the Rural Business Development Corporation Operating account. This one account contains both Australian Government and State Government funding. The account is credited with interest earnings on cash balances held. The RBDC has a closing bank balance of \$9.9 million at 30 June 2009. Other than \$4 million of reserves available for future schemes, these funds are fully committed to existing schemes as well as a new scheme under development.

## **PROGRAMS**

### **EXCEPTIONAL CIRCUMSTANCES (EC) SCHEME**

The RBDC is the administering body in Western Australia, for the Australian and State Governments' funded EC program under the Rural Adjustment Scheme. All EC declared areas in Western Australia concluded in June 2009. Up to June 2009, the RBDC assessed applications from farmers, pastoralists and small businesses for the EC Interest Rate Subsidy (IRS), in line with policy guidelines issued by the Australian Government Minister for Agriculture, Fisheries and Forestry for areas declared EC.

The Australian Government guidelines allowed support to be provided to farmers in declared areas (and buffer zones where applicable) who would normally have prospects of long-term profitability, but because of the exceptional conditions, which in turn have detrimentally affected their income, has led their business into financial difficulty. Farm businesses in EC declared areas could apply for an EC IRS to alleviate the financial impacts of exceptionally adverse seasonal conditions. The maximum subsidy payable was \$100,000 per year, with a maximum of \$500,000 over a five year period. The rate of subsidy was up to 80% of the interest expense of the business.

In addition to the EC IRS, eligible farmers could also make application for EC Relief Payments, or Austudy/Youth Allowance through Centrelink. Eligible farm businesses located in areas that had been EC declared for more than three years could also access grants for professional advice and planning assistance from suitably qualified professionals of their choice.

The RBDC administered seven EC declarations during 2008-2009:-

- the north eastern wheatbelt (declared 7 April 2005),
- an extension of the north eastern wheatbelt area (declared 24 October 2006),
- some southern rangelands pastoral stations (declared 24 October 2006),
- small businesses (declared 7 November 2006), revoked and replaced (25 September 2007) and extended (12 June 2009) as some parts of other states are still "EC declared",
- an extension of the 24 October 2006 southern rangelands area (declared 19 February 2007),
- the northern wheatbelt and northern areas of the central wheatbelt (declared 8 October 2007) and
- the southern rangelands revised area (declared 27 February 2009).

Most EC declarations in WA concluded on 31 March 2009 due to improved seasonal conditions. The last remaining declaration (parts of the southern rangelands) ceased on 15 June 2009. Small businesses located in WA but who do business with farmers/pastoralists in other states who are still in EC, can continue to apply for support till the expiration of those EC declarations.

#### ***Scheme statistics***

Year	Applications received	Number Approved	Number Declined/Withdrawn	Grants Approved
2000-2008	1,852	1,284	484	\$47,860,230
2008-2009	470	369	104	\$13,629,012
Total to date	2,322	1,653	584	\$61,489,242

#### **FARMTRAINING WA**

A new State funded scheme, FarmTraining WA, commenced on 1 July 2008 with \$1.5 million funding for one year to maintain the momentum and contacts established through the FarmBis schemes. This business capacity building initiative supports primary producers and indigenous land managers to acquire transferable skills and incorporate strategic planning and business management techniques into their business, in relation to managing changing climatic conditions, fluctuating markets and associated farming risks.

The scheme was established to provide funding for training support to primary producers in WA post FarmBis and until the Commonwealth FarmReady program was launched. With the commencement of FarmReady in February 2009, participants and trainers were referred to this scheme to subsidise training.

During the financial year 2008-2009 FarmTraining WA Indigenous, training was held on 36 Indigenous held properties throughout Western Australia, to undertake 52 training courses with 465 Indigenous attendees benefitting from the delivered training. The area of training that is significantly required is in the area of Corporate Governance and Capacity Building. This business capacity building initiative will support primary producers and indigenous land managers acquire transferable skills and incorporate strategic planning and business management techniques into their business in relation to managing changing climatic conditions, fluctuating markets and associated farming risks.

Under the FarmTraining scheme, \$266,637 was reimbursed for indigenous training. In addition, this was matched by indigenous carry over funding of the same amount as well as \$114,360 by other parties which resulted in \$647,635 being expended on indigenous training.

An amount of \$620,000 was provided to training providers to subsidise the cost of training to primary producers, including indigenous, at the rate of 50%.

FarmTraining WA also provided funding for two sub-projects:-

- Recognised Current Competencies (RCC) and
- Benchmarking.

The Minister for Agriculture and Food; Forestry has agreed to extend the scheme to 30 June 2010. Unspent funds as at 30 June 2009 will be used to expand the RCC and Benchmarking projects.

#### ***Scheme statistics***

Year	Applications received	Number Approved	Number Declined/Withdrawn	Grants Paid
2008-2009	273	230	42	\$995,684
Total to date	273	230	42	\$995,684

## 2007 DRY SEASON ASSISTANCE SCHEME

The 2007 Dry Season Assistance Scheme which concluded on 31 March 2008 was extended to provide counselling service grants, as large farming regions were experiencing economic hardship, terms of trade and drought and these factors may have a significant impact upon the mental health of the people in rural communities.

Following on requests for expressions of interest, two groups were approved funding of \$248,872 to provide individual and community support to assist rural businesses, farmers and their communities deal with their particular issues. Services were made available to agricultural and pastoral areas, with particular emphasis on areas recently affected by drought. The funding is to address the issues around social relationships, personal and emotional wellbeing, welfare of children and mental health and assist in the maintenance of viable rural communities and their support networks.

### ***Scheme statistics***

Year	Applications received	Number Approved	Number Declined/Withdrawn	Grants Approved
2007-2008	599	507	678	\$4,302,958
2008-2009	2	2	24	\$248,872
Total to date	601	509	92	\$4,551,830

## RURAL LAND SALES LIAISON COMMITTEE

The Rural Land Sales Liaison Committee provides a process of ensuring that all suitable and available options have been explored by the lender and borrower in cases where financial difficulties are being experienced and where mutual agreed resolve does not exist.

There were no enquiries during the 2008-2009 year.

### ***OTHER INFORMATION***

#### ***AGENCY PERFORMANCE - REPORT ON OPERATIONS***

The Board continues to administer financial support schemes for the farm sector on behalf of the State and Australian governments. The schemes administered this financial year were:

- EC Interest Rate Subsidy,
- Dry Season Assistance Schemes, and
- FarmTraining WA Scheme.

A major achievement in this financial year was that the RBDC administered the second highest level of assistance in dollar terms since commencement in 2000. Over \$15 million of assistance to rural industries was provided across a range of programs. The above schemes were efficiently run with only 7.5% of total expenditure spent on administration.

#### **Financial Targets: Actual performance compared to budget targets**

	Target <sup>(1)</sup> \$'000's	Actual \$'000's	Variation <sup>(2)</sup> \$'000's
Total cost of services (expense limit)	20,088	17,173	(2,915) <sup>(a)</sup>
Net Cost of services	1,888	5,128	3,240 <sup>(b)</sup>
Total equity	2,002	9,575	7,573 <sup>(c)</sup>
Net increase / (decrease) in cash held	(194)	4,217	4,411 <sup>(d)</sup>
Approved full time equivalent (FTE) staff level <sup>(3)</sup>	N/A	N/A	N/A

(1) As specified in the budget statements for 2008-2009.

(2) Further explanations are also contained in Note 19 "Explanatory Statement" to the financial statements.

- (a) The variation is a result of less than budgeted grant expenditure for EC and unbudgeted grant expenditure for the Dry Season Assistance Scheme.
- (b) The variation is a result of reduced expenditure as detailed in note (a) above as well as reduced Commonwealth revenue for grant expenditure for EC.
- (c) Total equity increase is a result of unused funding received in advance of expenditure for the 2007 Dry Season Assistance Scheme and the ceased FarmBis Scheme.
- (d) Net increase in cash held is more than budget estimate due to unused funding as detailed in note (c) above.

(3) Staffing resources are provided through the Department of Agriculture and Food.

**Key Performance Indicators: Actual performance compared to budget targets**

	Target <sup>(1)</sup>	Actual	Variation <sup>(2)</sup>
<b>Outcome:</b> Improved ecologically sustainable development of agri-industry  <b>Key Effectiveness Indicator:</b> The extent to which recipients were satisfied with the way schemes are administered	91%	92.6%	1.6% <sup>(a)</sup>
<b>Outcome:</b> Improved ecologically sustainable development of agri-industry  <b>Key Efficiency Indicators:</b> Proportion of expenditure as administrative expenditure	8.4%	7.5%	(0.9%) <sup>(b)</sup>

(1) As specified in the budget statements for 2008-2009.

(2) Further explanations as to Key Performance Indicator measurements are contained on pages 18-19 of this report.

- (a) The Customer satisfaction survey conducted of 198 applicants for EC and Dry Season Assistance Schemes showed high level of satisfaction.
- (b) The proportion of expenditure as administrative expenditure and the program expenditure per dollar of administrative expenditure reduced during 2008-2009 due to a 49% increase in applications processed without a consequential increase in resources required to process applications.

The administrative expenditure per application approved or rejected increased from \$329 in 2007-2008 to \$1,685 in 2008-2009.

The 2008-2009 increase is due to cessation of the FarmBis Scheme which had many reimbursement applications of a small dollar value which required minimal assessing. EC applications involve a detailed analysis of the application to determine eligibility and therefore have a higher cost per application. The ten year average is \$1,112 administrative expenditure per application approved or rejected.

**OUTCOME FOR FARM BUSINESS DEVELOPMENT**

**Description:**

Assist farmers to enhance their skills, leading to improved sustainable long-term profitability and better capacity to deal with risks inherent in farming and to provide financial support to assist farmers significantly impacted by exceptional seasonal events which are outside the normal capacity of farmers to control.



### Relationship to Government Goals:

Broad, high level government goals are supported at agency level by specific outcomes. Agencies deliver services to achieve these desired outcomes, which ultimately contribute to meeting the higher level government goals. The following table illustrates the relationship between the RBDC level desired outcomes and the most appropriate government goal.

Government Goal	Desired Outcome	Service
Stronger focus on the regions: Greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas	Improved ecologically sustainable development of agri-industry	Farm Business Development

### CONTRIBUTION TO GOVERNMENT GOALS

The State Government has outlined five major goals in terms of service delivery. These are:

- State Building – Major Projects,
- Financial and Economic Responsibility,
- Outcomes based Service Delivery,
- Stronger Focus on the Regions, and
- Social and Environmental Responsibility.

The RBDC delivers services in a range of these areas, with a strong focus on regions, and social and environmental responsibility.

The achievements in contributing to governmental goals and compliance with mandated policies are detailed in the Highlights and Legislation sections of the annual report.

### Financial And Economic Responsibility

The RBDC contributes to financial and economic responsibility within the State Public Service through adhering to the policies of the government that promote transparency, fairness and access to all.

### Stronger Focus on the Regions

With a strong focus on regional WA, the RBDC contributes through its EC, Dry Season Assistance, and FarmTraining support programs to farmers which flows back financially to regional communities and businesses as well as resulting in more skilled regional communities.

### The Social and Environmental Responsibility

The RBDC contributes through all its activities, but particularly through support to rural businesses that have been affected by exceptional weather events and by encouraging farmers to increase their skill levels.

The RBDC contributes to this goal through its Dry Season Assistance schemes which aim to minimise damage to the landscape during dry seasons and through the FarmTraining program in encouraging farmers to participate in learning activities to improve their management skills in areas including Natural Resources management and through developing initiatives such as encouraging land consolidation. FarmTraining initiatives also promote lifelong learning by farmers and by engaging with Indigenous communities.

## APPLICATION STATISTICS

TABLE 1

### APPLICATIONS FOR THE YEAR ENDED 30 JUNE 2009

FORM OF SUPPORT	NUMBER OF APPLICATIONS					Approved \$
	On Hand @ 1.7.2008	Received	Approved	Declined/ Withdrawn	On Hand @ 30.6.2009	
2007 DSAS* Community & Social Support	2	0	0	2	0	0
2007 DSAS - Farmer Direct	17	0	0	17	0	0
2007 DSAS - Counselling	5	2	2	5	0	248,872
EC** NE Wheatbelt Year 3	5	1	2	4	0	193,282
EC NE Wheatbelt Year 4	0	41	40	1	0	1,232,773
EC NE Wheatbelt Year 4A	0	39	31	1	7	697,938
EC NE Wheatbelt B Year 2	22	1	14	9	0	528,434
EC NE Wheatbelt B Year 3	0	65	62	3	0	2,083,275
EC NE Wheatbelt B Year 3A	0	34	14	8	12	314,076
EC N & N areas of Cent Wheatbelt Year 1	52	123	117	58	0	6,135,036
EC N & N areas of Cent Wheatbelt Year 2	0	126	58	13	55	1,698,748
EC Small Business Year 2	2	5	3	4	0	49,830
EC Small Business Year 3	0	5	1	0	4	5,758
EC Southern Pastoral Year 3	0	8	5	2	1	161,275
EC Southern Pastoral Year 3A	0	5	4	0	1	116,701
EC Southern Pastoral B Year 2	3	0	3	0	0	72,095
EC Southern Pastoral B Year 3	0	9	8	1	0	194,221
EC Southern Pastoral B Year 3A	0	7	7	0	0	145,570
EC Southern Pastoral E Year 1	0	1	0	0	1	0
FarmBis*** Targeted Industry Initiative	1	0	0	1	0	0
FarmBis Individual	1	0	0	1	0	0
FarmTraining WA Benchmarking	0	1	1	0	0	79,420
FarmTraining WA Group	0	206	167	38	1	382,009
FarmTraining WA ILC	0	60	56	4	0	346,453
FarmTraining WA RRR****	0	6	6	0	0	187,802
<b>TOTAL</b>	<b>110</b>	<b>745</b>	<b>601</b>	<b>172</b>	<b>82</b>	<b>14,873,568</b>

Note:     \*     DSAS = Dry Season Assistance Scheme  
           \*\*    EC = Exceptional Circumstances  
           \*\*\*   FarmBis = FarmBis 2005-2008  
           \*\*\*\*   RRR = Recognised Current Competencies

**TABLE 2****EXCEPTIONAL CIRCUMSTANCES STATISTICS FROM 1 JULY 2000 TO 30 JUNE 2009**

	Applications Received	# of Approvals	# of Declines/ Withdrawals	% Approved	Value Approved	Average Grant
South East Wheatbelt Declared 02.02.2001	523	365	158	70%	\$13,379,683	\$36,657
Area C&D Declared 03.08.2001	86	57	29	66%	\$1,632,314	\$28,637
Northern Wheatbelt Declared 07.03.2002	278	203	75	73%	\$5,998,482	\$29,549
Southern Rangelands Declared 02.07.2003	178	166	12	93%	\$5,749,563	\$34,636
Central Wheatbelt Declared 24.07.2003	289	181	108	63%	\$6,908,897	\$38,171
North East Wheatbelt Declared 07.04.2005	223	181	34	81%	\$6,716,563	\$37,108
North East Wheatbelt B Declared 24.10.2006	240	170	55	71%	\$6,783,705	\$39,904
Southern Pastoral Declared 24.10.2006	28	20	6	71%	\$774,024	\$38,701
Small Business Declared 07.11.2006 Revoked and Replaced 25.09.07 Reissued 12.06.2009	16	5	7	28%	\$75,384	\$15,077
Northern Wheatbelt & N parts of Central Wheatbelt Declared 08.10.2008	420	270	94	64%	\$12,798,171	\$47,401
Southern Pastoral B Declared 19.02.2007	40	35	6	88%	\$672,456	\$19,213
Southern Pastoral E Declared 12.02.2009	1	0	0	0%	\$0	\$0
<b>TOTAL</b>	<b>2,322</b>	<b>1,653</b>	<b>584</b>	<b>71%</b>	<b>\$61,489,242</b>	<b>\$37,199</b>

## **PERFORMANCE INDICATORS 2008-2009**

### **GOVERNMENT GOAL**

#### Stronger Focus on the Regions

Greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas.

### **DESIRED OUTCOME**

Improved ecologically sustainable development of agri-industry.

This outcome is met by administering on behalf of the State, schemes of support to Western Australian rural industry.

### **EFFECTIVENESS INDICATORS**

Effectiveness Indicator 1(a)	Target	Unit	2006-2007 Survey	2007-2008 Survey	2008-2009 Survey
The extent which recipients were satisfied with the way schemes are administered by the Corporation	Maintain at least a 90% level of satisfaction with services provided by the Corporation	%	96.5	94.03	92.6
Sample size			180	237	198

The survey is conducted each year among applicants for support from schemes that are open. The table below shows schemes surveyed.

Year	Exceptional Circumstances	Dry Season Assistance Scheme	2005 Pastoral Dry Season Assistance Scheme
2006-2007	✓	✓	
2007-2008	✓	✓	✓
2008-2009	✓	✓	

A Customer Satisfaction Index was created using a multifaceted weighted index, which reflected customer satisfaction on a more comprehensive range of issues, such as application information requirements, application processing and staff helpfulness. The population was surveyed and 198 responded, which is a response rate of 42% from a population of 470.

Effectiveness Indicator 1(b)	Target	Unit	2006-2007 Survey	2007-2008 Survey	2008-2009 Survey
The extent which training funding recipients were satisfied with the way schemes are administered by the Corporation	Maintain at least a 90% level of satisfaction with services provided by the Corporation	%	90.05	91.89	97.3
Sample size			3,228	5,007	1,354

The Customer Satisfaction Index for FarmTraining WA participants was sourced directly from evaluation sheets received with each application. The question asked was, "Overall how satisfied are you with the quality of the service provided by the FarmTraining WA Program? (Were they knowledgeable, helpful, responsive, and consistent in their advice and the forms easy to complete?)".

Effectiveness Indicator 2	Target	Year	Number of Appeals	Number of Appeals Upheld	% of appeals upheld over total number of applications received
This is an indicator on how effectively the Corporation is administering the schemes of assistance	A reduction in the percentage of appeals upheld compared to the total numbers of applications received	2006-2007	1	0	0.0%
		2007-2008	12	5	0.55%
		2008-2009	22	11	4.68%

All application decisions made by the Corporation can be appealed. Application numbers increased from 337 in 2006-2007 to 907 in 2007-2008 and reduced to 470 in 2008-2009. The Exceptional Circumstances (EC) schemes are more likely to have applications where decisions are appealed. As FarmTraining WA (commenced July 2008) has wide eligibility criteria, grants of a low value and a low decline rate there have been no appeals and therefore these application numbers are not included in the calculations for this table.

Appeals are upheld primarily on the basis of new and supplementary information provided rather than a failure of the original assessment. In 2006-2007 only one appeal was received which was dismissed. In 2007-2008 the number of appeals upheld was 42% with twelve appeals received and five being upheld. In 2008-2009 the number of appeals upheld was 50% with 22 appeals received and 11 being upheld. EC application decisions made in 2008-2009 totalled 469 compared to 315 in 2007-2008 and this resulted in a higher number of appeals received.

## **SERVICE:- FARM BUSINESS DEVELOPMENT**

Develop and administer innovative and cost effective assistance measures to benefit Western Australian Rural Industries.

### ***EFFICIENCY INDICATORS***

Efficiency Indicator	Target	Unit	2006-2007	2007-2008	2008-2009	2008-2009 target
The activity cost (administrative expenditure per application approved or rejected)	Reduction in the activity costs to administer the schemes of assistance	\$	357	329	1,685	1,886

The 2008-2009 increase, though less than target, is due to cessation of FarmBis Scheme which had many reimbursement applications of a small dollar value which required minimal assessing. EC applications involve a detailed analysis of the application to determine eligibility and therefore have a higher cost per application. The ten year average is \$1,112 administrative expenditure per application approved or rejected.

RURAL BUSINESS DEVELOPMENT CORPORATION

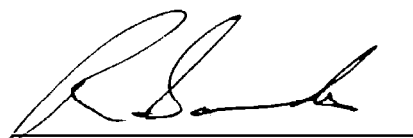
CERTIFICATION OF PERFORMANCE INDICATORS

For the year ended 30 June 2009

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Rural Business Development Corporation's performance, and fairly represent the performance of the Rural Business Development Corporation for the financial year ended 30 June 2009.

**Rob Sands**

**Chairman of Accountable Authority**



**Date:**

31/7/09

**Richard Joyce**

**Member of Accountable Authority**



**Date:**

31/7/09

# **RURAL BUSINESS DEVELOPMENT CORPORATION**

## **FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED**

**30 JUNE 2009**

**RURAL BUSINESS DEVELOPMENT CORPORATION**  
**INCOME STATEMENT**  
for the year ended 30 June 2009

	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>\$</b>	<b>\$</b>
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Grants and subsidies	4a	15,573,675	20,431,209
Department of Agriculture and Food contracted services	4b	954,493	971,911
Supplies and services	4c	90,830	251,248
Board member fees	21	89,546	92,327
Other expenses	5	464,994	233,928
<b>Total costs of services</b>		<u>17,173,538</u>	<u>21,980,623</u>
<b>Income</b>			
<b>Revenue</b>			
Commonwealth grants and contributions	6	11,056,650	12,969,684
Interest revenue	7	571,553	539,957
Other revenue	8	417,008	7,764
		<u>12,045,211</u>	<u>13,517,405</u>
<b>Total revenue</b>			
<b>Total income other than income from State Government</b>		12,045,211	13,517,405
<b>NET COST OF SERVICES</b>		<u><b>5,128,327</b></u>	<u><b>8,463,218</b></u>
<b>INCOME FROM STATE GOVERNMENT</b>			
	9		
Service appropriation		1,694,000	16,080,000
Resources received free of charge		7,476	10,063
<b>Total income from State Government</b>		<u>1,701,476</u>	<u>16,090,063</u>
<b>SURPLUS /(DEFICIT) FOR THE PERIOD</b>		<u><u>(3,426,851)</u></u>	<u><u>7,626,845</u></u>

The Income Statement should be read in conjunction with the accompanying notes.



**RURAL BUSINESS DEVELOPMENT CORPORATION**  
**BALANCE SHEET**  
as at 30 June 2009

	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>\$</b>	<b>\$</b>
<b>ASSET</b>			
<b>Current Assets</b>			
Cash and cash equivalents	10,15	8,654,311	10,004,005
Restricted cash and cash equivalents	10,15	1,234,784	4,102,186
Receivables	11	383,849	244,590
<b>Total Current Assets</b>		<u>10,272,944</u>	<u>14,350,780</u>
<b>TOTAL ASSETS</b>		<u>10,272,944</u>	<u>14,350,780</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	13	697,335	1,348,320
<b>Total Current Liabilities</b>		<u>697,335</u>	<u>1,348,320</u>
<b>Total Liabilities</b>		<u>697,335</u>	<u>1,348,320</u>
<b>NET ASSETS</b>		<u>9,575,609</u>	<u>13,002,460</u>
<b>EQUITY</b>	14		
Accumulated surplus		<u>9,575,609</u>	<u>13,002,460</u>
<b>TOTAL EQUITY</b>		<u>9,575,609</u>	<u>13,002,460</u>

The Balance Sheet should be read in conjunction with the accompanying notes.

**RURAL BUSINESS DEVELOPMENT CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 30 June 2009

	<b>Note</b>	<b>2009</b> \$	<b>2008</b> \$
<b>Balance of equity at start of period</b>		<u>13,002,460</u>	<u>5,375,615</u>
<b>ACCUMULATED SURPLUS</b>			
Balance at start of period	14	13,002,460	5,375,615
Surplus/(deficit) or profit/(loss) for the period		(3,426,851)	7,626,845
Transfer from Asset Revaluation Reserve		-	-
Balance at end of period		<u>9,575,609</u>	<u>13,002,460</u>
<b>Balance of equity at end of period</b>	14	<u>9,575,609</u>	<u>13,002,460</u>
<b>Total income and expense for the period <sup>(a)</sup></b>		(3,426,851)	7,626,845

(a) The aggregate net amount attributable to each category of equity is: deficit \$3,426,851  
(2008: surplus \$7,626,845)

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**RURAL BUSINESS DEVELOPMENT CORPORATION**  
**Cash Flow Statement**  
**for the year ended 30 June 2009**

	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>\$</b> <b>Inflows</b> <b>(Outflows)</b>	<b>\$</b> <b>Inflows</b> <b>(Outflows)</b>
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation		1,694,000	16,080,000
<b>Net cash provided by State Government</b>		<u>1,694,000</u>	<u>16,080,000</u>
<b>Utilised as follows:</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Grants and subsidies		(16,258,847)	(19,180,809)
Department of Agriculture and Food contracted services		(953,655)	(971,911)
Supplies and services		(65,481)	(251,248)
Board member fees		(89,546)	(92,327)
Other payments		(457,519)	(223,865)
		<u>(17,825,048)</u>	<u>(20,720,160)</u>
<b>Receipts</b>			
Commonwealth grants and contributions		11,056,650	12,969,684
Other receipts		857,302	432,522
		<u>11,913,952</u>	<u>13,402,206</u>
<b>Net cash used in operating activities</b>	15	(5,911,096)	(7,317,954)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(4,217,096)</b>	<b>8,762,046</b>
Cash and cash equivalents at the beginning of the period		<u>14,106,191</u>	<u>5,344,145</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	15	<u><u>9,889,095</u></u>	<u><u>14,106,191</u></u>

The Cash Flow Statement should be read in conjunction with the accompanying notes.

**RURAL BUSINESS DEVELOPMENT CORPORATION**  
**Notes to the Financial Statements**  
**as at 30 June 2009**

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**1 Australian equivalents to International Financial Reporting Standards**

**General**

The Authority's financial statements for the year ended 30 June 2009 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Authority has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

**Early adoption of standards**

The Authority cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Authority for the annual reporting period ended 30 June 2009.

**2 Summary of significant accounting policies**

**(a) General Statement**

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The Financial Management Act and the Treasurer's instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements

**(b) Basis of Preparation**

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, modified by the revaluation of land, buildings and infrastructure which have been measured at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar (\$).

**(c) Reporting Entity**

The reporting entity comprises the Authority and entities listed at note 23 "Related bodies".

**(d) Contributed Entity**

AASB Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers, other than as a result of a restructure of administrative arrangements, in the nature of equity contributions to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital contributions (appropriations) have been designated as contributions by owners by Treasurer's Instruction (TI) 955 'Contributions by Owners made to Wholly Owned Public Sector Entities' and have been credited directly to Contributed Equity.

Transfer of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal. See note 14 'Equity'.

**(e) Income**

**Revenue recognition**

Revenue is measured at the fair value of consideration received or receivables. Revenue is recognised for the major business activities as follow:

*Grants, donations, gifts and other non-reciprocal contributions*

Revenue is recognised at fair value when the Authority obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value.

Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Where contributions recognised as revenue during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the balance sheet date, the nature of, and amounts pertaining to, those undischarged conditions are disclosed in the notes.

*Service Appropriations*

Service Appropriations are recognised as revenues at nominal value in the period in which the Authority gains control of the appropriated funds. The Authority gains control of appropriated funds at the time those funds are deposited into the Authority's bank account or credited to the holding account held at Treasury. (See note 9 Income from State Government).

*Interest*

Revenue is recognised as the interest accrues.

**(f) Financial Instruments**

In addition to cash and bank overdraft the Authority has two categories of financial instrument:

- Receivables; and
- Financial liabilities measured at amortised cost.

These have been disaggregated into the following classes:

Financial Assets

- Cash and cash equivalents
- Restricted cash and cash equivalents
- Receivables

Financial Liabilities

- Payables

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

**(g) Cash and Cash Equivalents**

For the purpose of the Cash Flow Statement, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

**(h) Receivables**

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Authority will not be able to collect the debts. The carrying amount is equivalent to the fair value as it is due for settlement within 30 days. See note 2(f) 'Financial Instruments' and note 11 'Receivables'.

**(i) Payables**

Payables are recognised at the amounts payable when the Authority becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are generally settled within 30 days. See note 2(f) 'Financial Instruments' and note 13 'Payables'.

**(j) Good and Service Tax**

In accordance with the GST grouping provisions the right to receive GST and the obligation to pay GST rests with the Department of Agriculture and Food in regard to all GST transactions incurred by members of the group. As a result separate GST transactions are not recognised within the individual authority's financial statements as they are brought to account in the Department of Agriculture and Food's financial statements.

**(k) Resources Received Free of Charge or for Nominal Cost**

Resources received free of charge or for nominal cost that can be readily measured are recognised as income and as assets or expenses as appropriate, at fair value.

**(l) Comparative Figures**

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

**3 Disclosure of changes in accounting policies and estimates**

**Initial application of Australian Accounting Standard**

The Authority has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2008 that impacted on the Authority:

Review of AAS 27 'Financial Reporting by Local Governments', AAS 29 'Financial Reporting by Government Departments' and AAS 31 'Financial Reporting by Governments'. The AASB has made the following pronouncements from its short term review of AAS 27, AAS 29 and AAS 31:

AASB 1004 'Contributions';  
AASB 1050 'Administered Items';  
AASB 1051 'Land Under Roads';  
AASB 1052 'Disaggregated Disclosures';  
AASB 2007-9 'Amendments to Australian Accounting Standards arising from the review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137];and

Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities'.

The existing requirements in AAS 27, AAS 29 and AAS 31 have been transferred to the above new and revised topic-based Standards and Interpretation. These requirements remain substantively unchanged. AASB 1050, AASB 1051 and AASB 1052 do not apply to Statutory Authorities. The other Standards and Interpretation make some modifications to disclosures and provide additional guidance (for example, Australian Guidance to AASB 116 'Property, Plant and Equipment' in relation to heritage and cultural assets has been introduced), otherwise there is no financial impact.

**Future Impact of Australian Accounting Standards not yet operative**

The Authority cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Authority has not applied early the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued and which may impact the Authority but are not yet effective. Where applicable, the Authority plans to apply these Standards and Interpretations from their application date:

**(a) Operative for reporting periods beginning on/after 1 January 2009**

- AASB 101 'Presentation of Financial Statements' (September 2007). This Standard has been revised and will change the structure of the financial statements. These changes will require that owner changes in equity are presented separately from non-owner changes in equity. The Authority does not expect any financial impact when the Standard is first applied.

**(b) Operative for reporting periods beginning on/after 1 July 2009**

- AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110]'. This Standard amends AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' in respect of the classification, presentation and measurement of non-current assets held for distribution to owners in their capacity as owners. This may impact on the presentation and classification of Crown land held by the Department where the Crown land is to be sold by the Department for Planning and Infrastructure. The Department does not expect any financial impact when the Standard is first applied prospectively.

- AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]'. This Standard amends AASB 7 and will require enhanced disclosures about fair value measurements and liquidity risk with respect to financial instruments. The Authority does not expect any financial impact when the Standard is first applied.

**RURAL BUSINESS DEVELOPMENT CORPORATION**  
**Notes to the Financial Statements**  
**as at 30 June 2009**

	<u>2009</u> \$	<u>2008</u> \$
<b>4 a Grants and subsidies</b>		
<b>Grants</b>		
Ord Sugar Industry Assistance Scheme	-	3,667,129
Dry Season 2007 Assistance Scheme	394,608	3,874,232
Dry Season 2006 Assistance Scheme		199,233
Nullarbor Dry Seasons Assistance Scheme		-
FarmBis Scheme		2,762,331
Farm Training WA Scheme	748,371	
Research Grants		12,435
	<u>1,142,979</u>	<u>10,515,360</u>
<b>Subsidies - interest</b>		
Rural Adjustment - Exceptional Circumstances	14,430,696	9,915,849
<b>Total Grants and subsidies</b>	<u>15,573,675</u>	<u>20,431,209</u>
<b>4 b Department of Agriculture and Food contracted services</b>		
The Corporation has a memorandum of understanding with Department of Agriculture and Food which is reviewed annually. The objective of this arrangement is to establish the types and standards of services to be provided, the basis for determining the level and the costs of the services and the responsibilities of the Corporation and the Department.		
<b>Department of Agriculture and Food contractors and service overheads</b>		
Department of Agriculture and Food contractors	677,388	646,457
Contractor related expenses (mileage, transfer costs, training)	26,162	87,057
Service agreement overheads	250,943	238,397
	<u>954,493</u>	<u>971,911</u>
<b>4 c Supplies and services</b>		
Communications	3,705	8,867
Repairs and maintenance	992	10,438
Services and contracts	82,173	223,058
Supplies consumed	3,960	8,885
	<u>90,830</u>	<u>251,248</u>
<b>5 Other expenses</b>		
Consultancy charges from business units	83,042	164,684
Assets contribution made	736	1,736
Audit Fees	30,200	37,000
Other	14,153	30,508
Refund to Commonwealth for grants held at cessation of Farmbis program	336,863	-
	<u>464,994</u>	<u>233,928</u>
<b>6 Commonwealth grants and contributions</b>		
The Commonwealth provides financial assistance to the State under the States and Northern Territory Grants (Rural Adjustment) Act 1992. Under various agreements the Commonwealth has provided financial assistance for Exceptional Circumstances support, Farmbis, Gascoyne Murchison Structural Adjustment. The grants have been recognised in its <b>entirety</b> upon receipt as the only condition set by the grantor relates as to how the grant can be expended. At 30 June 2009, \$1,234,768 of the grants remain unspent.		
<b>Funds provided:</b>		
FarmBis	-	1,927,934
RAS Exceptional Circumstances	11,056,650	11,041,750
	<u>11,056,650</u>	<u>12,969,684</u>

**RURAL BUSINESS DEVELOPMENT CORPORATION**  
**Notes to the Financial Statements**  
**as at 30 June 2009**

	<u>2009</u> \$	<u>2008</u> \$
<b>7 Interest revenue</b>		
Interest revenue		
Rural Business Development Corporation Operating Account	571,553	539,957
	<u>571,553</u>	<u>539,957</u>
<b>8 Other revenue</b>		
Refund previous years expenditure	10,402	7,500
Refund of Grants	372,624	-
Recoup of expenditure	33,866	-
Other	116	264
	<u>417,008</u>	<u>7,764</u>
<b>9 Income from State Government</b>		
Appropriation revenue received during the year		
Service appropriations <sup>(a)</sup>	1,694,000	16,080,000
	<u>1,694,000</u>	<u>16,080,000</u>
Resources received free of charge <sup>(b)</sup>		
Determined on the basis of the following estimates provided by agencies:		
Landgate	7,476	10,063
	<u>7,476</u>	<u>10,063</u>
	<u>1,701,476</u>	<u>16,090,063</u>
 (a) Service appropriations are cash amounts reflecting the full cost of outputs to be delivered.		
(b) Where assets or services have been received free of charge or for nominal cost, the Authority recognises revenues equivalent to the fair value of the assets and/or the fair value of those services that can be reliably measured and which would have been purchased if they were not donated, and those fair values shall be recognised as assets or expenses, as applicable. Where the contribution of assets or services are in the nature of contributions by owners, the Authority makes an adjustment direct to equity.		
<b>10 Cash and Cash Equivalents</b>		
Rural Business Development Corporation General Operating Funds	8,654,311	10,004,005
(refer note 15)	<u>8,654,311</u>	<u>10,004,005</u>
<b>Restricted Cash and Cash Equivalents</b>		
Current (a)		
Farm Business Improvement Program	16	495,429
Exceptional Circumstances Interest Rate Subsidy Scheme	1,234,768	3,606,757
(refer note 15)	<u>1,234,784</u>	<u>4,102,186</u>

(a) Cash held in each of the above accounts is to be used only for the purposes prescribed by each program and or scheme.



	<u>2009</u>	<u>2008</u>
	\$	\$
<b>11 Receivables</b>		
<b>Current</b>		
Accrued interest	88,265	228,156
Accrued revenue	295,584	16,434
	<u>383,849</u>	<u>244,590</u>
Reconciliation of changes in the allowance for impairment of receivables:		
The Authority does not hold any collateral as security or other credit enhancement relating to receivables.		
See also note 2(h) 'Receivables' and note 20 'Financial Instruments'.		
<b>Total receivables</b>	<u>383,849</u>	<u>244,590</u>

**12 Impairment of assets**

The Authority has no impairment of assets as it held no property, plant, equipment, infrastructure or intangible assets as at 30 June 2009.

The Authority held no goodwill or intangible assets with an indefinite useful life during the reporting period and at balance sheet date there were no intangible assets not yet available for use.

**13 Payables**

<b>Current</b>		
Accrued Grant assistance scheme expenses	697,335	1,348,320
Accrued expenses	-	-
	<u>697,335</u>	<u>1,348,320</u>

See also note 2(i) 'Payables' and note 20 'Financial Instruments'.

**14 Equity**

Equity represents the residual interest in the net assets of the Authority. The Government holds the equity interest in the Authority on behalf of the community.

**Accumulated surplus/(deficit)**

Balance at start of year	13,002,460	5,375,615
Result for the period	(3,426,851)	7,626,845
Transfer from Asset Revaluation Reserve (ii)	-	-
Balance at end of year	<u>9,575,609</u>	<u>13,002,460</u>

- (i) The Authority's assets were transferred on 1st July 2003, at their written down value, to the Department of Agriculture and Food (DAFWA). The continuing use of the assets by the Authority is now provided by DAFWA to the Authority under a Memorandum of Understanding between the two entities which is reviewed annually.
- (ii) As the Authority had no assets, the Asset Revaluation Reserve was transferred to Retained Earnings in accordance with AASB 116 para 41 as at 30 June 2007.

	<u>2009</u>	<u>2008</u>
	\$	\$
<b>15 Notes to the Cash Flow Statement</b>		
The comparatives for cash flows from operating activities have been amended to disclose payments to the Department of Agriculture and Food for contracted services. All other payments have been grouped as other payments.		
The comparatives for cash flows from operating activities have been amended to disclose receipts from Commonwealth Grants and contributions. All other receipts have been grouped as other receipts.		
<u>Reconciliation of cash</u>		
Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
Cash and cash equivalents (refer note 10)	8,654,311	10,004,005
Restricted cash and cash equivalents (refer note 10)	<u>1,234,784</u>	<u>4,102,186</u>
	<u>9,889,095</u>	<u>14,106,191</u>
<u>Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities</u>		
Net Cost of Services	<u>(5,128,327)</u>	<u>(8,463,218)</u>
<b>Non Cash Items:</b>		
Resources received free of charge	7,476	10,063
<b>(Increase)/decrease in assets:</b>		
Current receivables	(139,260)	(115,199)
<b>Increase/(decrease) in liabilities:</b>		
Current payables	(650,985)	1,250,400
Net cash (used in) or from operating activities	<u>(5,911,096)</u>	<u>(7,317,954)</u>
<b>16 Commitments</b>		
(a) <b>Capital expenditure commitments</b>		
There are no capital commitments at reporting date.		
(b) <b>Subsidy and grant commitments</b>		
These commitments represent support approved to farmers but not payable until determined conditions are met.		
<b>Interest Subsidy</b>		
Exceptional Circumstances – Not later than one year	<u>710,387</u>	<u>1,374,940</u>
<b>Grants</b>		
Dry season 2007 Assistance Scheme – Not later than one year	119,942	230,095
Farm Training WA – Not later than one year	<u>85,570</u>	<u>-</u>
	<u>205,512</u>	<u>230,095</u>
<b>Total</b>	<u>915,899</u>	<u>1,605,035</u>
<b>17 Contingent liabilities and contingent assets</b>		
There are no contingent liabilities and assets at the balance sheet date, not otherwise provided for or disclosed in the financial statements.		
<b>18 Events occurring after the balance sheet date</b>		
There are no events in particular that occurred after the balance sheet date which would materially affect the financial statements or disclosures.		

**19 Explanatory statement**

Significant variations between estimates and actual results for income and expenses are shown below.  
Significant variations are considered to be those greater than 20% and greater than \$50,000.

**Significant variances between budget and actual result for 2009**

	<b>2009 Estimate \$'000</b>	<b>2009 Actual \$'000</b>	<b>Variation \$'000</b>
Grants and subsidies	17,590	15,574	(2,016)
Department of Agriculture and Food contracted services	875	954	79
Supplies and services	1,500	91	(1,409)
Other expenses	33	465	432
Commonwealth Revenue-operating grants and contributions	18,100	11,057	(7,043)
Interest revenue	100	572	472
Service appropriations	-	417	417

**Grants and subsidies**

The reduction on estimate is a result of a combination of lower than forecast grant payments for the following assistance schemes: Exceptional Circumstances, Dry Seasons and the impact of expenditure for a new scheme Farm Training WA for which the budget estimate was provided at the supplies and expenses item.

**Department of Agriculture and Food contracted services**

The reduction on estimate resulted from lower than anticipated administration expenditure for processing EC grant applications.

**Supplies and services**

The increase on estimate is due to this item including the estimate for the new Farm Training WA scheme for which the expenditure is reported under the 'Grants and Subsidies' item.

**Other expenses**

The increase on estimate resulted from an unbudgeted refund to the Australian Government of funds held for the FarmBis program which ceased on 30 June 2009.

**Commonwealth Revenue – operating grants and contributions**

The decrease represents a reduction on estimate for Exceptional Circumstances grant reimbursements

**Interest Revenue**

The variance is due to a combination of increased interest earnings as a result of higher than anticipated cash balances and a lower than expected interest rate.

**Other revenues**

This revenue represents unbudgeted refunds of overpaid Exceptional Circumstances and Dry Season Assistance Scheme grants.

**Significant variance between actual results for 2008 and 2009**

Significant variations between actual results for income and expenses are shown below.

Significant variations are considered to be those greater than 20% and greater than \$50,000.

	<b>2009 Actual \$'000's</b>	<b>2008 Actual \$'000's</b>	<b>Variation \$'000's</b>
<b><u>Income</u></b>			
Commonwealth Revenue-operating grants and contributions	11,057	12,970	(1,913)
Other revenue	417	8	409
Service appropriation	1,694	16,080	(14,386)
<b><u>Expenses</u></b>			
Grants and subsidies	15,574	20,431	(4,857)
Supplies and services	91	251	(160)
Other expenses	465	234	231

**Commonwealth Revenue – operating grants and contributions**

The reduction is due to the winding down of the FarmBis program which ceased on 30 June 2009.

**Other Revenue**

The variance is due to refunds received in 2009 of overpaid Exceptional Circumstances and Dry Season Assistance Scheme grants.

**Service Appropriation**

The reduction in service appropriations is a result of the combination of the cessation of funding for the Ord Sugar Industry Assistance Scheme, FarmBis scheme, Dry Season Scheme and Exceptional Circumstances scheme, offset by new funding for Farm Training WA scheme.

**Grants and subsidies**

The decrease in expenditure is due to a combination of the cessation of grant schemes for Ord Sugar, Dry Seasons and FarmBis, offset by increased Exceptional Circumstances expenditure and expenditure on new FarmTraining WA scheme.

**Supplies and services**

The decrease in expenditure results from the cessation of FarmBis scheme.

**Other expenses**

The increase cost is due to a refund to the Australian Government of funds held for the FarmBis program which ceased 30 June 2009.

**20 Financial Instruments**

**(a) Financial Risk Management Objectives and Policies**

Financial instruments held by the Authority are cash and cash equivalents, restricted cash and cash equivalents, receivables, and payables. The Authority has limited exposure to financial risks. The Authority's overall risk management program focuses on managing the risks identified below.

**Credit risk**

Credit risk arises when there is the possibility of the Authority's receivables defaulting on their contractual obligations resulting in financial loss to the Authority.

The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment as shown in the table at Note 20 (c) 'Financial Instruments Disclosures' and Note 11 'Receivables'.

Credit risk associated with the Authority's financial assets is minimal because the main receivable is accrued interest. For receivables other than government, the Authority trades only with recognised, creditworthy third parties. The Authority has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Authority's exposure to bad debts is minimal. At the balance sheet date there are no significant concentrations of credit risk.

The Authorities policy for managing any past due receivables is to issue late payment notices at the 42 day outstanding mark for debts outstanding beyond the 30 days trading terms and to refer to the Authority's debt collection agency by the 50 day mark if not paid or an instalment payment plan agreed to.

Allowance for impairment of financial assets is calculated based on objective evidence such as observable data indicating changes in clients credit ratings. For financial assets that are either past due or impaired, refer to Note 20 (c) 'Financial Instruments Disclosures'.

**Liquidity risk**

Liquidity risk arises when the Authority is unable to meet its financial obligations as they fall due. The Authority is exposed to liquidity risk through its trading in the normal course of business.

The Authority has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

**Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Authority's income or the value of its holdings of financial instruments. The Authority does not trade in foreign currency and is not materially exposed to other price risks (for example, equity securities or commodity prices changes). Other than as detailed in the Interest rate sensitivity analysis table at Note 20 (c), the Authority is not exposed to interest rate risk.

**(b) Categories of Financial Instruments**

In addition to cash and bank overdraft, the carrying amounts of each of the categories of financial assets and financial liabilities at balance sheet date are as follows:

	<u>2009</u> \$	<u>2008</u> \$
<b>Financial Assets</b>		
Cash and cash equivalents	8,654,311	10,004,005
Restricted cash and cash equivalents	1,234,784	4,102,186
Receivables <sup>(a)</sup>	383,849	244,590
<b>Financial Liabilities</b>		
Payables	697,335	1,348,320

(a) The amount of receivables excludes GSL recoverable from the ATO (statutory receivable).

**(b) Financial Instrument Disclosures**

*Credit Risk and Interest rate Exposures*

The following table disclose the Authority's maximum exposure to credit risk, interest rate exposures and the ageing analysis of financial assets. The Authority's maximum exposure to credit risk at the balance sheet date is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Authority.

The Authority does not hold any collateral as security or other credit enhancements relating to the financial assets it holds

The Authority does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

**RURAL BUSINESS DEVELOPMENT CORPORATION**  
**Notes to the Financial Statements**  
**as at 30 June 2009**

Interest rate exposures and ageing analysis of financial assets

	Weighted Average Effective Interest Rate	Carrying Amount	Interest Rate Exposure		Past due but not impaired			
			Variable Interest Rate	Non- Interest Bearing	Up to 1 Year	1 to 5 Years	More than 5 Years	Impaired financial assets
	%		\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>								
<b>2009</b>								
Cash and cash equivalents	5.39	8,654,311	8,654,311	-	-	-	-	-
Restricted cash and cash equivalents	5.39	1,234,784	1,234,784	-	-	-	-	-
Receivables <sup>(a)</sup>		383,849	-	383,849	383,849	-	-	-
		10,272,944	9,889,095	383,849	383,849	-	-	-
<b>2008</b>								
Cash and cash equivalents	7.03	10,004,005	10,004,005	-	-	-	-	-
Restricted cash and cash equivalents	7.03	4,102,186	4,102,186	-	-	-	-	-
Receivables <sup>(a)</sup>		244,590	-	244,590	244,590	-	-	-
		14,350,781	14,106,191	244,590	244,590	-	-	-

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

**Liquidity Risk**

The following table details the contractual maturity analysis for financial liabilities. The contractual maturity amounts are representative of the undiscounted amounts at the balance sheet date. The table includes interest and principal cash flows. An adjustment has been made where material.

Interest rate exposure and maturity analysis of financial liabilities

	Weighted Average Effective Interest Rate	Carrying Amount	Interest rate exposure				Maturity dates		
			Variable Interest Rate	Non Interest bearing	Adjustment for discounting	Total Nominal Amount	Up to 1 Year	1 to 5 Years	More than 5 Years
	%		\$	\$		\$	\$	\$	\$
<b>Financial Liabilities</b>									
<b>2009</b>									
Payables	5.39	697,335	-	697,335	-	-	697,335	-	-
		697,335	-	697,335	-	-	697,335	-	-
<b>2008</b>									
Payables	7.03	1,348,320	-	1,348,320	-	-	1,348,320	-	-
		1,348,320	-	1,348,320	-	-	1,348,320	-	-

**Interest rate sensitivity analysis**

The following table represents a summary of the interest rate sensitivity of the Authority's financial assets and liabilities at the balance sheet date on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	-1% change			+1% change	
	Carrying amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<b>2009</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	8,654,311	(86,543)	(86,543)	86,543	86,543
Restricted cash and cash equivalents	1,234,784	(12,348)	(12,348)	12,348	12,348
	9,889,095	(98,891)	(98,891)	98,891	98,891
	-1% change			+1% change	
	Carrying amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<b>2008</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	10,004,005	(100,040)	(100,040)	100,040	100,040
Restricted cash and cash equivalents	4,102,186	(41,022)	(41,022)	41,022	41,022
	14,106,191	(141,062)	(141,062)	141,062	141,062

**Fair Values**

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

	<u>2009</u>	<u>2008</u>
	\$	\$
<b>21 Remuneration of members of the accountable authority and senior officers</b>		
Remuneration of Members of the Accountable Authority		
The number of members of the accountable authority, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:		
\$		
0 - 10,000	-	-
10,001 - 20,000	4	4
20,001 - 30,000	1	1
The total remuneration of the members of the Accountable Authority is:	<u>89,546</u>	<u>92,327</u>
The superannuation included here represents the superannuation expense incurred by the Corporation in respect of members of the Accountable Authority. No members of the Accountable Authority are members of the Pension Scheme.		
The Accountable Authority has no employees. All services are provided by the Department of Agriculture and Food under a service agreement. No payments were made by the Accountable Authority to Senior Officers.		
<b>22 Remuneration of Auditor</b>		
Remuneration payable to the Auditor General in respect to the audit for the current financial year is as follows:		
Auditing the accounts, financial statements and performance indicators	30,200	37,000
The expense is included at note 5 'Other Expenses'.		
<b>23 Related bodies</b>		
There are no related bodies with the Rural Business Development Corporation.		
<b>24 Affiliated bodies</b>		
There are no affiliated bodies with the Rural Business Development Corporation.		
<b>25. Supplementary financial information</b>		
<b>Write-Offs</b>		
Public property written-off by the Executive Council during the financial year	<u>-</u>	<u>-</u>
There are no other write-offs, losses, thefts, defaults or gifts or public property during the financial year.		

RURAL BUSINESS DEVELOPMENT CORPORATION

CERTIFICATION OF FINANCIAL STATEMENTS

For the year ended 30 June 2009

The accompanying financial statements of the Rural Business Development Corporation have been prepared in compliance with the provisions of the Financial Management Act 2006 from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2009 and the financial position as at 30 June 2009.

At the date of signing we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.

**Rob Sands**

**Chairman of Accountable Authority**



**Date:**

31/7/09

**Richard Joyce**

**Member of Accountable Authority**

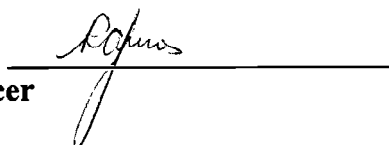


**Date:**

31/7/09

**Ron Lucas**

**Chief Finance Officer**



**Date:**

31/07/09





## Auditor General

### INDEPENDENT AUDIT OPINION

**To the Parliament of Western Australia**

### **RURAL BUSINESS DEVELOPMENT CORPORATION FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2009**

I have audited the accounts, financial statements, controls and key performance indicators of the Rural Business Development Corporation.

The financial statements comprise the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory Notes.

The key performance indicators consist of key indicators of effectiveness and efficiency.

#### **Board's Responsibility for the Financial Statements and Key Performance Indicators**

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

#### **Summary of my Role**

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer [www.audit.wa.gov.au/pubs/AuditPracStatement\\_Feb09.pdf](http://www.audit.wa.gov.au/pubs/AuditPracStatement_Feb09.pdf).

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and key performance indicators.


## OPINION OF THE AUDITOR GENERAL (CONT'D)

### **Rural Business Development Corporation Financial Statements and Key Performance Indicators for the year ended 30 June 2009**

#### **Audit Opinion**

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Rural Business Development Corporation at 30 June 2009 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Corporation provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key performance indicators of the Corporation are relevant and appropriate to help users assess the Corporation's performance and fairly represent the indicated performance for the year ended 30 June 2009.

  
COLIN MURPHY  
AUDITOR GENERAL  
11 September 2009

# APPENDICES

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1.2 EC - North Eastern Wheatbelt and Southern Rangelands declaration 24 October 2006	45
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# APPENDIX 1

## POLICY GUIDELINES AUSTRALIAN & STATE GOVERNMENT SCHEMES

### POLICY GUIDELINES - AUSTRALIAN GOVERNMENT SCHEMES

#### *1.1 RURAL ADJUSTMENT ACT 1992*

#### **POLICY GUIDELINES APPLYING TO INTEREST RATE SUBSIDIES FOR BROAD ACRE FARMERS IN WESTERN AUSTRALIA UNDER THE EXCEPTIONAL CIRCUMSTANCES PROVISIONS OF THE RURAL ADJUSTMENT SCHEME (RAS) FOR THE NORTH EASTERN WHEATBELT**

I, WARREN ERROL TRUSS, Minister for Agriculture, Fisheries and Forestry, pursuant to clause 10 of the Agreement between the Australian Government and the States and Territories ("the Agreement") hereby determine the following policy guidelines ("these Guidelines") as to interest rate subsidies to broad acre farmers in areas of Western Australia specified in Schedule 1 of these guidelines for such of the strategies set out in subclause 5(2) of the Agreement.

#### **INTEREST RATE SUBSIDIES**

##### **(1) Purpose of Support**

Pursuant to sub-clause 5(2) of the Agreement, the purpose of the support is to

- (a) assist broad acre farmers in areas of Western Australia specified in Schedule 1 during the period 07 April 2005 to 06 April 2006, who would otherwise have prospects of long-term profitability and sustainability, but for exceptional conditions arising from drought which has detrimentally affected the broad acre farmer's income, leading to financial difficulty; and
- (b) assist broad acre farmers in areas of Western Australia specified in Schedule 1 during the period 07 April 2006 to 06 April 2007 to recover from the effects of adverse seasonal conditions arising from drought which has detrimentally affected the broad acre farmer's income, leading to financial difficulty.

The support will facilitate one or more of the following strategies:

- improvements in productivity, including for recovery purposes
- the provision of carry-on finance
- debt restructuring.

##### **(2) Application of Support**

In respect of grants made by the Rural Business Development Corporation (RBDC) using assistance provided by the Australian Government and the State for the purpose of subsidies for interest payable on, and associated costs of, borrowings supplied by a commercial institution, vendor or by private arrangements, where loans are provided on commercial terms at arms length and at a competitive interest rate, for the purpose specified in clause (1) above, the Australian Government shall bear 90 per cent and the State 10 per cent of the interest subsidies. Support by way of interest rate subsidies under this clause is subject to the following requirements -

- (a) the interest rate subsidy granted to a broad acre farmer should be no greater than a maximum of 50 per cent of the interest payable on, and associated costs of borrowings being subsidised;
- (b) any commercial borrowings or associated costs of borrowings already subsidised under any other Australian Government scheme must not be considered for support;
- (c) the period for which a subsidy is provided shall be determined in each case by RBDC, and will only be available for a maximum period of twelve months in respect of each application. A maximum of only two tranches of interest rate subsidy support are available to eligible broad acre farmers - one in the declaration year (applications for this must be received no later than

06 April 2006) and one in the recovery year (applications for this must be received no later than 06 April 2007). Eligibility must be assessed in each year. The provision of support in the first year does not guarantee support in the recovery year. Farmers not receiving support in the declaration year may be eligible in the recovery year;

- (d) payment of interest rate subsidy may be made to the lender or the broad acre farmer;
- (e) broad acre farmers currently receiving other support under the Rural Adjustment Act 1992, may also be eligible for this support; and
- (f) in determining the amount of subsidy to be made available to each applicant, RBDC shall take into account the level of assistance which has been made already under RAS; accordingly the total amount of interest rate subsidy payable for all categories of RAS support may not exceed \$100,000 per applicant in any twelve month period, or a cumulative total of support of \$300,000 over the previous five years.

### **(3) Assessment Criteria**

In assessing the eligibility of a farm enterprise for an interest rate subsidy RBDC shall be satisfied that:

- (a) the farm enterprise is located in the area specified in Schedule 1 and meets any other conditions specified in Schedule 1;
- (b) the farm enterprise is in financial difficulty due to exceptional conditions, referred to in Clause 1(a). In considering whether a farm enterprise is in financial difficulty, RBDC shall consider the total amount of interest payable per annum, the estimated farm surplus over the medium term, and the applicant's equity in the farm business in relation to the amount of current and future indebtedness, together with both farm and non-farm assets and income;
- (c) the provision of support under these guidelines is necessary to achieve the strategies as outlined in Clause 1 of these guidelines;
- (d) without support under these guidelines the farm unit would not have the capacity to achieve or maintain sustainable long-term profitability;
- (e) in assessing the likelihood of the farm enterprise being profitable in the long-term, the following factors shall be taken into account by RBDC:
  - (i) the farm business is able to demonstrate that it has operated without RAS support in at least two of the past five years;
  - (ii) the expected future capacity of the farm to operate profitably (without Government support) as measured by its ability to meet, from estimated surpluses, its future financial commitments relating to:
    - (A) the farm operating costs
    - (B) living costs of the farm family
    - (C) servicing of the farm debts
    - (D) future capital requirements for plant and improvements
    - (E) investment requirements to return the farm to profitability
  - (iii) the long-term economic trends, which impact on the farm enterprise;
  - (iv) the demonstrated technical, financial and business management performance of the applicant; and
  - (v) the provision of financial support for the farm enterprise by commercial lenders through the exceptional circumstance and beyond.
- (f) the applicant has disposed of
  - (i) all non-essential farm assets; and
  - (ii) off-farm assets, such that the net value of off-farm assets is not in excess of the Newstart Allowance Assets Test for homeowners (partnered). Note: this amount is \$217,500 as at 1 July 2004.

on commercial terms and applied the proceeds to the farm business (except where this would result in extreme hardship to the applicant). Investments in bona fide insurance and superannuation funds are exempt from the off-farm assets test;
- (g) under normal circumstances, the applicant contributes at least 75 per cent of his/her labour to the farm enterprise, at least 50 per cent of income is derived from farming, and has been a broad acre farmer for at least two years;
- (h) the applicant's property was affected by exceptional circumstances as defined in Clause 1(a) of these guidelines; and
- (i) loans supplied by a commercial institution, vendor or by private arrangements, are provided on commercial terms at arms length and the interest rate charged by the lender is competitive with that which is generally applicable to the type of loan(s) being subsidised.

#### **(4) Level of Support**

- (a) The level of support to be provided to a broad acre farmer under these guidelines shall be determined by the extent of support needed for the strategies as outlined in Clause 1 and consistent with Clause 2 of these guidelines; and
- (b) the level of support shall be determined from budgets for the farm enterprise which make due allowance for financial demands on the enterprise appropriate to the exceptional circumstance (including an assessment of the living expenses for the farm household at the relevant Newstart Allowance rate).

#### **(5) Terms and Conditions to Attach to Support**

- (a) RBDC shall secure agreement from the broad acre farmer that the farmer shall use the support provided under these guidelines for the purposes as outlined in Clause 1 of these guidelines;
- (b) the period of support in respect of any application shall be limited to a maximum period of twelve months, in accordance with Clause 2(c);
- (c) RBDC may terminate support under the Scheme where the broad acre farmer does not rectify breaches to the terms and conditions of that support;
- (d) with the agreement of the Australian Government, RBDC may attach other terms and conditions to the support considered necessary for the particular case; and
- (e) the broad acre farmer and the financier shall agree to the terms and conditions of support before the payment of RBDC support.

#### **(6) Outcomes Expected from Support**

The outcomes expected from the support under these guidelines for the farm enterprise are:

- (a)
  - (i) a program has been undertaken or maintained to increase farm productivity which will lead to improved sustainable long-term profitability and financial self-reliance; and/or
  - (ii) increased farm productivity; and/or
  - (iii) the restructuring of debt has been implemented; and/or
- (b) the financial demands on the farm business are reduced; and/or
- (c) a farm enterprise which can be demonstrated by the broad acre farmer to the satisfaction of RBDC to be productive, profitable, sustainable and financially viable (without Government support) in the long-term is maintained in the farm sector; and/or
- (d) the farm enterprise is assisted to recover from the exceptional circumstance.

#### **(7) Variation or Revocation**

The Australian Government Minister for Agriculture, Fisheries and Forestry reserves the power to revoke or vary these guidelines at any time.

Dated this 22<sup>nd</sup> day of April 2005.

Signed  
WARREN ERROL TRUSS  
Australian Government Minister for Agriculture, Fisheries and Forestry

### **SCHEDULE 1**

#### **DESCRIPTION OF THE NORTH EASTERN WHEATBELT AFFECTED BY EXCEPTIONAL CIRCUMSTANCES:**

Broad acre farmers in the areas specified below:

Mullewa Shire: east of the following in the agricultural region — from the northern edge of the agricultural region, follow the Murchison Mullewa Road to Mullewa. From Mullewa follow the Mullewa Wubin Road to the Mullewa/Morawa Shire boundary.

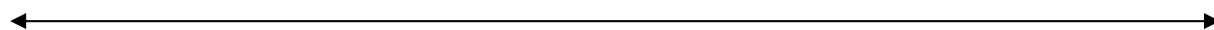
Morawa Shire: the entire area east of the Mullewa Wubin Road in the agricultural region.

Perenjori Shire: east and north of the following roads in the agricultural region — from the Morawa/Perenjori Shire boundary follow the Mullewa Wubin Road through the Town of Perenjori to Rothsay Road. Follow the road east to the eastern edge of the agricultural region.

## **BUFFER ZONE**

There is a 15km buffer zone to the west of the Murchison Mullewa Road, the Mullewa Wubin Road and south of the Rothsay Road from the Mullewa Wubin Road.

For farmers whose properties do not lie wholly or partly within the buffer zone, but the nearest part of the farm lies within reasonable proximity of the buffer zone, the RBDC can exercise judgement in providing support to those properties.



## **1.2 RURAL ADJUSTMENT ACT 1992**

### **POLICY GUIDELINES APPLYING TO INTEREST RATE SUBSIDIES FOR FARMERS IN WESTERN AUSTRALIA UNDER THE EXCEPTIONAL CIRCUMSTANCES PROVISIONS OF THE RURAL ADJUSTMENT SCHEME (RAS) FOR DECLARED AREAS IN WESTERN AUSTRALIA.**

I, PETER JOHN MCGAURAN, Minister for Agriculture, Fisheries and Forestry, pursuant to clause 10 of the Agreement between the Commonwealth and the States and Territories (**Agreement**) made under the *Rural Adjustment Act 1992* hereby determine the following policy guidelines (**Guidelines**) as to interest rate subsidies (**Support**) to Farmers in areas of Western Australia (**State**).

## **INTEREST RATE SUBSIDIES**

### **1) Interpretation**

a) In these Guidelines, unless the contrary intention appears:

- i) **Applicant** means a person who applies for Support under the scheme established under the Agreement.
- ii) **Farmer** means a person engaged in the farm sector in a State, but does not include a person whose business consists principally of the provision of services.
- iii) **Eligible Farmer** means a Farmer who satisfies the criteria for eligibility set out in clause 7 of the Agreement.
- iv) **Suitably qualified adviser** means a person who:
  - (a) has relevant financial qualifications; and
  - (b) is a member of a professional association whose members normally provide financial advice.

But, if an applicant whose residence is away from a population centre is not practicably able to seek advice from a person referred to in the definition above then, a suitably qualified adviser is a person who:

- (a) has experience in financial matters because of his or her occupation (whether or not he or she normally provides, or provided, advice); and
- (b) is a member of a relevant professional association.

Occupations that give a person experience in financial matters include the following:

- (a) accountant;
- (b) bank manager; and
- (c) tax agent.

### **2) Purpose of Support**

- a) Pursuant to sub-clause 5(2) of the Agreement, the purpose of the Support is to:
  - i) assist Eligible Farmers in areas of the State specified in the Schedules to these Guidelines during the period 24 October 2006 until 31 March 2008, who would otherwise

have prospects of long-term profitability and sustainability, but for the exceptional circumstances which has detrimentally affected the Eligible Farmer's income, leading to financial difficulty.

- b) The Support will facilitate one or more of the following strategies:
  - i) improvements in productivity, including for recovery purposes;
  - ii) the provision of carry-on finance; and
  - iii) debt restructuring.

### 3) Payment of Support

- a) The Commonwealth will contribute 90% of the Support, and the State will contribute 10% of the Support provided under the State component of the RAS.
- b) Support is subject to the following conditions:
  - i) the Applicant for Support is an Eligible Farmer;
  - ii) the Support will not exceed 80 per cent of the interest payable on, and associated costs of, the borrowings being subsidised
  - iii) when determining the level of commercial borrowings to be supported for an initial interest subsidy, following a purchase of additional farming property since the beginning of the drought, the Farm Business Development Division of the Western Australia Department of Agriculture will deduct from the balance of existing commercial borrowings, the full cost of the property purchase;
  - iv) any commercial borrowings or associated costs of borrowings already subsidised by the Commonwealth will not be considered for Support.
  - v) the period for which a subsidy is provided will be determined in each case by the Farm Business Development Division of the Western Australia Department of Agriculture, subject to clause 2)a), and will only be available for a maximum period of 12 months in respect of each application;
  - vi) a maximum of two tranches of Support are available to Eligible Farmers, one in each Exceptional Circumstances Year (**EC Year**). The first tranche will be in the first EC Year and applications must be received no later than 28 business days after 24 October 2007. The second tranche must be in the second EC Year or part thereof [applications must be received no later than 28 business days after the scheduled expiry date]. In addition:
    - (1) eligibility must be assessed in each EC year; and
    - (2) the provision of Support in previous years does not guarantee support in a subsequent year or part thereof. Farmers not receiving support in the declaration year may be eligible in the subsequent year(s).
  - vii) to be eligible to apply for Support over a cumulative total of \$300,000 applicants must have a viable farm enterprise.
    - (1) Viability of the farm enterprise is to be determined by an independent business assessment, conducted by a suitably qualified adviser who:
      - (a) does not have an interest in the farm enterprise; and/or
      - (b) has not had professional dealings with the farm enterprise within the past two years.
    - (2) The determination of farm enterprise viability in an independent business assessment undertaken by a suitably qualified adviser does not guarantee support. The final decision to provide support will be determined by the Farm Business Development Division of the Western Australia Department of Agriculture in accordance with these guidelines;
  - viii) in determining the amount of Support to be paid, Farm Business Development Division of the Western Australia Department of Agriculture will take into account the level of assistance which has been made already under the RAS; accordingly the total amount of Support payable in each EC Year may not exceed \$100,000 per Eligible Farmer, or part thereof if the declaration is less than 12 months, or a cumulative total of support of \$500,000 over 5 years.
- c) Support may be made to the lender or the Farmer.
- d) Farmers receiving other support under the *Rural Adjustment Act 1992* may also be eligible for this Support.
- e) Farmers located in an Exceptional Circumstances area can only apply for an interest rate subsidy no earlier than 9 months after the date of their last successful interest rate subsidy application for a full 12 month EC year and only receive one subsidy payment in each Exceptional Circumstances year.



#### 4) Assessment Criteria

- a) In assessing the eligibility of an Applicant for Support, the Farm Business Development Division of the Western Australia Department of Agriculture must be satisfied that:
  - i) the farm enterprise is located in the area specified in the relevant Schedule to these Guidelines and meets the conditions specified in that Schedule;
  - ii) the farm enterprise is in financial difficulty due to exceptional circumstances, defined in clause 2;
    - (1) on considering whether a farm enterprise is in financial difficulty, the Farm Business Development Division of the Western Australia Department of Agriculture must consider:
      - (a) the total amount of interest payable per annum;
      - (b) the estimated farm surplus over the medium term;
      - (c) the Applicant's equity in the farm enterprise in relation to the amount of current and future indebtedness, together with both farm and off-farm assets and income.
    - (2) when considering whether a farm enterprise is in financial difficulty due to exceptional circumstances, the Farm Business Development Division of the Western Australia Department of Agriculture must disregard the ability of the farm enterprise to purchase farming property since the beginning of the drought;
  - iii) the provision of the Support is necessary to achieve the strategies as outlined in clause 2 of these Guidelines;
  - iv) without the Support the farm enterprise would not have the capacity to achieve or maintain sustainable long-term profitability;
    - (1) in assessing the likelihood of the farm enterprise being profitable in the long-term, the following factors must be taken into account by the
      - (a) the expected future capacity of the farm enterprise to operate profitably (without Government assistance) as measured by its ability to meet, from estimated surpluses, its future financial commitments relating to:
        - (i) the farm operating costs;
        - (ii) living costs of the farm family;
        - (iii) servicing of the farm debts;
        - (iv) future capital requirements for plant and improvements; and
        - (v) investment requirements to return the farm to profitability.
      - (b) the long-term economic trends which impact on the farm enterprise;
      - (c) the demonstrated technical, financial and business management performance of the Farmer responsible for the relevant farm enterprise; and
      - (d) the provision of financial support for the farm enterprise by commercial lenders through the exceptional circumstance and beyond.
  - v) the Applicant has disposed of:
    - (1) all non-essential farm assets; and
    - (2) off-farm assets, such that the net value of off-farm assets is not in excess of double the Newstart Allowance Assets Test for homeowners (partnered). Note: the Newstart Allowance Assets Test for homeowners (partnered) is currently \$229,000;
    - (a) investments in bona fide insurance and superannuation funds are exempt from the off-farm assets test.
  - vi) the disposal of assets has been on commercial terms and has applied the proceeds to the farm enterprise (except where this would result in extreme financial hardship to the Applicant).
  - vii) under normal circumstances, the Applicant contributes at least 75 per cent of his/her labour to the farm enterprise, at least 50 per cent of income is derived from farming, and has been a Farmer for at least 2 years;
  - viii) the Applicant's property was affected by exceptional circumstances as defined in clause 2; and
  - ix) loans supplied by a commercial institution, vendor or by private arrangements, are provided on commercial terms at arms length and the interest rate charged by the lender is competitive with that which is generally applicable to the type of loan(s) being subsidised.

## **5) Level of Support**

- a) The level of Support to be provided to an Eligible Farmer will be determined by the extent of Support needed for the strategies as outlined in clause 2 and will be subject to clause 3; and
- b) the level of Support will be determined from budgets for the farm enterprise which make due allowance for financial demands on the enterprise appropriate to the exceptional circumstance (including an assessment of the living expenses for the farm household at the relevant Newstart Allowance rate).

## **6) Terms and Conditions to Attach to Support**

- a) The Farm Business Development Division of the Western Australia Department of Agriculture must obtain agreement from the Eligible Farmer that the Eligible Farmer will use the Support only for the purposes specified in clause 2;
- b) the period of Support in respect of any application is limited to a maximum period of 12 months or part thereof if the declaration is less than 12 months, in accordance with clause 3;
- c) the Farm Business Development Division of the Western Australia Department of Agriculture may terminate Support where the Eligible Farmer does not rectify breaches of the relevant terms and conditions of that support;
- d) the Farm Business Development Division of the Western Australia Department of Agriculture may attach other terms and conditions to the Support considered necessary for the particular case subject to obtaining the prior written consent of the Commonwealth; and
- e) the Eligible Farmer and the relevant financial institution must agree to the terms and conditions of Support before the payment of Support.

## **7) Outcomes Expected from Support**

- a) The outcomes expected from the Support for the Eligible Farmer include:
  - i) a program has been undertaken or maintained to increase farm productivity which will lead to improved sustainable long-term profitability and financial self-reliance;
  - ii) increased farm productivity;
  - iii) the restructuring of debt has been implemented;
  - iv) the financial demands on the farm business are reduced
  - v) a farm enterprise which can be demonstrated by the farmer to the satisfaction of the Farm Business Development Division of the Western Australia Department of Agriculture to be productive, profitable, sustainable and financially viable (without Government support) in the long-term is maintained in the farm sector; and
  - vi) the farm enterprise is assisted to recover from the exceptional circumstances.

## **8) Variation or Revocation**

- a) The Minister reserves the right to revoke or vary these Guidelines at any time.

Signed  
PETER JOHN MCGAURAN  
Minister for Agriculture, Fisheries and Forestry

## **SCHEDULE 1**

### **DESCRIPTION OF THE NORTH EASTERN WHEATBELT DECLARED AREA IN WESTERN AUSTRALIA AFFECTED BY EXCEPTIONAL CIRCUMSTANCES**

All producers whose properties are Exceptional Circumstances affected and located in the North Eastern Wheatbelt declared area of Western Australia described below and who provide information to the satisfaction of the Farm Business Development Division of the Western Australia Department of Agriculture that their income has been affected by the impact of Exceptional Circumstances.

The area includes the Shires of:

- Mullewa, east of the following in the agricultural region — from the northern edge of the agricultural region, follow the Murchison Mullewa Road to Mullewa then along the Mullewa Wubin Road to the Mullewa/Morawa Shire boundary;
- Morawa, east of the Mullewa Wubin Road in the agricultural region; and

- Perenjori, the agricultural region east and north bounded by the Morawa/Perenjori Shire boundary along the Mullewa Wubin Road through the Town of Perenjori to Rothsay Road, to the eastern edge of the agricultural region.

#### **Buffer zone:**

A buffer zone extends 15km to the west of the Murchison Mullewa Road, the Mullewa Wubin Road and south of the Rothsay Road from the Mullewa Wubin Road.

Eligible farmers whose properties do not lie wholly or partly within the buffer zone but the nearest part of the farm lies within reasonable proximity of that buffer zone, and where, in the opinion of the Farm Business Development Division of the Western Australia Department of Agriculture, the farm enterprise has suffered a down turn in income caused by the EC event, the Farm Business Development Division of the Western Australia Department of Agriculture can exercise judgement in providing support to those properties.

## **SCHEDULE 2**

### **DESCRIPTION OF THE SOUTHERN RANGELANDS DECLARED AREA IN WESTERN AUSTRALIA AFFECTED BY EXCEPTIONAL CIRCUMSTANCES**

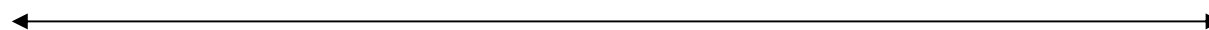
All producers whose properties are Exceptional Circumstances affected and located in the Southern Rangelands declared area of Western Australia described below and who provide information to the satisfaction of the Farm Business Development Division of the Western Australia Department of Agriculture that their income has been affected by the impact of Exceptional Circumstances.

The revised Southern Rangelands region comprises:

- the parts of the Shark Bay, Northampton, Coolgardie, Kalgoorlie/Boulder, Dundas, Kondinin, Ravensthorpe and Esperance shires contained within the original Southern Rangelands EC area.

#### **Buffer zone:**

There is no buffer zone.



### **1.3 RURAL ADJUSTMENT ACT 1992**

### **POLICY GUIDELINES APPLYING TO INTEREST RATE SUBSIDIES FOR SMALL BUSINESSES IN WESTERN AUSTRALIA**

*Declared 7 November 2006, revoked and replaced on 25 September 2007.*

#### **1) Interpretation**

- a) In these Guidelines, unless the contrary intention appears:
  - i) **Applicant** means a Small Business applying for Support under the scheme.
  - ii) **Business activity** is defined as legal activity for profit directly associated with the applicant's viable commercial business (not a hobby) and is measured by business turnover. The activity should occur with farming enterprises located in the Exceptional Circumstances area or in the case of businesses in towns that are substantially reliant on farmer income, have less than 10,000 population and are located in an Exceptional Circumstances (including prima facie or interim) declared areas.
  - iii) **Business Assets** are the assets owned by the Small Business.
  - iv) **Business Turnover** means the value of all goods and services supplied by the Small Business (or likely to be supplied) from its business activity during the current month or from the last completed Business Activity Statement (BAS) period plus the value of all those supplied during the past 11 months or respective BAS periods to calculate the annual business turnover. When calculating annual business turnover, do **not** include:
    - (1) Any GST charged;
    - (2) Goods and services supplied that are not connected with the business (such as sales of a private nature of personally owned goods); or

- (3) Transfer of capital assets (such as amounts received from the sale of business assets).

For most applicants, annual business turnover will be the sum of business sales of goods and services for the year ending on the last day of the current month (excluding GST).

The Rural Business Development Corporation of Western Australia may use other methods for determining or assessing business turnover.

- v) **Exceptional Circumstances area** - an area that has been declared by the Australian Government as suffering Exceptional Circumstances.
- vi) **Exceptional Circumstances** - a rare climatic or other event that:
  - (1) has resulted in a rare and severe downturn in farm income over a prolonged period (i.e. greater than 12 months);
  - (2) cannot be planned for or managed as part of farmers' normal risk management strategies; and
  - (3) is a discrete event that is not part of long-term structural adjustment processes or of normal fluctuations in commodity prices.
- vii) **Employee** means a person paid for his/her labour. If the person is contributing capital or other resources, has a say in what work is done and how it is done, is paid according to the results he or she achieves, and shares in the profits and losses, then they are likely to be either/or a partner, a director or an independent contractor, not an employee.
- viii) **Farming enterprise** means an enterprise carried on by a farmer within the farm sector in a State, the Northern Territory or the Australian Capital Territory.
- ix) **Full time** work is not less than 35 hours per week. Businesses with a range of employment arrangements should calculate the number of hours worked by employees such as casuals and part-time workers and divide that total by 35 to determine full time equivalents. (For example 3 casual employees working 12 hours per week work a total of 36 hours per week, equates to one full time employee.)
- x) **Small Business** means a commercial enterprise that:
  - (1) has up to 100 full time employees or equivalent;
  - (2) holds a registered Australian Business Number;
  - (3) derives 70 per cent or more of its normal total business turnover from the provision of goods or services from farming enterprises in EC declared areas; **or** operates in towns that are substantially reliant on farmer income, have less than 10,000 population and are located in an Exceptional Circumstances (prima facie or interim) declared areas.
- xi) **Viable** means having prospects of long term viability if not for exceptional circumstances which have detrimentally affected the business turnover of the small business concerned.

## 2) Purpose of Support

- (1) The purpose of the Support is to assist Small Businesses who are:
  - (a) reliant on farming activities carried out in exceptional circumstances areas during the period 7 November 2006 until the end of the exceptional circumstances declaration for the relevant area, **and**
  - (b) during the period 25 September 2007 until 30 June 2009 or until the end of the exceptional circumstances declaration for the relevant area for Small Businesses that operate in towns that are substantially reliant on farmer income, have less than 10,000 population and are located in an Exceptional Circumstances (including prima facie or interim) declared areas, and who would otherwise have prospects of long-term viability, but for the exceptional circumstances which have detrimentally affected the Small Business' business turnover, leading to financial difficulty.
- b) The Support will facilitate one or more of the following strategies:
  - i) improvements in business viability;
  - ii) business continuity; and
  - iii) debt restructuring.

## 3) Payment of Support

- a) The Australian Government will contribute 90% of the Support, and the State will contribute 10% of the Support.
- b) Support is subject to the following conditions:
  - i) the Applicant for Support is a Small Business;

- ii) the Support will not exceed 80 per cent of the interest payable on, and associated costs of, the commercial borrowings being subsidised;
- iii) the Support during the first twelve months of assistance for any new Exceptional Circumstances declared areas after 7 November 2006 should be no greater than a maximum of 50 per cent of the interest rate payable on, and associated costs of borrowings being subsidised, where the small business derives income from within the new Exceptional Circumstances declared area;
- iv) the Support during the second and subsequent years of assistance will not exceed 80 per cent of the interest payable on, and associated costs of, the borrowings being subsidised;
- v) when determining the level of commercial borrowings to be supported for an initial interest rate subsidy, the Rural Business Development Corporation of Western Australia may deduct from the balance of existing commercial borrowings, the full cost of the capital purchase where the capital purchase was:
  - (1) made since 7 November 2006 in the case of small businesses who derive 70% of their income from farm related activities; **or**,
  - (2) made since 25 September 2007 in the case of Small Businesses that operate in towns that are substantially reliant on farmer income, have less than 10,000 population and are located in an Exceptional Circumstances (including prima facie or interim) declared areas;
  - (3) and who would otherwise have prospects of long-term viability, but for the exceptional circumstances which have detrimentally affected the Small Business' business turnover, leading to financial difficulty.
- vi) any commercial borrowings or associated costs of borrowings already subsidised by the Australian Government will not be considered for Support;
- vii) the period for which a subsidy is provided will be determined in each case by the Rural Business Development Corporation of Western Australia, subject to clause 2)(1), and will only be available for a maximum period of 12 months in respect of each application;
- viii) for the first tranche of Support applications must be received no later than 28 days after tranche 1 ends. For the second tranche of Support applications must be received no later than 28 days after the declaration end date. In addition:
  - (1) eligibility must be assessed for each tranche; and
  - (2) the provision of Support in previous years does not guarantee support in a subsequent year or part thereof. Small Businesses not receiving support in the declaration year may be eligible in the subsequent year;
- ix) to be eligible to apply for Support applicants must, under normal circumstances, have a viable Small Business;
  - (1) the total amount of Support payable in each EC Year may not exceed \$100,000 per Small Business or part thereof if the declaration is less than 12 months.
- c) Support may be made to the lender or the Small Business.
- d) Small Businesses can apply for an additional interest rate subsidy within the same tranche as their last successful interest rate subsidy application on additional debt incurred in relation to drought carry-on on a prorata basis, provided the total amount of Support does not exceed \$100,000.
- e) A Small Business can only apply for the next tranche period on interest rate subsidy no earlier than 3 months prior to the expiry of the current tranche period of Support.

#### **4) Assessment Criteria**

- a) In assessing the eligibility of an Applicant for Support, the Rural Business Development Corporation of Western Australia must be satisfied that:
  - i) the Small Business has derived 70 per cent or more of its normal total business turnover from the provision of goods or services for farming activities in EC declared or part thereof areas specified in the relevant Schedule to these guidelines or, in the case of Small Businesses that operate in towns that are substantially reliant on farm income, have less than 10,000 population and are located in an Exceptional Circumstances (prima facie or interim) declared areas.
  - ii) The Small Business is in financial difficulty due to the impact of exceptional circumstances on farm enterprises, or farming clients, in EC declared areas.
    - (1) On considering whether a Small Business is in financial difficulty the Rural Business Development Corporation of Western Australia must consider:
      - (a) the total amount of interest payable per annum;
      - (b) the estimated business surplus over the medium term;

- (c) the owner/lessor/operator's equity in the Small Business in relation to the amount of current and future indebtedness, together with both business and non-business assets and income.
- iii) the provision of the Support is necessary to achieve the strategies as outlined in Clause 2)b) of these Guidelines;
- iv) without the Support the Small Business would not have the capacity to achieve or maintain long-term viability:
  - (1) In assessing the likelihood of the Small Business being viable in the long-term, the following factors must be taken into account:
    - (a) the expected future capacity of the Small Business to be viable (without Government assistance) as measured by its ability to meet, from estimated surpluses, its future financial commitments relating to:
      - (i) the Small Business operating costs;
      - (ii) living costs of the Small Business owner's family;
      - (iii) servicing of the Small Business debts;
      - (iv) future capital requirements for plant and improvements; and
      - (v) investment requirements to return the Small Business to financial viability.
    - (b) the long-term economic trends which impact on the Small Business enterprise;
    - (c) the demonstrated technical, financial and business management performance of the Small Business; and
    - (d) the provision of financial support for the Small Business by commercial lenders through the exceptional circumstance and beyond.
- v) the owner/lessor/operator has disposed of:
  - (1) all non-essential Small Business assets; and
  - (2) non-business assets, such that the net value of non-business assets is not in excess of double the Newstart Allowance Assets test for homeowners (partnered) **or** if an application is received during the period 25 September 2007 to 30 September 2008 (inclusive of the 28 day grace period) or prior to the closure of the Exceptional Circumstances areas, which ever occurs first, in which case the net value of non-business assets is not to exceed \$750,000. This limit applies for up to one 12 month period of support.
    - (a) investments in bona fide insurance and superannuation funds are exempt from the non-business assets test.
- vi) the disposal of assets has been on commercial terms and has applied the proceeds to the Small Business enterprise (except where this would result in extreme financial hardship to the applicant);
- vii) under normal circumstances, the owner/lessor/operator contributes at least 75 per cent of his/her labour to the Small Business enterprise (or in the case of the owner/lessor/operator also being a farmer, at least 75 per cent of his/her labour being contributed to the Small Business and the farming enterprise), at least 50 per cent of total business turnover is derived from the Small Business, and has operated the business for at least 2 years;
- viii) the Applicant's Small Business was affected by the impact of exceptional circumstances on farming enterprises in EC declared areas as defined in clause 2;
- ix) loans supplied by a commercial institution, vendor or by private arrangements, are provided on commercial terms at arms length and the interest rate charged by the lender is competitive with that which is generally applicable to the type of loan(s) being subsidised;
- x) Applicants who own/lease/operate more than one Small Business will collectively only be eligible for one interest rate subsidy on the commercial debts associated with the applicant's small business subject to the provisions of these guidelines; and
- xi) Applicants who are farmers and own/lease/operate one or more than one Small Business will collectively only be eligible for one interest rate subsidy on the commercial debts associated with either the applicant's farm or the small business subject to the provisions of these guidelines and the provisions of the guidelines applying to interest rate subsidies for farmers under the *Rural Adjustment Act 1992*.

## 5) Level of Support

- a) The level of Support to be provided to a Small Business will be determined by the extent of Support needed for the strategies as outlined in Clause 2)b) and will be subject to Clause 3; and
- b) the level of Support will be determined from budgets for the Small Business which make due allowance for financial demands on the enterprise appropriate to the exceptional circumstance.

## 6) Terms and Conditions to Attach to Support

The Rural Business Development Corporation of Western Australia must obtain agreement from the Small Business that it will use the Support only for the purposes specified in Clause 2;

- a) the period of Support in respect of any application is limited to a maximum period of 12 months or part thereof if the declaration is less than 12 months, in accordance with Clause 3 b) vi);
- b) the Rural Business Development Corporation of Western Australia may terminate Support where the Small Business does not rectify breaches of the relevant terms and conditions of that support;
- c) the Rural Business Development Corporation of Western Australia may attach other terms and conditions to the Support considered necessary for the particular case subject to obtaining the prior written consent of the Australian Government; and
- d) the Small Business and the relevant financial institution must agree to the terms and conditions of Support before the payment of Support.

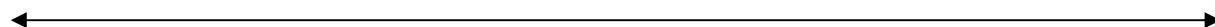
## 7) Outcomes Expected from Support

- a) The outcomes expected from the Support for the Small Business include:
  - i) a program has been undertaken or maintained to increase business productivity which will lead to improved long-term viability and financial self-reliance;
  - ii) the restructuring of debt has been implemented;
  - iii) the financial demands on the Small Business are reduced;
  - iv) a business which can be demonstrated by the business owner to the satisfaction of the Rural Business Development Corporation of Western Australia to be productive and financially viable (without Government support) in the long-term is maintained; and
  - v) the Small Business is assisted to recover from the impacts on farm enterprises being located in areas declared to be in exceptional circumstances.

## 8) Variation or Revocation

- a) The Minister reserves the right to revoke or vary these Guidelines at any time.

PETER JOHN MCGAURAN  
Minister for Agriculture, Fisheries and Forestry



## 1.4 RURAL ADJUSTMENT ACT 1992

### **POLICY GUIDELINE APPLYING TO INTEREST RATE SUBSIDIES FOR FARMERS UNDER THE EXCEPTIONAL CIRCUMSTANCES PROVISIONS OF THE RURAL ADJUSTMENT SCHEME (RAS) FOR THE SOUTH RANGELANDS DECLARED AREA IN WESTERN AUSTRALIA.**

I, PETER JOHN MCGAURAN, Minister for Agriculture, Fisheries and Forestry, pursuant to clause 10 of the Agreement between the Commonwealth and the States and Territories (**Agreement**) made under the *Rural Adjustment Act 1992* hereby determine the following policy guideline (**Guideline**) as to interest rate subsidies (**Support**) to Farmers in areas of Western Australia (**State**).

## **INTEREST RATE SUBSIDIES**

### **1) Interpretation**

- a) In this Guideline, unless the contrary intention appears:

- i) **Applicant** means a person who applies for Support under the scheme established under the Agreement.
- ii) **Farmer** means a person engaged in the farm sector in a State, but does not include a person whose business consists principally of the provision of services.
- iii) **Eligible Farmer** means a Farmer who satisfies the criteria for eligibility set out in clause 7 of the Agreement.
- iv) **Suitably qualified adviser** means a person who:
  - (a) has relevant financial qualifications; and
  - (b) is a member of a professional association whose members normally provide financial advice.

But, if an applicant whose residence is away from a population centre is not practicably able to seek advice from a person referred to in the definition above then, a suitably qualified adviser is a person who:

  - (a) has experience in financial matters because of his or her occupation (whether or not he or she normally provides, or provided, advice); and
  - (b) is a member of a relevant professional association.

Occupations that give a person experience in financial matters include the following:

  - (a) accountant;
  - (b) bank manager; and
  - (c) tax agent.

## 2) Purpose of Support

- a) Pursuant to sub-clause 5(2) of the Agreement, the purpose of the Support is to:
  - i) assist Eligible Farmers in the Southern Rangelands area of the State as specified in Schedule 1 of this Guideline during the period 19 February 2007 until 31 March 2008, and who would otherwise have prospects of long-term profitability and sustainability, but for the exceptional circumstances which has detrimentally affected the Eligible Farmer's income, leading to financial difficulty; and
- b) The Support will facilitate one or more of the following strategies:
  - i) improvements in productivity, including for recovery purposes;
  - ii) the provision of carry-on finance; and
  - iii) debt restructuring.

## 3) Payment of Support

- a) The Commonwealth will contribute 90 per cent of the Support, and the State will contribute 10 per cent of the Support provided under the State component of the RAS.
- b) Support is subject to the following conditions:
  - i) the Applicant for Support is an Eligible Farmer;
  - ii) the Support during the first year of assistance from 19 February 2007 and subsequent years will not exceed 80 per cent of the interest payable on, and associated costs of, the borrowings being subsidised;
  - iii) when determining the level of commercial borrowings to be supported for an initial interest subsidy, following a purchase of additional farming property since the beginning of the drought, the Business Development Unit, Department of Agriculture and Food, Western Australia, will deduct from the balance of existing commercial borrowings, the full cost of the property purchase;
  - iv) any commercial borrowings or associated costs of borrowings already subsidised by the Commonwealth will not be considered for Support;
  - v) the period for which a subsidy is provided will be determined in each case by the Business Development Unit, Department of Agriculture and Food, Western Australia, subject to clause 2)a), and will only be available for a maximum period of 12 months in respect of each application;
  - vi) a maximum of two tranches of Support are available to Eligible Farmers, one in each Exceptional Circumstances Year (**EC Year**). The first tranche will be in the first EC Year and applications must be received no later than 28 business days after 18 February 2008. The second tranche must be in the second EC Year or part thereof [applications must be received no later than 28 business days after 31 March 2008]. In addition:
    - (1) eligibility must be assessed in each EC year; and



- (2) the provision of Support in previous years does not guarantee support in a subsequent year or part thereof. Farmers not receiving support in the declaration year may be eligible in the subsequent year(s).
- vii) to be eligible to apply for Support over a cumulative total of \$300,000 applicants must have a viable farm enterprise; and
  - (1) Viability of the farm enterprise is to be determined by an independent business assessment, conducted by a suitably qualified adviser who:
    - (a) does not have an interest in the farm enterprise; and/or
    - (b) has not had professional dealings with the farm enterprise within the past five years.
  - (2) The determination of farm enterprise viability in an independent business assessment undertaken by a suitably qualified adviser does not guarantee support. The final decision to provide support will be determined by the Business Development Unit, Department of Agriculture and Food, Western Australia, in accordance with this Guideline;
- viii) in determining the amount of Support to be paid, the Business Development Unit, Department of Agriculture and Food, Western Australia, will take into account the level of assistance which has been made already under the RAS; accordingly the total amount of Support payable in each EC Year may not exceed \$100,000 per Eligible Farmer, or part thereof if the declaration is less than 12 months, or a cumulative total of support of \$500,000 over 5 years.
- c) Support may be made to the lender or the Farmer.
- d) Farmers receiving other support under the *Rural Adjustment Act 1992* may also be eligible for this Support.
- e) Farmers located in an Exceptional Circumstances area can only apply for an interest rate subsidy no earlier than 9 months after the date of their last successful interest rate subsidy application and only receive one subsidy payment in each Exceptional Circumstances year.

#### 4) Assessment Criteria

- a) In assessing the eligibility of an Applicant for Support, the Business Development Unit, Department of Agriculture and Food, Western Australia, must be satisfied that:
  - i) the farm enterprise is located in the area specified in the relevant Schedule to this Guideline and meets the conditions specified in that Schedule;
  - ii) the farm enterprise is in financial difficulty due to exceptional circumstances, defined in Clause 2;
    - (1) on considering whether a farm enterprise is in financial difficulty, the Business Development Unit, Department of Agriculture and Food, Western Australia, must consider:
      - (a) the total amount of interest payable per annum;
      - (b) the estimated farm surplus over the medium term;
      - (c) the Applicant's equity in the farm enterprise in relation to the amount of current and future indebtedness, together with both farm and off-farm assets and income.
    - (2) when considering whether a farm enterprise is in financial difficulty due to exceptional circumstances, the Business Development Unit, Department of Agriculture and Food, Western Australia must disregard the ability of the farm enterprise to purchase farming property since the beginning of the drought.
  - iii) the provision of the Support is necessary to achieve the strategies as outlined in clause 2 of this Guideline;
  - iv) without the Support the farm enterprise would not have the capacity to achieve or maintain sustainable long-term profitability;
    - (1) in assessing the likelihood of the farm enterprise being profitable in the long-term, the following factors must be taken into account:
      - (a) the expected future capacity of the farm enterprise to operate profitably (without Government assistance) as measured by its ability to meet, from estimated surpluses, its future financial commitments relating to:
        - (i) the farm operating costs;
        - (ii) living costs of the farm family;
        - (iii) servicing of the farm debts;
        - (iv) future capital requirements for plant and improvements; and
        - (v) investment requirements to return the farm to profitability.
      - (b) the long-term economic trends which impact on the farm enterprise;

- (c) the demonstrated technical, financial and business management performance of the Farmer responsible for the relevant farm enterprise; and
  - (d) the provision of financial support for the farm enterprise by commercial lenders through the exceptional circumstance and beyond.
- v) the Applicant has disposed of:
  - (1) all non-essential farm assets; and
  - (2) off-farm assets, such that the net value of off-farm assets is not in excess of double the Newstart Allowance Assets Test for homeowners (partnered). Note: the Newstart Allowance Assets Test for homeowners (partnered) is currently \$229,000;
    - (a) investments in bona fide insurance and superannuation funds are exempt from the off-farm assets test.
- vi) the disposal of assets has been on commercial terms and has applied the proceeds to the farm enterprise (except where this would result in extreme financial hardship to the Applicant);
- vii) under normal circumstances, the Applicant contributes at least 75 per cent of his/her labour to the farm enterprise, at least 50 per cent of income is derived from farming, and has been a Farmer for at least 2 years;
- viii) the Applicant's property was affected by exceptional circumstances as defined in clause 2; and
- ix) loans supplied by a commercial institution, vendor or by private arrangements, are provided on commercial terms at arms length and the interest rate charged by the lender is competitive with that which is generally applicable to the type of loan(s) being subsidised.

## **5) Level of Support**

- a) The level of Support to be provided to an Eligible Farmer will be determined by the extent of Support needed for the strategies as outlined in clause 2 and will be subject to clause 3; and
- b) the level of Support will be determined from budgets for the farm enterprise which make due allowance for financial demands on the enterprise appropriate to the exceptional circumstance (including an assessment of the living expenses for the farm household at the relevant Newstart Allowance rate).

## **6) Terms and Conditions to Attach to Support**

- a) The Business Development Unit, Department of Agriculture and Food, Western Australia, must obtain agreement from the Eligible Farmer that the Eligible Farmer will use the Support only for the purposes specified in clause 2;
- b) the period of Support in respect of any application is limited to a maximum period of 12 months or part thereof if the declaration is less than 12 months, in accordance with clause 3;
- c) the Business Development Unit, Department of Agriculture and Food, Western Australia, may terminate Support where the Eligible Farmer does not rectify breaches of the relevant terms and conditions of that support;
- d) the Business Development Unit, Department of Agriculture and Food, Western Australia, may attach other terms and conditions to the Support considered necessary for the particular case subject to obtaining the prior written consent of the Commonwealth; and
- e) the Eligible Farmer and the relevant financial institution must agree to the terms and conditions of Support before the payment of Support.

## **7) Outcomes Expected from Support**

- a) The outcomes expected from the Support for the Eligible Farmer include:
  - i) a program has been undertaken or maintained to increase farm productivity which will lead to improved sustainable long-term profitability and financial self-reliance;
  - ii) increased farm productivity;
  - iii) the restructuring of debt has been implemented;
  - iv) the financial demands on the farm business are reduced;
  - v) a farm enterprise which can be demonstrated by the Farmer to the satisfaction of the Business Development Unit, Department of Agriculture and Food, Western Australia, to be productive, profitable, sustainable and financially viable (without Government support) in the long-term is maintained in the farm sector; and
  - vi) the farm enterprise is assisted to recover from the exceptional circumstances.

## 8) Variation or Revocation

- a) The Minister reserves the right to revoke or vary this Guideline at any time.

Signed  
PETER JOHN MCGAURAN  
Minister for Agriculture, Fisheries and Forestry

### SCHEDULE 1

#### DESCRIPTION OF THE SOUTH RANGELANDS DECLARED AREA IN WESTERN AUSTRALIA AFFECTED BY EXCEPTIONAL CIRCUMSTANCES

All producers whose properties are Exceptional Circumstances affected and located in the Southern Rangelands declared area of Western Australia described below and who provide information to the satisfaction of the Business Development Unit, Department of Agriculture and Food, Western Australia, that their income has been affected by the impact of Exceptional Circumstances.

The area includes:

- parts of the Shires of Murchison, Yalgoo, Sandstone, Leonora, Menzies, Kalgoorlie/Boulder and Dundas;
- the pastoral areas of the Shires of Esperance, Ravensthorpe, Kondinin, Mt Marshall, Dalwallinu, Perenjori, Mullewa, Chapman Valley and Northampton; and
- the whole of the Shires of Coolgardie and Shark Bay.

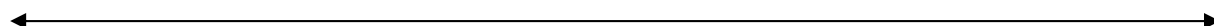
More specifically, the following stations are located in the northern area of the Southern Rangelands. Note there may also be a small number of stations or special leases not identified below.

Badja Station, Barnong Station, Billabalong Station, Bimbijy Station, Bullardoo Station, Bunnawarra Station, Carlaminda Station, Coolcalalaya Station, Curbur Station, Gabyon Station, Jibberding Station, Jingemarra Station, Mallee Station, Maranalgo Station, Meeberrie Station, Mellenbye Station, Mouroubra Station, Mt Gibson Station, Mt Narryer Station, Muralgarra Station, Murgoo Station, New Forest Station, Ninghan Station, Oudabunna Station, Perangery Station, Pindabunna Station, Pinegrove Station, Pullagaroo Station, Remlap Station, Talisker Station, Tallering Station, Thundelarra Station, Twin Peaks Station, Wagga Wagga Station, Wanarra Station, Wandina Station, Warriedar Station, Wheelhamby, Wooleen Station, Yallalong Station, and Yuin Station.

#### Buffer zone:

The following stations are located in the buffer zone. Note there maybe a small number of stations or special leases not identified below.

Adelong Station, Arubiddy Station, Balgair Station, Boonderoo Station, Bulga Downs Station, Clover Downs Station, Credo Station, Edjudina Station, Gindalbie Station, Gunnadorah Station, Jeedamya Station, Kanandah Station, Kinclaven Station, Kookynie Station, Koonjarra Station, Kybo Station, Madura Station, Melita Station, Menangina South Station, Menangina Station, Mendleyarri Station, Moonera Station, Morapoi Station, Mt Burges Station, Mt Veters Station, Mundrabilla Station, Perrinvale Station, Pinjin Station, Pondana Station, Rawlinna Station, Riverina Station, Special Lease 3116/6641, Sturt Meadows Station, Vanesk Station, Virginia Station, Walling Rock Station, Woolba Station, Yerilla Station, and Yindi Station.



## 1.5 RURAL ADJUSTMENT ACT 1992

### POLICY GUIDELINE APPLYING TO INTEREST RATE SUBSIDIES FOR FARMERS IN WESTERN AUSTRALIA UNDER THE EXCEPTIONAL CIRCUMSTANCES PROVISIONS OF THE RURAL ADJUSTMENT SCHEME (RAS) FOR THE NORTHERN WHEATBELT AND NORTHERN AREAS OF THE EASTERN WHEATBELT DECLARED AREA IN WESTERN AUSTRALIA.

I, PETER JOHN MCGAURAN, Minister for Agriculture, Fisheries and Forestry, pursuant to clause 10 of the Agreement between the Commonwealth and the States and Territories (**Agreement**) made under the *Rural Adjustment Act 1992* hereby determine the following policy guideline (**Guideline**) as to interest rate subsidies (**Support**) to Farmers in areas of Western Australia (**State**).

#### INTEREST RATE SUBSIDIES

##### 1) Interpretation

- a) In this Guideline, unless the contrary intention appears:
    - i) **Applicant** means a person who applies for Support under the scheme established under the Agreement.
    - ii) **Farmer** means a person engaged in the farm sector in a State, but does not include a person whose business consists principally of the provision of services.
    - iii) **Eligible Farmer** means a Farmer who satisfies the criteria for eligibility set out in Clause 7 of the Agreement.
    - iv) **Suitably qualified adviser** means a person who:
      - (a) has relevant financial qualifications; and
      - (b) is a member of a professional association whose members normally provide financial advice.
- But, if an applicant whose residence is away from a population centre is not practicably able to seek advice from a person referred to in the definition above then, a suitably qualified adviser is a person who:
- (a) has experience in financial matters because of his or her occupation (whether or not he or she normally provides, or provided, advice); and
  - (b) is a member of a relevant professional association.
- Occupations that give a person experience in financial matters include the following:
- (a) accountant;
  - (b) bank manager; and
  - (c) tax agent.

##### 2) Purpose of Support

- a) Pursuant to sub-Clause 5(2) of the Agreement, the purpose of the Support is to:
  - i) assist Eligible Farmers in the Northern Wheatbelt declared area as specified in Schedule 1 of this Guideline during the period 8 October 2007 until 31 March 2009, and who would otherwise have prospects of long-term profitability and sustainability, but for the exceptional circumstances which has detrimentally affected the Eligible Farmer's income, leading to financial difficulty; and
- b) The Support will facilitate one or more of the following strategies:
  - i) improvements in productivity, including for recovery purposes;
  - ii) the provision of carry-on finance; and
  - iii) debt restructuring.

##### 3) Payment of Support

- a) The Commonwealth will contribute 90 per cent of the Support, and the State will contribute 10 per cent of the Support provided under the State component of the RAS.
- b) Support is subject to the following conditions:
  - i) the Applicant for Support is an Eligible Farmer;
  - ii) the Support during the first year of assistance should be no greater than a maximum of 50 per cent of the interest payable on, and associated costs of borrowings being subsidised;
  - iii) the Support during the second and subsequent years of assistance will not exceed 80 per cent of the interest payable on, and associated costs of, the borrowings being subsidised;

- iv) where a property has been purchased since Exceptional Circumstances was declared, the property purchase price shall be deducted from the level of commercial borrowings to be supported in an initial application unless the purchase took place more than twelve months prior to the date of application.
- v) any commercial borrowings or associated costs of borrowings already subsidised by the Commonwealth will not be considered for Support;
- vi) the period for which a subsidy is provided will be determined in each case by Rural Business Development Corporation, subject to Clause 2)a), and will only be available for a maximum period of 12 months in respect of each application;
- vii) For the first tranche of Support, applications must be received no later than 28 days after 7 October 2008. For the second tranche of Support, applications must be received no later than 28 days after 31 March 2009. In addition:
  - (1) eligibility must be assessed in each EC year; and
  - (2) the provision of Support in previous years does not guarantee support in a subsequent year or part thereof. Farmers not receiving support in the declaration year may be eligible in the subsequent year(s).
- viii) to be eligible to apply for Support over a cumulative total of \$300,000 applicants must have a viable farm enterprise;
  - (1) Viability of the farm enterprise is to be determined by an independent business assessment, conducted by a suitably qualified adviser who:
    - (a) does not have an interest in the farm enterprise; and/or
    - (b) has not had a professional dealing with the farm enterprise within the past five years.
  - (2) The determination of farm enterprise viability in an independent business assessment undertaken by a suitably qualified adviser does not guarantee support. The final decision to provide support will be determined by the Rural Business Development Corporation, in accordance with this guideline.
- ix) in determining the amount of Support to be paid, the Rural Business Development Corporation will take into account the level of assistance which has been made already under the RAS; accordingly the total amount of Support payable in each EC Year may not exceed \$100,000 per Eligible Farmer, or part thereof if the declaration is less than 12 months, or a cumulative total of support of \$500,000 over 5 years.
- c) Support may be made to the lender or the Farmer.
- d) Farmers receiving other support under the *Rural Adjustment Act 1992* may also be eligible for this Support.
- e) Farmers located in an Exceptional Circumstances area can only apply for an additional interest rate subsidy within the same tranche as their last successful interest rate subsidy application, provided that this is for additional debt incurred in relation to drought carry-on, on a prorated basis, provided the total amount of Support payable for that tranche period may not exceed \$100,000.

#### 4) Assessment Criteria

- a) In assessing the eligibility of an Applicant for Support, the Rural Business Development Corporation, must be satisfied that:
  - i) the farm enterprise is located in the area specified in the relevant Schedule to this Guideline and meets the conditions specified in that Schedule;
  - ii) the farm enterprise is in financial difficulty due to exceptional circumstances, defined in Clause 2;
    - (1) on considering whether a farm enterprise is in financial difficulty, the Rural Business Development Corporation, must consider:
      - (a) the total amount of interest payable per annum;
      - (b) the estimated farm surplus over the medium term;
      - (c) the Applicant's equity in the farm enterprise in relation to the amount of current and future indebtedness, together with both farm and off-farm assets and income.
    - (2) when considering whether a farm enterprise is in financial difficulty due to exceptional circumstances, the Rural Business Development Corporation must disregard the ability of the farm enterprise to purchase farming property since the beginning of the drought.
  - iii) the provision of the Support is necessary to achieve the strategies as outlined in Clause 2 of this Guideline;

- iv) without the Support the farm enterprise would not have the capacity to achieve or maintain sustainable long-term profitability;
  - (1) in assessing the likelihood of the farm enterprise being profitable in the long-term, the following factors must be taken into account by the;
    - (a) the expected future capacity of the farm enterprise to operate profitably (without Government assistance) as measured by its ability to meet, from estimated surpluses, its future financial commitments relating to:
      - (i) the farm operating costs;
      - (ii) living costs of the farm family;
      - (iii) servicing of the farm debts;
      - (iv) future capital requirements for plant and improvements; and
      - (v) investment requirements to return the farm to profitability.
    - (b) the long-term economic trends which impact on the farm enterprise;
    - (c) the demonstrated technical, financial and business management performance of the Farmer responsible for the relevant farm enterprise; and
    - (d) the provision of financial support for the farm enterprise by commercial lenders through the exceptional circumstance and beyond.
- v) the Applicant has disposed of:
  - (1) all non-essential farm assets; and
  - (2) off-farm assets, such that the net value of off-farm assets is not in excess of double the Newstart Allowance Assets test for homeowners (partnered) unless the application is received during the period 25 September 2007 to 30 September 2008 (inclusive of the 28 day grace period) or the closure of the Exceptional Circumstances area, which ever occurs first, then the net value of off-farm assets is not in excess of \$750,000 and this only applies for one 12 month period of support.  
Note: assets held in bona fide insurance and superannuation funds are exempt from the off-farm assets test.
- vi) the disposal of assets has been on commercial terms and has applied the proceeds to the farm enterprise (except where this would result in extreme financial hardship to the Applicant);
- vii) under normal circumstances, the Applicant contributes at least 75 per cent of his/her labour to the farm enterprise, at least 50 per cent of income is derived from farming, and has been a Farmer for at least 2 years;
- viii) the Applicant's property was affected by exceptional circumstances as defined in Clause 2; and
- ix) loans supplied by a commercial institution, vendor or by private arrangements, are provided on commercial terms at arms length and the interest rate charged by the lender is competitive with that which is generally applicable to the type of loan(s) being subsidised.

## **5) Level of Support**

- a) The level of Support to be provided to an Eligible Farmer will be determined by the extent of Support needed for the strategies as outlined in Clause 2 and will be subject to Clause 3; and
- b) the level of Support will be determined from budgets for the farm enterprise which make due allowance for financial demands on the enterprise appropriate to the exceptional circumstance (including an assessment of the living expenses for the farm household at the relevant Newstart Allowance rate).

## **6) Terms and Conditions to Attach to Support**

- a) The Rural Business Development Corporation must obtain agreement from the Eligible Farmer that the Eligible Farmer will use the Support only for the purposes specified in Clause 2;
- b) the period of Support in respect of any application is limited to a maximum period of 12 months or part thereof if the declaration is less than 12 months, in accordance with Clause 3;
- c) the Rural Business Development Corporation, may terminate Support where the Eligible Farmer does not rectify breaches of the relevant terms and conditions of that support;
- d) the Rural Business Development Corporation, may attach other terms and conditions to the Support considered necessary for the particular case subject to obtaining the prior written consent of the Commonwealth; and

- e) the Eligible Farmer and the relevant financial institution must agree to the terms and conditions of Support before the payment of Support.

## **7) Outcomes Expected from Support**

- a) The outcomes expected from the Support for the Eligible Farmer include:
- i) a program has been undertaken or maintained to increase farm productivity which will lead to improved sustainable long-term profitability and financial self-reliance;
  - ii) increased farm productivity;
  - iii) the restructuring of debt has been implemented;
  - iv) the financial demands on the farm business are reduced;
  - v) a farm enterprise which can be demonstrated by the Farmer to the satisfaction of the Rural Business Development Corporation, to be productive, profitable, sustainable and financially viable (without Government support) in the long-term is maintained in the farm sector; and
  - vi) the farm enterprise is assisted to recover from the exceptional circumstances.

## **8) Variation or Revocation**

The Minister reserves the right to revoke or vary this Guideline at any time.

Dated this....11th....day of October....2007.

Signed  
PETER JOHN MCGAURAN  
Minister for Agriculture, Fisheries and Forestry

## **SCHEDULE 1**

### **DESCRIPTION OF THE NORTHERN WHEATBELT AND NORTHERN AREAS OF THE EASTERN WHEATBELT DECLARED AREA IN WESTERN AUSTRALIA AFFECTED BY EXCEPTIONAL CIRCUMSTANCES**

All producers whose properties are Exceptional Circumstances affected and located in the Northern Wheatbelt and northern areas of the Eastern Wheatbelt declared area of Western Australia described below.

The Northern Wheatbelt and Northern parts of the Eastern Wheatbelt, Exceptional Circumstance region includes entire Shires and portions of Shires covering some 25 Shires in total.

The area incorporates the Shires of Greenough, Irwin, Carnamah, Mingenew, Three Springs, Coorow, Dalwallinu, Wyalkatchem, Moora Wongan-Ballidu, Koorda, Mt Marshall, Mukinbudin, Dowerin, Trayning, Nungarin, Westonia, Kellerberrin, Merredin and Yilgarn; and those parts of the following shires not already EC declared: Northampton, Chapman Valley, Mullewa, Morawa and Perenjori,

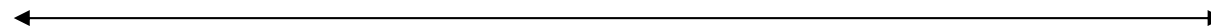
More specifically the area (excluding the buffer) is best described as starting at the coast in the township of Geraldton then:

- travelling south following the coastline on Campton Road turning east a McCarthy Road,
- then taking down through the following roadways in South Easterly direction along Evans Road, Allanooka Springs Road, Tabletop Road, Milo Road, Warradong Spring Rd, Yandandoka West Rd, Mount Adams Rd, Tomkins Rd, Sundalara Rd, Robinson Rd, Bunney Rd, First North Rd, Kangaroo Rd, Turkey Flat Rd, Carnamah Eneabba Rd, Chatfield Clarke Rd, Hughes Rd, Brand Mudge Rd, Coorow Green Head Rd, Carger Rd, Marchagee Track, Elliot Rd, Midlands Rd, Namban East Rd, Carino Rd, Miling Watheroo Rd, Lions East Rd, Nadji Mia Rd, Ballidu Bindi Bindi Rd, Wells Rd, Kondut West Rd, Wondut South East Rd, Stokes Rd, Manmanning Rd, Sewell Rd, Ward Rd, Clinic Rd, Moonjin East Rd, Dowerin Kalannie Rd, Ejanding East Rd, Rabbit Proof Fence North, Goomalling Wyalkatchem Rd, Tamin Wyalkatchem Rd, Rifle Range Rd, Handword Rd, Davies Rd, Tilbrook Rd, Shiells Rd, York Range West Rd, McQueen Rd, Nanyning Rd, Kellerberrin Yelben Rd, Scott Rd, Bencubbin Rd, Wilkins Rd, Missen Rd, Goldfields Rd and then State Forest Rd.

- then due east along Mather Rd then south on Burracoppin South Rd and then east on Hackling Rd and then,
- south on to Reynolds Rd then south east on Meranda North Rd then due east on Cramphorn Rd then north east along the Emu Fence Rd and then south east on Dunbar Rd to the border with the pastoral region.

**Buffer zone:**

There is a 15 kilometre buffer zone that covers the westward edge of this area.



## 1.6 *RURAL ADJUSTMENT ACT 1992*

### **CLAUSE 8 VARIATION TO POLICY GUIDELINES APPLYING TO INTEREST RATE SUBSIDIES FOR FARMERS UNDER THE EXCEPTIONAL CIRCUMSTANCES PROVISIONS OF THE RURAL ADJUSTMENT SCHEME**

THIS VARIATION is made on the .....11TH.....day of ...OCTOBER... Two Thousand and Seven.

#### **BETWEEN**

COMMONWEALTH OF AUSTRALIA ('the Commonwealth')

AND

THE STATE OF WESTERN AUSTRALIA ('Western Australia')

#### **RECITALS**

##### **8) Variation or Revocation**

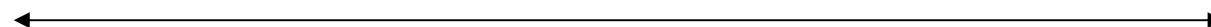
- a) The Minister reserves the right to revoke or vary these Guidelines at any time.

#### **IT IS AGREED AS FOLLOWS:**

1. Subclause 3)e) of all current Guidelines as at 25 September 2007 are to be amended to read 'Farmers located in an Exceptional Circumstances area can only apply for an additional interest rate subsidy within the same tranche as their last successful interest rate subsidy application, provided that this is for additional debt incurred in relation to drought carry-on, with the subsidy calculated on a pro rata basis and the total amount of support payable within a tranche period does not exceed \$100,000. A farmer located in an EC area can apply for another tranche of interest rate subsidy no earlier than 3 months prior to the expiry of the current tranche of support.'
2. Subclause 4)a)v)(2) of all Guidelines that cover the period 25 September 2007 to 30 September 2008, are to be amended to read 'off-farm assets, such that the net value of off-farm assets is not in excess of double the Newstart Allowance Assets test for homeowners (partnered) unless the application is received during the period 25 September 2007 to 30 September 2008 (inclusive of the 28 day grace period) or the termination date for the Exceptional Circumstances area, which ever occurs first, then the net value of off-farm assets is not to exceed \$750,000.  
This applies for up to one 12 month period of support.

#### **EXECUTED AS A DEED**

SIGNED SEALED and DELIVERED for and on behalf of the Commonwealth of Australia by the Honourable PETER MCGAURAN Minister for Agriculture, Fisheries and Forestry of the COMMONWEALTH OF AUSTRALIA





## 1.7 RURAL ADJUSTMENT ACT 1992

### POLICY GUIDELINES APPLYING TO INTEREST RATE SUBSIDIES FOR FARMERS IN WESTERN AUSTRALIA UNDER THE EXCEPTIONAL CIRCUMSTANCES PROVISIONS OF THE RURAL ADJUSTMENT SCHEME (RAS) FOR DECLARED AREAS IN WESTERN AUSTRALIA.

I, CONALL O'CONNELL, Secretary of the Department of Agriculture, Fisheries and Forestry, pursuant to clause 6(2) of the Agreement between the Commonwealth and the States and Territories (**Agreement**) made under the *Rural Adjustment Act 1992* hereby establish the following policy guidelines (**Guidelines**) as to interest rate subsidies (**Support**) to Farmers in areas of Western Australia (**State**).

#### INTEREST RATE SUBSIDIES

##### 1) Interpretation

- a) In these Guidelines, unless the contrary intention appears:
    - i) **Applicant** means a person who applies for Support under the scheme established under the Agreement.
    - ii) **Farmer** means a person engaged in the farm sector in a State, but does not include a person whose business consists principally of the provision of services.
    - iii) **Eligible Farmer** means a Farmer who satisfies the criteria for eligibility set out in clause 7 of the Agreement.
    - iv) **Suitably qualified adviser** means a person who:
      - (a) has relevant financial qualifications; and
      - (b) is a member of a professional association whose members normally provide financial advice.
- But, if an applicant whose residence is away from a population centre is not practicably able to seek advice from a person referred to in the definition above then, a suitably qualified adviser is a person who:
- (a) has experience in financial matters because of his or her occupation (whether or not he or she normally provides, or provided, advice); and
  - (b) is a member of a relevant professional association.
- Occupations that give a person experience in financial matters include the following:
- (a) accountant;
  - (b) bank manager; and
  - (c) tax agent.

##### 2) Purpose of Support

- a) Pursuant to sub-clause 5(2) of the Agreement, the purpose of the Support is to:
  - i) assist Eligible Farmers in areas of the State specified in Schedule 1-2 of these Guidelines during the period 1 October 2008 until 31 March 2009, and who would otherwise have prospects of long-term profitability and sustainability, but for the exceptional circumstances which has detrimentally affected the Eligible Farmer's income, leading to financial difficulty; and
- b) The Support will facilitate one or more of the following strategies:
  - i) improvements in productivity, including for recovery purposes;
  - ii) the provision of carry-on finance; and
  - iii) debt restructuring.

##### 3) Payment of Support

- a) The Commonwealth will contribute 90 per cent of the Support, and the State will contribute 10 per cent of the Support provided under the State component of the RAS.
- b) Support is subject to the following conditions:
  - i) the Applicant for Support is an Eligible Farmer;
  - ii) the Support during the second and subsequent years of assistance will not exceed 80 per cent of the interest payable on, and associated costs of, the borrowings being subsidised;
  - iii) where a property has been purchased since Exceptional Circumstances was declared, the property purchase price shall be deducted from the level of commercial borrowings to

- be supported in an initial application unless the purchase took place more than twelve months prior to the date of application;
- iv) any commercial borrowings or associated costs of borrowings already subsidised by the Commonwealth will not be considered for Support.
  - v) the period for which a subsidy is provided will be determined in each case by the Rural Business Development Corporation, subject to clause 2)a), and will only be available for a maximum period of 6 months in respect of each application;
  - vi) applications must be received no later than 28 days after 31 March 2009. In addition:
    - (1) eligibility must be assessed in each EC year; and
    - (2) the provision of Support in previous years does not guarantee support in a subsequent year or part thereof. Farmers not receiving support in the declaration year may be eligible in the subsequent year(s).
  - vii) to be eligible to apply for Support over a cumulative total of \$300 000 applicants must have a viable farm enterprise.
    - (1) Viability of the farm enterprise is to be determined by an independent business assessment, conducted by a suitably qualified adviser who:
      - (a) does not have an interest in the farm enterprise; and
      - (b) has not had professional dealings with the farm enterprise within the past five years.
    - (2) The determination of farm enterprise viability in an independent business assessment undertaken by a suitably qualified adviser does not guarantee support. The final decision to provide support will be determined by Rural Business Development Corporation in accordance with these guidelines;
  - viii) in determining the amount of Support to be paid, Rural Business Development Corporation will take into account the level of assistance which has been made already under the RAS; accordingly the total amount of Support payable in each EC Year, or part thereof if the declaration is less than 12 months, may not exceed \$100 000 (pro rata) per Eligible Farmer or a maximum cumulative total of support of \$500 000 over five years.
  - c) Support may be paid to the lender or the Farmer.
  - d) Farmers receiving other support under the *Rural Adjustment Act 1992* may also be eligible for this Support.
  - e) Farmers can apply for an additional interest rate subsidy within the same tranche as their last successful interest rate subsidy application, provided that this is for additional debt incurred in relation to drought carry-on, with the subsidy calculated on a pro rata basis and the total amount of support payable within a tranche period does not exceed \$100 000. A farmer located in an EC area can apply for another tranche of interest rate subsidy no earlier than 3 months prior to the expiry of the current tranche of support.

#### 4) Assessment Criteria

- a) In assessing the eligibility of an Applicant for Support, Rural Business Development Corporation must be satisfied that:
  - i) the farm enterprise is located in the area specified in the relevant Schedule to these Guidelines and meets the conditions specified in that Schedule;
  - ii) the farm enterprise is in financial difficulty due to exceptional circumstances, defined in Clause 2;
    - (1) on considering whether a farm enterprise is in financial difficulty, Rural Business Development Corporation must consider:
      - (a) the total amount of interest payable per annum;
      - (b) the estimated farm surplus over the medium term;
      - (c) the Applicant's equity in the farm enterprise in relation to the amount of current and future indebtedness, together with both farm and off-farm assets and income.
    - (2) when considering whether a farm enterprise is in financial difficulty due to exceptional circumstances, Rural Business Development Corporation must disregard the ability of the farm enterprise to purchase farming property since the beginning of the drought;
  - iii) the provision of the Support is necessary to achieve the strategies as outlined in Clause 2 of these Guidelines;
  - iv) without the Support the farm enterprise would not have the capacity to achieve or maintain sustainable long-term profitability;
    - (1) in assessing the likelihood of the farm enterprise being profitable in the long-term, the following factors must be taken into account:

- (a) the expected future capacity of the farm enterprise to operate profitably (without Government assistance) as measured by its ability to meet, from estimated surpluses, its future financial commitments relating to:
    - (i) the farm operating costs;
    - (ii) living costs of the farm family;
    - (iii) servicing of the farm debts;
    - (iv) future capital requirements for plant and improvements; and
    - (v) investment requirements to return the farm to profitability.
  - (b) the long-term economic trends which impact on the farm enterprise;
  - (c) the demonstrated technical, financial and business management performance of the Farmer responsible for the relevant farm enterprise; and
  - (d) the provision of financial support for the farm enterprise by commercial lenders through the exceptional circumstance and beyond.
- v) the Applicant has disposed of:
  - (1) all non-essential farm assets; and
  - (2) up until 30 June 2009, off-farm assets such that the net value of off-farm assets is not in excess of \$750,000.

Note: investments in bona fide insurance and superannuation funds are exempt from the off-farm assets test.
- vi) the disposal of assets has been on commercial terms and has applied the proceeds to the farm enterprise (except where this would result in extreme financial hardship to the Applicant).
- vii) under normal circumstances, the Applicant contributes at least 75 per cent of his/her labour to the farm enterprise, at least 50 per cent of income is derived from farming, and has been a Farmer for at least 2 years;
- viii) the Applicant's property was affected by exceptional circumstances as defined in clause 2; and
- ix) loans supplied by a commercial institution, vendor or by private arrangements, are provided on commercial terms at arms length and the interest rate charged by the lender is competitive with that which is generally applicable to the type of loan(s) being subsidised.

## **5) Level of Support**

- a) The level of Support to be provided to an Eligible Farmer will be determined by the extent of Support needed for the strategies as outlined in clause 2 and will be subject to clause 3; and
- b) the level of Support will be determined from budgets for the farm enterprise which make due allowance for financial demands on the enterprise appropriate to the exceptional circumstance (including an assessment of the living expenses for the farm household at the relevant Newstart Allowance rate).

## **6) Terms and Conditions to Attach to Support**

- a) Rural Business Development Corporation must obtain agreement from the Eligible Farmer that the Eligible Farmer will use the Support only for the purposes specified in clause 2;
- b) the period of Support in respect of any application is limited to a maximum period of 12 months or part thereof if the declaration is less than 12 months, in accordance with clause 3;
- c) Rural Business Development Corporation may terminate Support where the Eligible Farmer does not rectify breaches of the relevant terms and conditions of that support;
- d) Rural Business Development Corporation may attach other terms and conditions to the Support considered necessary for the particular case subject to obtaining the prior written consent of the Commonwealth; and
- e) the Eligible Farmer and the relevant financial institution must agree to the terms and conditions of Support before the payment of Support.

## **7) Outcomes Expected from Support**

- a) The outcomes expected from the Support for the Eligible Farmer include:
  - i) a program has been undertaken or maintained to increase farm productivity which will lead to improved sustainable long-term profitability and financial self-reliance;
  - ii) increased farm productivity;
  - iii) the restructuring of debt has been implemented;

- iv) the financial demands on the farm business are reduced
- v) a farm enterprise which can be demonstrated by the farmer to the satisfaction of Rural Business Development Corporation to be productive, profitable, sustainable and financially viable (without Government support) in the long-term is maintained in the farm sector; and
- vi) the farm enterprise is assisted to recover from the exceptional circumstances.

## 8) Variation or Revocation

- a) The Commonwealth reserves the right to revoke or vary these Guidelines at any time.

Dated this.....24th.....day of ..October.....2008.

Signed  
 CONALL O'CONNELL  
 Secretary, Department of Agriculture, Fisheries and Forestry

## SCHEDULE 1

### DESCRIPTION OF THE NORTH EASTERN WHEATBELT DECLARED AREA IN WESTERN AUSTRALIA AFFECTED BY EXCEPTIONAL CIRCUMSTANCES

All producers whose properties are Exceptional Circumstances affected and located in the North Eastern Wheatbelt declared area of Western Australia described below and who provide information to the satisfaction of the Rural Business Development Corporation that their income has been affected by the impact of Exceptional Circumstances.

The area includes the Shires of:

- Mullewa, east of the following in the agricultural region — from the northern edge of the agricultural region, follow the Murchison Mullewa Road to Mullewa then along the Mullewa Wubin Road to the Mullewa/Morawa Shire boundary;
- Morawa, east of the Mullewa Wubin Road in the agricultural region; and
- Perenjori, the agricultural region east and north bounded by the Morawa/Perenjori Shire boundary along the Mullewa Wubin Road through the Town of Perenjori to Rothsay Road, to the eastern edge of the agricultural region.

#### Buffer zone:

The buffer zone applies to those properties that do not lie wholly or partly within the buffer zone, but the nearest part of the farm lies within reasonable proximity of the buffer zone. A buffer zone extends 15km to the west of the Murchison Mullewa Road, the Mullewa Wubin Road and south of the Rothsay Road from the Mullewa Wubin Road.

The buffer zone includes the agricultural areas of the following shires (south to north): Perenjori, all of the agricultural area east of the Mullewa Wubin Road and south of the Perenjori to Rothsay Road. West of the Mullewa Wubin Road to the western shire boundary up to 30km south west and south from Perenjori town. Morawa, 15km west of the Mullewa Wubin Road. Mullewa, 15km west of the Mullewa Wubin Road to the Geraldton Mullewa Road. West along the Geraldton Mullewa Rd to Tenindewa. North west along the Yuna Tenindewa Road to the Mullewa Chapman Valley Shire boundary. Chapman Valley, continue north west along the Yuna Tenindewa Road from the Mullewa Chapman Valley Shire boundary, west through Yuna on the Chapman Valley Road, onto Nolba Rockwell Road, north up Nolba Road to the Chapman Valley Northampton Shire boundary. Northampton, from the Chapman Valley Northampton Shire boundary, continues north up Nolba Road, north up Whitehurst Rd, Horan Road, and Mongeragarry Road, east on the Binu East Road, north up Diepeveen Road, and east on the Ajana East Road to the edge of the agricultural boundary.

## SCHEDULE 2

### DESCRIPTION OF THE SOUTHERN RANGELANDS DECLARED AREA IN WESTERN AUSTRALIA AFFECTED BY EXCEPTIONAL CIRCUMSTANCES

All producers whose properties are Exceptional Circumstances affected and located in the Southern Rangelands declared area of Western Australia described below and who provide information to the satisfaction of the Rural Business Development Corporation that their income has been affected by the impact of Exceptional Circumstances.

The revised Southern Rangelands area comprises parts of the Shires of: Murchison, Yalgoo, Sandstone, Leonora, Menzies, Kalgoorlie-Boulder and Dundas; the pastoral areas of Esperance, Ravensthorpe, Kondinin, Mt Marshall, Dalwallinu, Perenjori, Mullewa, Chapman Valley and Northampton; and the whole of the Coolgardie and Shark Bay Shires.

More specifically: the stations in the new area include Adelong Station, Arubiddy Station, Badja Station, Balgair Station, Barnong Station, Billabalong Station, Bimbijy Station, Bulga Downs Station, Bullardoo Station, Bunnawarra Station, Carlaminda Station, Clover Downs Station, Coolcalalaya Station, Credo Station, Edjudina Station, Gabyon Station, Gindalbie Station, Gunnadorah Station, Jibberding Station, Kanandah Station, Kinclaven Station, Kookynie Station, Kybo Station, Madura Station, Maranalgo Station, Meeberrie Station, Melita Station, Mellenbye Station, Mendleyarri Station, Morapoi Station, Mouroubra Station, Mt Burges Station, Mt Narryer Station, Mt Vettors Station, Mundrabilla Station, Muralgarra Station, Murgoo Station, New Forest Station, Ninghan Station, Oudabunna Station, Perangery Station, Pindabunna Station, Pinegrove Station, Pinjin Station, Pullagaroo Station, Rawlinna Station, Remlap Station, Riverina Station, Sturt Meadows Station, Talisker Station, Talling Station, Thundelarra Station, Twin Peaks Station, Virginia Station, Wagga Wagga Station, Walling Rock Station, Wanarra Station, Wooleen Station, Yallalong Station, Yerilla Station, Yindi Station, and Yuin Station. Other station owners or primary producers in the defined area may also apply.

#### **Buffer zone:**

The Buffer zone includes part of Dundas, Boulder, Menzies and Leonora Shires.



### **1.8 RURAL ADJUSTMENT ACT 1992**

#### **POLICY GUIDELINES APPLYING TO INTEREST RATE SUBSIDIES FOR FARMERS IN WESTERN AUSTRALIA UNDER THE EXCEPTIONAL CIRCUMSTANCES (EC) PROVISIONS OF THE RURAL ADJUSTMENT SCHEME (RAS) FOR DECLARED AREAS IN WESTERN AUSTRALIA.**

I, CONALL O'CONNELL, Secretary of the Department of Agriculture, Fisheries and Forestry, pursuant to clause 6(2) of the Agreement between the Commonwealth and the States and Territories (**Agreement**) made under the *Rural Adjustment Act 1992* hereby establish the following policy guidelines (**Guidelines**) as to interest rate subsidies (**Support**) to Farmers in areas of Western Australia (**State**).

#### **INTEREST RATE SUBSIDIES**

##### **1) Interpretation**

- a) In these Guidelines, unless the contrary intention appears:
  - i) **Applicant** means a person who applies for Support under the scheme established under the Agreement.
  - ii) **Farmer** means a person engaged in the farm sector in a State, but does not include a person whose business consists principally of the provision of services.
  - iii) **Eligible Farmer** means a Farmer who satisfies the criteria for eligibility set out in clause 7 of the Agreement.
  - iv) **Suitably qualified adviser** means a person who:
    - (a) has relevant financial qualifications; and
    - (b) is a member of a professional association whose members normally provide financial advice.

But, if an applicant whose residence is away from a population centre is not practicably able to seek advice from a person referred to in the definition above then, a suitably qualified adviser is a person who:

- (c) has experience in financial matters because of his or her occupation (whether or not he or she normally provides, or provided, advice); and
- (d) is a member of a relevant professional association.

Occupations that give a person experience in financial matters include the following:

- (e) accountant;
- (f) bank manager; and

(g) tax agent.

## 2) Purpose of Support

- a) Pursuant to sub-clause 5(2) of the Agreement, the purpose of the Support is to:
  - i) assist Eligible Farmers in areas of the State specified in Schedule 1 to these Guidelines during the period 1 April 2009 until 15 June 2009, and who would otherwise have prospects of long-term profitability and sustainability, but for the exceptional circumstances which have detrimentally affected the Eligible Farmer's income, leading to financial difficulty; and
- b) The Support will facilitate one or more of the following strategies:
  - i) improvements in productivity, including for recovery purposes;
  - ii) the provision of carry-on finance; and
  - iii) debt restructuring.

## 3) Payment of Support

- a) The Commonwealth will contribute 90 per cent of the Support, and the State will contribute 10 per cent of the Support provided under the State component of the RAS;
- b) Support is subject to the following conditions:
  - i) the Applicant for Support is an Eligible Farmer;
  - ii) the Support during the second and subsequent years of assistance will not exceed 80 per cent of the interest payable on, and associated costs of, the borrowings being subsidised;
  - iii) where a property has been purchased since EC was declared, the property purchase price shall be deducted from the level of commercial borrowings to be supported in an initial application unless the purchase took place more than 12 months prior to the date of application;
  - iv) any commercial borrowings or associated costs of borrowings already subsidised by the Commonwealth will not be considered for Support;
  - v) the period for which a subsidy is provided will be determined in each case by the Rural Business Development Corporation, subject to clause 2)a), and will only be available for a maximum period of 12 months in respect of each application;
  - vi) applications must be received no later than 28 days after 15 June 2009. In addition:
    - (1) eligibility must be assessed in each EC year; and
    - (2) the provision of Support in previous years does not guarantee support in a subsequent year or part thereof. Farmers not receiving support in the declaration year may be eligible in the subsequent year(s).
  - vii) to be eligible to apply for Support over a cumulative total of \$300 000 applicants must have a viable farm enterprise. In addition:
    - (1) Viability of the farm enterprise is to be determined by an independent business assessment, conducted by a suitably qualified adviser who neither:
      - (a) has an interest in the farm enterprise; nor
      - (b) has had professional dealings with the farm enterprise within the past five years.
    - (2) The determination of farm enterprise viability in an independent business assessment undertaken by a suitably qualified adviser does not guarantee support. The final decision to provide support will be determined by the Rural Business Development Corporation in accordance with these guidelines.
  - viii) in determining the amount of Support to be paid, the Rural Business Development Corporation will take into account the level of assistance which has already been made under the RAS; accordingly the total amount of Support payable in each EC Year, or part thereof if the declaration is less than 12 months, may not exceed \$100 000 (pro rata) per Eligible Farmer or a maximum cumulative total of support of \$500 000 over five years.
- c) Support may be paid to the lender or the Eligible Farmer;
- d) Farmers receiving other support under the *Rural Adjustment Act 1992* may also be eligible for this Support;
- e) Farmers can apply for an additional interest rate subsidy within the same tranche as their last successful interest rate subsidy application, provided that this is for additional debt incurred in relation to drought carry-on, with the subsidy calculated on a pro rata basis and the total amount of support payable within a tranche does not exceed \$100 000. A farmer located in an EC area can apply for another tranche of interest rate subsidy no earlier than three months prior to the expiry of the current tranche of support.

#### 4) Assessment Criteria

- a) In assessing the eligibility of an Applicant for Support, the Rural Business Development Corporation must be satisfied that:
  - i) the farm enterprise is located in the area specified in the relevant Schedule to these Guidelines and meets the conditions specified in that Schedule;
  - ii) the farm enterprise is in financial difficulty due to exceptional circumstances, defined in clause 2;
    - (1) on considering whether a farm enterprise is in financial difficulty, the Rural Business Development Corporation must consider:
      - (a) the total amount of interest payable per annum;
      - (b) the estimated farm surplus over the medium term;
      - (c) the Applicant's equity in the farm enterprise in relation to the amount of current and future indebtedness, together with both farm and off-farm assets and income.
    - (2) when considering whether a farm enterprise is in financial difficulty due to exceptional circumstances, the Rural Business Development Corporation must disregard the ability of the farm enterprise to purchase farming property since the beginning of the drought.
  - iii) the provision of the Support is necessary to achieve the strategies as outlined in clause 2 of these Guidelines;
  - iv) without the Support the farm enterprise would not have the capacity to achieve or maintain sustainable long-term profitability. In addition:
    - (1) in assessing the likelihood of the farm enterprise being profitable in the long-term, the following factors must be taken into account:
      - (a) the expected future capacity of the farm enterprise to operate profitably (without Government assistance) as measured by its ability to meet, from estimated surpluses, its future financial commitments relating to:
        - (i) the farm operating costs;
        - (ii) living costs of the farm family;
        - (iii) servicing of the farm debts;
        - (iv) future capital requirements for plant and improvements; and
        - (v) investment requirements to return the farm to profitability.
      - (b) the long-term economic trends which impact on the farm enterprise;
      - (c) the demonstrated technical, financial and business management performance of the Farmer responsible for the relevant farm enterprise; and
      - (d) the provision of financial support for the farm enterprise by commercial lenders through the exceptional circumstance and beyond.
  - v) the Applicant has disposed of:
    - (1) all non-essential farm assets;
    - (2) up until 30 June 2009, off-farm assets such that the net value of off-farm assets is not in excess of \$750 000; Note: investments in bona fide insurance and superannuation funds are exempt from the off-farm assets test.
  - vi) the disposal of assets has been on commercial terms and has applied the proceeds to the farm enterprise (except where this would result in extreme financial hardship to the Applicant);
  - vii) under normal circumstances, the Applicant contributes at least 75 per cent of his/her labour to the farm enterprise, at least 50 per cent of income is derived from farming, and has been a Farmer for at least two years;
  - viii) the Applicant's property was affected by exceptional circumstances as defined in clause 2;
  - ix) loans supplied by a commercial institution, vendor or by private arrangements, are provided on commercial terms at arms length and the interest rate charged by the lender is competitive with that which is generally applicable to the type of loan(s) being subsidised.

#### 5) Level of Support

- a) The level of Support to be provided to an Eligible Farmer will be determined by the extent of Support needed for the strategies as outlined in clause 2 and will be subject to clause 3; and
- b) the level of Support will be determined from budgets for the farm enterprise which make due allowance for financial demands on the enterprise appropriate to the exceptional

circumstance (including an assessment of the living expenses for the farm household at the relevant Newstart Allowance rate).

## **6) Terms and Conditions to Attach to Support**

- a) the Rural Business Development Corporation must obtain agreement from the Eligible Farmer that the Eligible Farmer will use the Support only for the purposes specified in clause 2;
- b) the period of Support in respect of any application is limited to a maximum period of 12 months or part thereof if the declaration is less than 12 months, in accordance with clause 3;
- c) the Rural Business Development Corporation may terminate Support where the Eligible Farmer does not rectify breaches of the relevant terms and conditions of that support;
- d) the Rural Business Development Corporation may attach other terms and conditions to the Support considered necessary for the particular case subject to obtaining the prior written consent of the Commonwealth; and
- e) the Eligible Farmer and the relevant financial institution must agree to the terms and conditions of Support before the payment of Support.

## **7) Outcomes Expected from Support**

- a) The outcomes expected from the Support for the Eligible Farmer include:
  - i) a program has been undertaken or maintained to increase farm productivity which will lead to improved sustainable long-term profitability and financial self-reliance;
  - ii) increased farm productivity;
  - iii) the restructuring of debt has been implemented;
  - iv) the financial demands on the farm business are reduced;
  - v) a farm enterprise which can be demonstrated by the Eligible Farmer to the satisfaction of the Rural Business Development Corporation to be productive, profitable, sustainable and financially viable (without Government support) in the long-term is maintained in the farm sector; and
  - vi) the farm enterprise is assisted to recover from the exceptional circumstances.

## **8) Variation or Revocation**

- a) The Commonwealth reserves the right to revoke or vary these Guidelines at any time.

Dated this 27<sup>th</sup> day of February 2009.

Signed  
CONALL O'CONNELL  
Secretary, Department of Agriculture, Fisheries and Forestry

### **SCHEDULE 1**

#### **DESCRIPTION OF THE SOUTHERN RANGELANDS (REVISED) DECLARED AREA IN WESTERN AUSTRALIA AFFECTED BY EXCEPTIONAL CIRCUMSTANCES**

All producers whose properties are Exceptional Circumstances affected and located in the Southern Rangelands (Revised) declared area of Western Australia described below and who provide information to the satisfaction of the Rural Business Development Corporation that their income has been affected by the impact of Exceptional Circumstances.

The Southern Rangelands Revised EC declared area (including the buffer) includes parts of the Shires of Leonora, Menzies, Kalgoorlie/Boulder and Dundas; the pastoral areas of the Shires of Esperance, Ravensthorpe and Kondinin; and the whole of the Shire of Coolgardie.

The revised area excludes parts of the Shires of Murchison, Yalgoo, Sandstone, the pastoral areas of the Shires of Mt Marshall, Dalwallinu, Perenjori, Mullewa, Chapman Valley and Northampton; and the whole of the Shire of Shark Bay.

#### **Buffer zone:**

The following stations are located in the buffer zone. Note there may be a small number of stations or special leases not identified below.



Adelong Station, Arubiddy Station, Balgair Station, Boonderoo Station, Bulga Downs Station, Clover Downs Station, Credo Station, Edjudina Station, Gindalbie Station, Gunnadorah Station, Jeedamya Station, Kanandah Station, Kinclaven Station, Kookynie Station, Koonjarra Station, Kybo Station, Madura Station, Melita Station, Menangina South Station, Menangina Station, Mendleyarri Station, Moonera Station, Morapoi Station, Mt Burges Station, Mt Vettors Station, Mundrabilla Station, Perrinvale Station, Pinjin Station, Pondana Station, Rawlinna Station, Riverina Station, Special Lease 3116/6641, Sturt Meadows Station, Vaneska Station, Virginia Station, Walling Rock Station, Woolba Station, Yerilla Station, and Yindi Station.

## 1.9 RURAL ADJUSTMENT ACT 1992

### POLICY GUIDELINES APPLYING TO INTEREST RATE SUBSIDIES FOR SMALL BUSINESSES IN WESTERN AUSTRALIA

#### 1) Interpretation

- a) In these Guidelines, unless the contrary intention appears:
- i) **Applicant** means a Small Business applying for Support under the scheme.
  - ii) **Business activity** is defined as legal activity for profit directly associated with the applicant's viable commercial business (not a hobby) and is measured by business turnover. The activity should occur with farming enterprises located in the Exceptional Circumstances area or in the case of businesses in towns that are substantially reliant on farmer income, have less than 10 000 population and are located in an Exceptional Circumstances declared area.
  - iii) **Business Assets** are the assets owned by the Small Business.
  - iv) **Business Turnover** means the value of all goods and services supplied by the Small Business (or likely to be supplied) from its Business activity during the current month or from the last completed Business Activity Statement (BAS) period plus the value of all those supplied during the past 11 months or respective BAS periods to calculate the annual business turnover. When calculating annual business turnover, do **not** include:
    - (a) Any GST charged;
    - (b) Goods and services supplied that are not connected with the business (such as sales of a private nature of personally owned goods); or
    - (c) Transfer of capital assets (such as amounts received from the sale of business assets).

For most applicants, annual business turnover will be the sum of business sales of goods and services for the year ending on the last day of the current month (excluding GST). The Department of Agriculture and Food Western Australia may use other methods for determining or assessing business turnover.
  - v) **Exceptional Circumstances area** - an area that has been declared by the Australian Government as suffering Exceptional Circumstances.
  - vi) **Exceptional Circumstances** - a rare climatic or other event that:
    - (a) has resulted in a rare and severe downturn in farm income over a prolonged period (i.e. greater than 12 months);
    - (b) cannot be planned for or managed as part of farmers' normal risk management strategies; and
    - (c) is a discrete event that is not part of long-term structural adjustment processes or of normal fluctuations in commodity prices.
  - vii) **Employee** means a person paid for his/her labour. If the person is contributing capital or other resources, has a say in what work is done and how it is done, is paid according to the results he or she achieves, and shares in the profits and losses, then they are likely to be either/or a partner, a director or an independent contractor, not an employee.
  - viii) **Farming enterprise** means an enterprise carried on by a farmer within the farm sector in a State, the Northern Territory or the Australian Capital Territory.
  - ix) **Full time** work is not less than 35 hours per week. Businesses with a range of employment arrangements should calculate the number of hours worked by employees such as casuals and part-time workers and divide that total by 35 to determine full time equivalents (for example three casual employees working 12 hours per week work a total of 36 hours per week, equates to one full time employee).

- x) **Small Business** means a commercial enterprise that:
  - (a) has up to 100 full time employees or equivalent;
  - (b) holds a registered Australian Business Number;
  - (c) derives 70 per cent or more of its normal total business turnover from the provision of goods or services from farming enterprises in EC declared areas; **or** operates in towns that are substantially reliant on farmer income, have less than 10 000 population and are located in an Exceptional Circumstances declared area.
- xi) **Viable** means having prospects of long term viability if not for exceptional circumstances which have detrimentally affected the business turnover of the small business concerned.

## 2) Purpose of Support

- a) The purpose of the Support is to assist Small Businesses who are:
  - i) reliant on farming activities carried out in Exceptional Circumstances areas during the period 7 November 2006 until the end of the Exceptional Circumstances declaration for the relevant area;
  - ii) during the period 25 September 2007 until 30 June 2010 or until the end of the Exceptional Circumstances declaration for the relevant area for Small Businesses that operate in towns that are substantially reliant on farmer income, have less than 10 000 population and are located in an Exceptional Circumstances declared area, and who would otherwise have prospects of long-term viability, but for the exceptional circumstances which have detrimentally affected the Small Business' business turnover, leading to financial difficulty.
- b) The Support will facilitate one or more of the following strategies:
  - (a) improvements in business viability;
  - (b) business continuity; and
  - (c) debt restructuring.

## 3) Payment of Support

- a) The Commonwealth will contribute 90 per cent of the Support, and the State will contribute 10 per cent of the Support.
- b) Support is subject to the following conditions:
  - i) the Applicant for Support is a Small Business;
  - ii) the Support will not exceed 80 per cent of the interest payable on, and associated costs of, the commercial borrowings being subsidised.
  - iii) the Support during the first 12 months of assistance for any new Exceptional Circumstances declared areas after 7 November 2006 should be no greater than a maximum of 50 per cent of the interest rate payable on, and associated costs of borrowings being subsidised, where the small business derives income from within the new Exceptional Circumstances declared area;
  - iv) the Support during the second and subsequent years of assistance will not exceed 80 per cent of the interest payable on, and associated costs of, the borrowings being subsidised;
  - v) when determining the level of commercial borrowings to be supported for an initial interest rate subsidy, the Department of Agriculture and Food Western Australia may deduct from the balance of existing commercial borrowings, the full cost of the capital purchase where the capital purchase was:
    - (a) made since 7 November 2006 in the case of small businesses who derive 70 per cent of their income from farm related activities; **or**,
    - (b) made since 25 September 2007 in the case of Small Businesses that operate in towns that are substantially reliant on farmer income, have less than 10 000 population and are located in an Exceptional Circumstances declared area; and
    - (c) who would otherwise have prospects of long-term viability, but for the exceptional circumstances which have detrimentally affected the Small Business' business turnover, leading to financial difficulty.
  - vi) any commercial borrowings or associated costs of borrowings already subsidised by the Australian Government will not be considered for Support;
  - vii) the period for which a subsidy is provided will be determined in each case by the Department of Agriculture and Food Western Australia, subject to clause 2, and will only be available for a maximum period of 12 months in respect of each application;

- viii) for the first tranche of Support applications must be received no later than 28 days after tranche 1 ends. For subsequent tranches of Support applications must be received no later than 28 days after the declaration end date. In addition:
  - (a) eligibility must be assessed for each tranche; and
  - (b) the provision of Support in previous years does not guarantee support in a subsequent year or part thereof. Small Businesses not receiving support in the declaration year may be eligible in the subsequent year.
- ix) to be eligible to apply for Support applicants must, under normal circumstances, have a Viable Small Business;
  - (a) the total amount of Support payable in each Exceptional Circumstance year may not exceed \$100 000 per Small Business or part thereof if the declaration is less than 12 months.
- c) Support may be made to the lender or the Small Business.
- d) Small Businesses can apply for an additional interest rate subsidy within the same tranche as their last successful interest rate subsidy application on additional debt incurred in relation to drought carry-on on a pro rata basis, provided the total amount of Support does not exceed \$100 000.
- e) A Small Business can only apply for the next tranche period on interest rate subsidy no earlier than three months prior to the expiry of the applicant's current application period of Support.

#### 4) Assessment Criteria

- a) In assessing the eligibility of an Applicant for Support, the Department of Agriculture and Food Western Australia must be satisfied that:
  - i) the Small Business has derived 70 per cent or more of its normal total business turnover from the provision of goods or services for farming activities in EC declared or part thereof areas specified in the relevant Schedule to these Guidelines or, in the case of Small Businesses that operate in towns that are substantially reliant on farm income, have less than 10 000 population and are located in an Exceptional Circumstances declared area;
  - ii) the Small Business is in financial difficulty due to the impact of exceptional circumstances on farm enterprises, or farming clients, in Exceptional Circumstances declared areas:
    - (1) on considering whether a Small Business is in financial difficulty the Department of Agriculture and Food Western Australia must consider:
      - (a) the total amount of interest payable per annum;
      - (b) the estimated business surplus over the medium term;
      - (c) the owner/lessor/operator's equity in the Small Business in relation to the amount of current and future indebtedness, together with both business and non-business assets and income.
  - iii) the provision of the Support is necessary to achieve the strategies as outlined in clause 2)b) of these Guidelines;
  - iv) without the Support the Small Business would not have the capacity to achieve or maintain long-term viability:
    - (1) in assessing the likelihood of the Small Business being viable in the long-term, the following factors must be taken into account:
      - (a) the expected future capacity of the Small Business to be viable (without government assistance) as measured by its ability to meet, from estimated surpluses, its future financial commitments relating to:
        - (i) the Small Business operating costs;
        - (ii) living costs of the Small Business owner's family;
        - (iii) servicing of the Small Business debts;
        - (iv) future capital requirements for plant and improvements; and
        - (v) investment requirements to return the Small Business to financial viability.
      - (b) the long-term economic trends which impact on the Small Business enterprise;
      - (c) the demonstrated technical, financial and business management performance of the Small Business; and
      - (d) the provision of financial support for the Small Business by commercial lenders through the exceptional circumstance and beyond.
  - v) the owner/lessor/operator has disposed of:
    - (a) all non-essential Small Business assets; and
    - (b) non-business assets, such that the net value of non-business assets is not in excess of double the Newstart Allowance Assets test for homeowners (partnered) or if an application is received during the period 25 September 2007

to 30 June 2010 (inclusive of the 28 day grace period) or prior to the closure of the Exceptional Circumstances areas, which ever occurs first, in which case the net value of non-business assets is not to exceed \$750 000.

Note: investments in bona fide insurance and superannuation funds are exempt from the non-business assets test.

- vi) the disposal of assets has been on commercial terms and has applied the proceeds to the Small Business enterprise (except where this would result in extreme financial hardship to the applicant);
- vii) under normal circumstances, the owner/lessor/operator contributes at least 75 per cent of his/her labour to the Small Business enterprise (or in the case of the owner/lessor/operator also being a farmer, at least 75 per cent of his/her labour being contributed to the Small Business and the farming enterprise), at least 50 per cent of total business turnover is derived from the Small Business, and has operated the business for at least two years;
- viii) the Applicant's Small Business was affected by the impact of exceptional circumstances on farming enterprises in EC declared areas as defined in clause 2;
- ix) loans supplied by a commercial institution, vendor or by private arrangements, are provided on commercial terms at arms length and the interest rate charged by the lender is competitive with that which is generally applicable to the type of loan(s) being subsidised;
- x) Applicants who own/lease/operate more than one Small Business will collectively only be eligible for one interest rate subsidy on the commercial debts associated with the Applicant's small business subject to the provisions of these Guidelines; and
- xi) Applicants who are farmers and own/lease/operate one or more than one Small Business will collectively only be eligible for one interest rate subsidy on the commercial debts associated with either the Applicant's farm or the small business subject to the provisions of these Guidelines and the provisions of the Guidelines applying to interest rate subsidies for farmers under the Rural Adjustment Act 1992.

## **5) Level of Support**

- a) The level of Support to be provided to a Small Business will be determined by the extent of Support needed for the strategies as outlined in clause 2)b) and will be subject to clause 3; and
- b) the level of Support will be determined from budgets for the Small Business which make due allowance for financial demands on the enterprise appropriate to the exceptional circumstance.

## **6) Terms and Conditions to Attach to Support**

- a) The Department of Agriculture and Food Western Australia must obtain agreement from the Small Business that it will use the Support only for the purposes specified in clause 2;
- b) the period of Support in respect of any application is limited to a maximum period of 12 months or part thereof if the declaration is less than 12 months, in accordance with clause 3 b) vi);
- c) the Department of Agriculture and Food Western Australia may terminate Support where the Small Business does not rectify breaches of the relevant terms and conditions of that support;
- d) the Department of Agriculture and Food Western Australia may attach other terms and conditions to the Support considered necessary for the particular case subject to obtaining the prior written consent of the Commonwealth; and
- e) the Small Business and the relevant financial institution must agree to the terms and conditions of Support before the payment of Support.

## **7) Outcomes Expected from Support**

- a) The outcomes expected from the Support for the Small Business include:
  - i) a program has been undertaken or maintained to increase business productivity which will lead to improved long-term viability and financial self-reliance;
  - ii) the restructuring of debt has been implemented;
  - iii) the financial demands on the Small Business are reduced;

- iv) a business which can be demonstrated by the business owner to the satisfaction of the Department of Agriculture and Food Western Australia to be productive and financially viable (without government support) in the long-term is maintained; and
- v) the Small Business is assisted to recover from the impacts on farm enterprises being located in areas declared to be in exceptional circumstances.

## 8) Variation or Revocation

- a) The Minister reserves the right to revoke or vary these Guidelines at any time.

Dated this 12<sup>th</sup> day of June 2009.

Signed  
 CONALL O'CONNELL  
 Secretary, Department of Agriculture, Fisheries and Forestry

### 1.10 2007 DRY SEASON ASSISTANCE SCHEME EXTENSION

Confirmation received from the Treasurer dated 25 January 2009 to the Minister for Agriculture and Food's request dated 3 December 2009, agreeing to the extension of the scheme to support rural counselling.

### 1.11 POLICY GUIDELINES APPLYING TO FARMTRAINING WA

#### POLICY GUIDELINES

Applying to training subsidies for primary producers (including indigenous land holders) in Western Australia to assist in building their capacity to manage changing climatic conditions, fluctuating markets and other risks associated with managing and developing their business. The subsidies will be available for the period 1 July 2008 through to 30 June 2009, unless funds are fully committed prior to the end of this period.

#### 1. Interpretation

In these guidelines, unless the contrary intention appears:

**'benchmarking project'** refers to a project with industry to identify financial and production benchmarking standards across a range of industries.

**'eligible indigenous land manager'** is defined as a person who is involved in the management decisions of indigenous lands that are zoned for rural purposes if the land is owned, managed, controlled or operated by:

- a) an indigenous community or trust; or
- b) an Aborigine or Torres Strait Islander.

Indigenous land managers are eligible to attend all Farm Training WA supported training activities, irrespective of their status as a primary producer, where the training is related to the improved management of the rural land and/or primary production business practice on the respective property. Indigenous land managers are exempt from the requirement to contribute to the cost of training where a third party is prepared to pay for their share of the cost of training.

**'eligible participant'** means an eligible primary producer, an eligible indigenous land manager and for the purposes of eligible learning activities that have a primary focus on natural resource management, an eligible rural land manager.

**'eligible primary producer'** is defined as an owner/operator of a primary production enterprise (farming or fishing). The whole management team, which comprises the principal owner/operator,

manager, immediate family members and employed staff are eligible for assistance under the Scheme.

**'eligible rural land managers'** means an individual who owns or has management responsibility for the natural resources, (land, water, vegetation, fauna) of a land holding zoned rural or rural/residential no smaller than 2.5 hectares and are restricted to eligible learning activities that have a primary focus on natural resource management.

**'eligible non-indigenous training activities'** refers to training conducted in the areas of marketing, general business management, financial management, managing people, integrated approaches to production and natural resource management and to be delivered at a competency level of at least Certificate Level III under the Rural Training Package. Training on specific production issues are not included.

**'eligible indigenous training activities'** refers to training conducted in the areas of marketing, general business management, financial management, managing people, production management and natural resource management and to be delivered at a competency level of at least Certificate Level II under the Rural Training Package.

**'group'** is defined as two or more eligible participants.

**'ILC'** refers to the Indigenous Land Corporation.

**'previous FarmBis Scheme'** refers to the AAA FarmBis program 2005-2008.

**'primary production enterprises'** means:

- a) a rural enterprise carried on within the State; or
- b) a wild catch fishing enterprise:
  - (i) carried on by a business registered in the State; or
  - (ii) where the enterprise is carried on by an individual, by a person who is resident in the State;

**'RBDC'** refers to the Rural Business Development Corporation.

**'RCC program'** refers to the program that will assist in identifying and recognising and recording participants current competencies (Recognised Current Competencies). This may lead to the Recognition of Prior Learning (RPL) to satisfy competency requirements under a formal course of education.

**'self funded Training Needs Analysis'** refers to the conduct of a training needs assessment of eligible group members through the conduct of a survey and/or mediated focus group that identifies the specific training requirements of the group. A report providing details of participants, survey (if used), prioritised training identified and a proposal to provide training to meet these needs, must be submitted and approved.

**'Training Needs Analysis (TNA)'** refers to the report produced by groups through the Targeted Industry Initiatives under the previous FarmBis Scheme.

**'wild catch fishing enterprise'** means the fishing and harvesting of marine and fresh water species caught in their natural environment from a wild population, under Australian statutory management arrangements, for commercial purposes.

## **2. Purpose of funding**

A targeted approach to encourage eligible primary production businesses/enterprises, and eligible participants to participate in learning activities to improve their skills to manage changing climatic conditions, fluctuating markets, and other risks associated with managing and developing their business.

The program will:

- a) Provide funding support for training activities to groups that had undertaken a training needs analysis under the Training Industry Initiative of Schedule A of the AAA FarmBis Scheme 2005-2008 or who have undertaken a self funded Training Needs Analysis under this Scheme.
- b) Provide funding to support the Indigenous land holdings of WA to address a range of land management and fishing issues and will have emphasis on improving Indigenous business skills, corporate governance skills and natural resource management skills.
- c) Provide funding for a benchmarking project; and
- d) Provide funding for a project to assess Recognised Current Competencies (RCC) of eligible participants.

The proportional amount of the training and other costs that will be reimbursed as a grant will be determined in Policy Guidelines approved by the RBDC.

### **3. Objectives**

- a) to increase the capacity of primary producers and rural land managers to identify, plan and access quality learning activities;
- b) to increase primary producer and rural land manager participation in targeted learning activities;
- c) to enhance the capability of primary producers to effectively manage change and risk and benefit from the adoption of innovation and best practice management techniques;
- d) to increase the adoption of management practices that lead to greater resource sustainability, profitability and competitiveness;
- e) to increase the awareness by primary producers and rural land managers of the benefits of life-long or continuous learning and the benefits of a business-oriented approach;
- f) for greater stakeholder contribution with increased commitment from industry organisations and rural community groups to education and training issues; and
- g) to encourage the development of a competitive and diverse rural education and training industry.

### **4. Strategies to achieve the objectives:**

The strategies to achieve the Farm Training WA objectives are:

- a) to assist primary producers and rural land managers to participate in learning activities by contributing to the costs of their participation;
- b) to continue the coordination network established under the previous FarmBis Scheme to work at a strategic level with participants and other key stakeholders in facilitating the uptake of priority learning activities;
- c) to promote improvement in the quality, diversity and responsiveness of the rural training market to industry and producers needs
- d) to establish structured consultative mechanisms with key stakeholders to provide the opportunity to meet their education and training needs identified through the group training needs analysis undertaken under the previous FarmBis Scheme;
- e) to promote, through the Rural Business Development Corporation, greater industry sector involvement and commitment by engaging priority industries in targeted collaborative funding initiatives.

## **5. Types of activities**

### **5.1 Group Training**

Eligible group training activities supported under Farm Training WA must focus on enhancing the capability and skills of primary producers and rural land managers to improve their skills to manage changing climatic conditions, fluctuating markets, and other risks associated with managing and developing their business. These learning opportunities are to have been identified through a group Training Needs Analysis undertaken under the previous FarmBis Scheme. Alternatively, a group may independently undertake a preliminary self funded Training Needs Analysis, with subsequent training being eligible for a grant subsidy under this agreement. Activities that will not be supported under Farm Training WA include the following:

- a) the provision of professional advice and services, including "one-on-one" consulting;
- b) stand-alone technical or operational training activities;
- c) conferences, study tours and other similar activities that do not have clearly defined learning outcomes;
- d) materials that are not an integral part of the learning activity, for example, software;
- e) specific education and training activities that are undertaken to satisfy government regulatory and statutory requirements, except where undertaken on an Indigenous estate;
- f) maintenance of ongoing group facilitation/mentoring, with the exception of some costs for the establishment and initial development cycle of such groups which may be considered, except where undertaken on an Indigenous estate; or
- g) costs associated with identifying the training needs of a group, except where undertaken on an Indigenous estate.

### **5.2 Benchmarking project**

Funding of up to \$150,000 will be available for a benchmarking project. Industry is to be engaged in this process, with submissions to participate to include details of contribution in cash or kind to match this Scheme's contribution.

Industry groups will be targeted; the Scheme's contribution, matching industry contribution and terms of the project will be decided in consultation with the RBDC.

### **5.3 Recognised Current Competencies (RCC) program**

The RCC program will assess and equip individual primary producers with identifiable, transferable skills. This process can work towards ensuring that participants are acquiring cross industry skills. This meets a dual need of providing labour for local industries and options to farmers for off farm work in difficult seasons.

Industry/community/ partnering is also required to identify common skill requirements of industries operating within a region.

Target areas, industry, community involvement and/or local government, Scheme funding and partners co-contribution are to be decided in consultation with the RBDC.

## **6. Delivery principles**

Farm Training WA and the RBDC will have regard to the following principles in delivery of training events under this Scheme:

- a) target participants are as defined in Section 1: Interpretation of these guidelines;



- b) group learning activities will have been identified through a Training Needs Analysis undertaken under the previous FarmBis Scheme, or as identified under a self funded Group Training Needs Analysis;
- c) a strategic, planned approach to learning by participants will be encouraged.
- d) learning activities must be delivered on a competitive basis, seeking the best value for money, best available provider (public or private) and promoting, over time, best practice;
- e) learning activities to be supported under Farm Training WA must involve a transfer of skills and knowledge to enhance the capability of the participant;
- f) adult learning principles will be encouraged in the delivery of learning activities;
- g) the focus of Farm Training WA will be on short and medium-term learning activities;
- h) over time, activities under Farm Training WA will, where appropriate, be linked to industry competency standards to achieve recognition of skills achievements and qualifications, and to encourage cross-industry credit transfer. Farm Training WA will encourage the formal education sector to apply a flexible approach in the accreditation of various forms of learning that may meet these standards;
- i) participants will be required to contribute to the cost of individual learning activities in which they participate to demonstrate their commitment. The level of contribution will be determined by the RBDC.
- j) Co-funding will be sort through third parties to contribute to the cost of providing training to Indigenous land managers;
- k) competition between training providers and transparency of costs will be encouraged; and
- l) best practice approaches to program delivery will be pursued to promote transparency, accountability and contestability and to maximise program outcomes.

## **7. Funds allocation**

A total amount of \$1,500,000 is available to administer and deliver this Scheme.

Signed 5/6/08  
 Kim Chance MLC  
 MINISTER FOR AGRICULTURE AND FOOD

# APPENDIX 2

## LIST OF PUBLICATIONS as at 30 June 2009

### EXCEPTIONAL CIRCUMSTANCES

#### Declaration Small Businesses

Application Form  
Information and Assessment Guidelines  
Lender Certificates

These publications are available from:  
the Corporation's office at 3 Baron Hay Court, South Perth,  
or by emailing [agwestfbd@agric.wa.gov.au](mailto:agwestfbd@agric.wa.gov.au), or by telephoning 1800 198 231,  
or on the internet at <http://www.agric.wa.gov.au>

### FARMTRAINING WA

Application by trainer for reimbursement  
Training Participant Application/Evaluation form  
Application by trainer for training  
Training Course Registration  
Training Provider Registration  
Training Participants List

These publications are available from:  
the Corporation's office at 3 Baron Hay Court, South Perth,  
or by emailing [agwestfbd@agric.wa.gov.au](mailto:agwestfbd@agric.wa.gov.au), or by telephoning 1800 198 231,  
or on the internet at <http://www.agric.wa.gov.au>

### DEBT MEDIATION SCHEME (RURAL LAND SALES LIAISON COMMITTEE)

These publications are available from:  
the Corporation's office at 3 Baron Hay Court, South Perth,  
or by telephoning 1800 198 231, or by emailing [agwestfbd@agric.wa.gov.au](mailto:agwestfbd@agric.wa.gov.au)

### APPEALS

These details are available from:  
the Corporation's office at 3 Baron Hay Court, South Perth,  
or by telephoning 1800 198 231, or by emailing [agwestfbd@agric.wa.gov.au](mailto:agwestfbd@agric.wa.gov.au)