

Queensland Rural and Industry Development Authority

Financial Statements

for the financial year ended 30 June 2020

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For information in relation to QRIDA's financial statements, please email contact_us@qrda.qld.gov.au or visit www.qrda.qld.gov.au.

Queensland Rural and Industry Development Authority

Statement of Comprehensive Income

for the year ended 30 June 2020



	Notes	2020 Actual \$'000	2020 Original Budget \$'000	Budget Variance* \$'000	2019 Actual \$'000
Income from Continuing Operations					
Grants and other contributions	3	148,587	289,220	(140,633)	177,223
Fees	4	10,115	11,371	(1,256)	10,568
Interest	5	43,203	41,903	1,300	40,030
Other revenue		17	-	17	63
Total Revenue		201,922	342,494	(140,572)	227,883
Gain on borrowings received at greater than fair value	15.1	981	2,042	(1,061)	416
Gain on disposal of property, plant and equipment		2	-	2	-
Total Income from Continuing Operations		202,905	344,535	(141,631)	228,300
Expenses from Continuing Operations					
Employee expenses	6	16,256	14,628	1,628	11,866
Supplies and services	7	10,993	6,514	4,479	5,681
Grants and subsidies	8	98,270	318,733	(220,463)	86,287
Depreciation and amortisation		334	285	49	187
Loss on loans issued at greater than fair value	12.4	217,886	26,180	191,707	25,924
Loss on loan commitments issued at greater than fair value	12.5	13,722	-	13,722	-
Impairment losses	12.2	103,836	690	103,147	432
Finance/borrowing costs	9	7,100	8,817	(1,718)	9,481
Other Expenses	10	11,724	-	11,724	-
Total Expenses from Continuing Operations		480,121	375,847	104,275	139,856
Operating Result from Continuing Operations		(277,216)	(31,311)	(245,905)	88,444
Operating Result for the Year		(277,216)	(31,311)	(245,905)	88,444
Total Comprehensive Income		(277,216)	(31,311)	(245,905)	88,444

The accompanying notes form part of these statements.

*An explanation of major variances is included at Note 23

Queensland Rural and Industry Development Authority

Statement of Financial Position

as at 30 June 2020

	Notes	2020 Actual \$'000	2020 Original Budget \$'000	Budget Variance * \$'000	2019 Actual \$'000
Current Assets					
Cash and cash equivalents	11	251,512	122,421	129,092	210,550
Loans and advances	12	84,181	80,996	3,185	104,983
Receivables		6,824	184	6,640	1,343
Total Current Assets		342,517	203,601	138,917	316,876
Non-Current Assets					
Loans and advances	12	1,073,405	430,497	642,908	406,406
Property, plant and equipment		229	217	12	327
Intangible Assets	13	1,643	1,551	92	1,874
Total Non-Current Assets		1,075,277	432,265	643,012	408,606
Total Assets		1,417,794	635,866	781,929	725,482
Current Liabilities					
Trade and Other Payables		1,819	493	1,325	777
Loan Commitments	12.5	13,722	-	13,722	-
Unearned Revenue		-	327	(327)	1,526
Interest-bearing borrowings	14	60,626	38,195	22,431	88,362
Non-interest-bearing borrowings	15	4,960	5,177	(217)	4,818
Accrued employee benefits		3,614	2,648	965	2,789
Total Current Liabilities		84,740	46,840	37,900	98,271
Non-Current Liabilities					
Trade and Other Payables		-	83	(83)	133
Unearned Revenue		-	1,110	(1,110)	1,697
Interest-bearing borrowings	14	193,605	191,921	1,684	166,416
Non-interest-bearing borrowings	15	17,118	17,470	(352)	12,988
Accrued employee benefits		148	117	31	124
Total Non-Current Liabilities		210,871	210,702	169	181,359
Total Liabilities		295,611	257,542	38,069	279,630
Net Assets		1,122,183	378,324	743,859	445,853
Equity					
Contributed equity		1,087,652	137,652	950,000	137,652
Accumulated surplus		34,531	240,672	(206,141)	308,201
Total Equity		1,122,183	378,324	743,859	445,853

The accompanying notes form part of these statements.

* An explanation of major variances is included at Note 23

Queensland Rural and Industry Development Authority

Statement of Changes in Equity

for the year ended 30 June 2020



	Accumulated Surplus	Contributed Equity	Total
	\$'000	\$'000	\$'000
Balance as at 1 July 2018	219,757	137,652	357,409
Operating result for the year	88,444	-	88,444
Total Comprehensive Income for the year	88,444	-	88,444
Balance as at 30 June 2019	308,201	137,652	445,853
Net effect of changes in accounting policies on adoption of AASB 15 and AASB 1058 (Note 27.2)	3,217	-	3,217
Net effect of changes in accounting policies on adoption of AASB 16 (Note 27.4)	329	-	329
Balance as at 1 July 2019	311,747	137,652	449,399
Operating result for the year	(277,216)	-	(277,216)
Total Comprehensive Income for the year	(277,216)	-	(277,216)
Transactions with owners as owners:			
Non-appropriated equity injection (Note 16)	-	950,000	950,000
Balance as at 30 June 2020	34,531	1,087,652	1,122,183

The accompanying notes form part of these statements.

Queensland Rural and Industry Development Authority

Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 Actual \$'000	2020 Original Budget \$'000	Budget Variance* \$'000	2019 Actual \$'000
Cash flows from operating activities					
<i>Inflows:</i>					
Grants and other contributions		148,373	287,466	(139,093)	177,250
Fees		4,345	10,794	(6,450)	1,376
Interest received		23,052	25,019	(1,967)	24,870
GST input tax credits from ATO		292	-	292	205
GST collected from customers		5,364	-	5,364	8,942
Other		17	-	17	63
<i>Outflows:</i>					
Employee expenses		(15,407)	(14,628)	(779)	(11,675)
Supplies and services		(9,844)	(6,564)	(3,280)	(5,220)
Grants and subsidies		(98,270)	(318,733)	220,463	(86,287)
Finance/borrowing costs		(5,855)	(6,327)	472	(6,322)
Other expenses		(11,724)	-	(11,724)	-
GST paid to suppliers		(231)	-	(231)	(351)
GST remitted to ATO		(5,049)	-	(5,049)	(8,806)
Net cash provided by operating activities	CF-1	35,063	(22,973)	58,036	94,044
Cash flows from investing activities					
<i>Inflows:</i>					
Sales of property, plant and equipment		2	-	2	-
Loans and advances redeemed		120,349	119,547	802	80,653
<i>Outflows:</i>					
Payments for property, plant and equipment		(6)	-	(6)	-
Payments for intangible assets		-	-	-	(671)
Loans and advances made		(1,067,908)	(125,883)	(942,025)	(101,837)
Net cash used in investing activities		(947,562)	(6,335)	(941,227)	(21,855)
Cash flows from financing activities					
<i>Inflows:</i>					
Interest-bearing and non-interest-bearing borrowings	CF-2	71,963	63,655	8,307	42,052
Equity injection		950,000	-	950,000	-
<i>Outflows:</i>					
Interest-bearing and non-interest-bearing borrowing redemptions	CF-2	(68,501)	(82,952)	14,451	(45,090)
Net cash used in financing activities		953,462	(19,296)	972,758	(3,038)
Net increase (decrease) in cash and cash equivalents		40,963	(48,605)	89,567	69,151
Cash and cash equivalents at beginning of financial year		210,550	171,025	39,525	141,399
Cash and cash equivalents at end of financial year	11	251,512	122,421	129,092	210,550

The accompanying notes form part of these statements.

*An explanation of major variances is included at Note 23.

Queensland Rural and Industry Development Authority

Statement of Cash Flows

for the year ended 30 June 2020



NOTES TO THE STATEMENT OF CASH FLOWS

CF-1 Reconciliation of operating result to net cash provided by operating activities

	2020 \$'000	2019 \$'000
Operating surplus/(deficit)	(277,216)	88,444
<i>Non-Cash items included in operating result:</i>		
Depreciation and amortisation expense	334	187
Gain on disposal of plant and equipment	(2)	-
Impairment Losses	103,836	432
Loss on loan commitments issued at greater than fair value	13,722	-
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in accrued interest income	704	120
(Increase)/decrease in unamortised discount on borrowings received at greater than fair value	771	2,742
(Increase)/decrease in GST input tax credits receivable	61	(57)
(Increase)/decrease in other receivables	(5,299)	(503)
Increase/(decrease) in accounts payable	673	286
Increase/(decrease) in interest payable	(507)	(3)
Increase/(decrease) in unamortised discount on loans issued at greater than fair value	196,821	10,677
Increase/(decrease) in accrued employee benefits	849	148
Increase/(decrease) in GST payable	315	47
Increase/(decrease) in lease incentive	-	(50)
Increase/(decrease) in unearned revenue	-	(8,427)
Net cash provided by operating activities	35,063	94,044

CF-2 Changes in Liabilities Arising from Financing Activities

	Cash Flows			Non-Cash Changes		Closing Balance 2020 \$'000
	Closing Balance 2019	Cash Received	Cash Repayments	Accrued interest & other transfer	Amortised cost changes	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Interest-bearing borrowings	254,778	60,400	(63,684)	2,117	620	254,231
Non-interest-bearing borrowings	17,805	11,563	(4,818)	(2,624)	152	22,078
Total	272,583	71,963	(68,501)	(507)	772	276,309

	Cash Flows			Non-Cash Changes		Closing Balance 2019 \$'000
	Closing Balance 2018	Cash Received	Cash Repayments	Accrued interest & other transfer	Amortised cost changes	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Interest-bearing borrowings	252,584	40,458	(40,174)	1,578	1,910	254,778
Non-interest-bearing borrowings	20,248	1,594	(4,916)	(1,578)	879	17,805
Total	272,832	42,052	(45,090)	-	2,789	272,583

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

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Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020



Section 1 - About QRIDA and this financial report

Note 1: Basis of financial statement preparation

1.1 General Information

QRIDA is established as a statutory body under the *Rural and Regional Adjustment Act 1994* (Qld).

The head office and principal place of business of QRIDA is Level 26, 32 Turbot Street, Brisbane Qld 4000.

1.2 Compliance with prescribed requirements

QRIDA has prepared these financial statements in compliance with section 39 of the *Financial and Performance Management Standard 2019*. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2019.

QRIDA is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis (except for the Statement of Cash Flows which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities.

New accounting standards early adopted and/or applied for the first time in these financial statements are outlined in **Note 27**.

1.3 Presentation

Currency and Rounding

Amounts included in the financial statements are in Australian dollars and rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required. Subtotals shown in these financial statements reflect the unrounded amounts in QRIDA's financial records, rounded as above. Therefore, rounded amounts shown in these financial statements may not add to the rounded sub-totals.

Comparatives

Comparative information reflects the audited 2018-19 financial statements.

Current/Non-Current Classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or QRIDA does not have an unconditional right to defer settlement to beyond 12 months after the reporting date.

All other assets and liabilities are classified as non-current.

1.4 Authorisation of financial statements for issue

The financial statements are authorised for issue by Chair of the Board of Directors, Chair of Audit and Risk Management Committee, Chief Executive Officer and Chief Financial Officer at the date of signing of the Management Certificate.

1.5 Basis of measurement

Historical cost is used as the measurement basis in this financial report except where another measurement basis is stated in the relevant note.

Historical Cost

Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Fair Value

Refer to **Note 17** for an explanation of Fair Value.

Present Value

Present value represents the present discounted value of the future net cash inflows that the item is expected to generate (in respect of assets) or the present discounted value of the future net cash outflows expected to settle (in respect of liabilities) in the normal course of business.

Amortised Cost using the effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The amortised cost of a financial asset or financial liability is equal to the present value of estimated future cash flows at the financial instrument's original effective interest rate.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument (or, when appropriate, a shorter period) to the net carrying amount of that instrument.

Note 2: Objectives of QRIDA

QRIDA's vision is to foster growth, sustainability and economic development in rural and regional communities, through the strategic purpose of doing more by providing proactive, responsible and reliable financial services and assistance.

QRIDA's objectives are to:

- support rural and regional communities;
- ensure a viable and sustainable business long-term;
- enhance QRIDA's operations and client experience;
- ensure QRIDA's operations are supported by people-centred operations and services; and
- reach more varied communities and audiences through new and enhanced services.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Section 2 - Notes about our financial performance

Note 3: Grants and other contributions

	2020 \$'000	2019 \$'000
QRIDA Operational Funding	12,914	12,486
Grant Funding Administered		
Farm Management Grant	-	960
North Queensland Restocking, Replanting & On-farm Infrastructure Grants	60,000	50,000
Natural Disaster Relief and Recovery Arrangements	-	762
Queensland Bus Driver Safety Scheme	-	5,470
Disaster Recovery Funding Arrangements	55,000	85,000
Rural Economic Development Grants	3,183	3,183
Affordable Energy Plan	-	19,010
Household Waste Payment Scheme	3,270	-
Farming in Reef Catchments Rebate Scheme	9,524	-
Wheelchair Accessible Taxi Grant Scheme	4,482	-
Other Schemes	-	352
Services received below fair value	214	-
Total Grants and Subsidies	148,587	177,223

Accounting Policy

Where the grant agreement is enforceable and contains sufficiently specific performance obligations for QRIDA to transfer goods or services to a third-party on the grantor's behalf, the transaction is accounted for under AASB 15 *Revenue from Contracts with Customers*. In this case, revenue is initially deferred (as a contract liability) and recognised as or when the performance obligations are satisfied.

Otherwise, the grant is accounted for under AASB 1058 *Income of Not-for-Profit Entities*, whereby revenue is recognised upon receipt of the grant funding, except for special purpose capital grants received to construct non-financial assets to be controlled by QRIDA.

Services received below fair value

Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, the amount representing the fair value is recognised as revenue with a corresponding expense for the same amount.

Disclosure – QRIDA Operational Funding

QRIDA receives operational funding from the Department of Agriculture and Fisheries to cover the operational costs. QRIDA is not obligated to transfer any goods or services to the Department of Agriculture and Fisheries. The funding is recognised in its entirety as grant revenue upon receipt under AASB 1058 *Income of Not for Profit Entities*.

Disclosure – Grant Funding Administered

QRIDA has a number of grant arrangements with Government agencies that relate to delivering financial assistance programs. QRIDA receives grant funding which is to cover grant payments to grant recipients and the costs of administration. Unspent funding less administration fees earned by QRIDA, will be returned to grantors after completion of the arrangements or upon grantor's request. As these arrangements do not contain sufficiently specific performance obligations, these grants are recognised upon receipt.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020



Note 3: Grants and other contributions (continued)

The following table represents the administered programs and their grantors:

Programs administered by QRIDA	Grantor
Farm Management Grant	Department of Agriculture and Fisheries
North Queensland Restocking, Replanting & On-farm Infrastructure Grants	Australian Government
Natural Disaster Relief and Recovery Arrangements	Queensland Reconstruction Authority
Queensland Bus Driver Safety Scheme	Department of Transport and Main Roads
Disaster Recovery Funding Arrangements	Queensland Reconstruction Authority
Rural Economic Development Grants	Department of Agriculture and Fisheries
Affordable Energy Plan	Department of Natural Resources, Mines and Energy
Household Waste Payment Scheme	Department of Environment and Science
Farming in Reef Catchments Rebate Scheme	Department of Environment and Science
Wheelchair Accessible Taxi Grant Scheme	Department of Transport and Main Roads

Disclosure – Services received below fair value

During 2019-20, QRIDA received services from Queensland Treasury, Queensland Treasury Corporation (QTC) and Queensland Investment Corporation. The services are provided free of charge in order to help QRIDA to manage a large volume of COVID-19 Jobs Support Loans applications in a short period. An equal amount to services received below fair value revenue is recognised as Supplies and Services.

Note 4: Fees

	2020 \$'000	2019 \$'000
Revenue from contracts with customers		
Sale of services	1,050	585
Other fees		
State Government	9,065	3,483
Commonwealth Government	-	6,500
Total	10,115	10,568

Accounting policy – Revenue from contracts with customers

Revenue from contracts with customers is recognised when QRIDA transfers control over a service to the customer. QRIDA has contracted with a non-Government entity to provide loan application assessment services. The services are provided over several years and the customer simultaneously receives and consumes the benefits provided during that period. QRIDA invoices periodically for services provided during the period. Revenue is recognised when the performance obligation is satisfied. The adoption of AASB 15 *Revenue from Contracts with Customers* in 2019-20 did not change the timing of revenue recognition for this particular contract.

Accounting policy – Other fees

Other fee revenue is accounted for under AASB 1058 *Income of Not for Profit Entities* and recognised upfront when QRIDA first gains control of the asset (i.e. cash or receivable). The adoption of AASB 1058 in 2019-20 resulted in a change to the timing of revenue recognition for those fees received in advance. Accordingly, this resulted in an adjustment to opening accumulated surplus and a derecognition to the provisions for unearned revenue. Included in this adjustment on 1 July 2019 was fee revenue received from the Australian Government in prior years to administer the Commonwealth Concessional Loan Schemes.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5: Interest

	Note	2020 \$'000	2019 \$'000
Contractual interest on loans		18,413	20,602
Amortisation of discount on loans	12.4	21,065	15,246
Effective interest income on loans		39,478	35,848
Add: Interest earned on cash and investments		3,725	4,182
Total		43,203	40,030

Accounting Policy

Interest revenue is recognised using the effective interest method.

Interest on loans: Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of loans. Contractual interest is the interest earned based on the loan agreements. Amortisation of discount on loans is amortisation of the difference between fair value and book value of the loans when the loans are originated.

Interest earned on cash and investments: Interest revenue is from cash deposited with QTC and banks.

Note 6: Employee expenses

	2020 \$'000	2019 \$'000
Employee Benefits		
Wages and salaries*	12,106	8,759
Annual leave expense	1,247	926
Employer superannuation contributions	1,514	1,146
Long service leave expense	324	182
Other employee benefits	155	148
Employee Related Expenses		
Workers' compensation premium	15	17
Payroll tax	738	528
Other employee related expenses	159	159
Total	16,256	11,866

* Wages and salaries include \$157,300 of \$1,250 one-off, pro-rata payments for 126 full-time equivalent employees (announced in September 2019).

	2020 No.	2019 No.
Full-time equivalent employees	168	118

Accounting Policies

Wages and Salaries – Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates. QRIDA has classified these as current liabilities. Therefore, the liabilities are recognised at undiscounted amounts.

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

Queensland Rural and Industry Development Authority

Notes to the Financial Statements



for the year ended 30 June 2020

Note 6: Employee expenses (continued)

Annual Leave and Time Off in Lieu (TOIL) – Annual leave and TOIL liabilities are classified and measured as ‘other long-term employee benefits’ as QRIDA does not expect to wholly settle all such liabilities within the 12 months following reporting date. The liabilities are recognised as a current liability at the present value of the expected future payments to be made to employees using the remuneration rate expected to apply at the time of settlement.

All directly associated on-costs (e.g. employer superannuation contributions, payroll tax and workers' compensation insurance) are also recognised as liabilities, where these on-costs are material.

Long Service Leave – Long service leave liabilities are accounted for as ‘other long-term employee benefits’ in accordance with AASB 119 and split between current and non-current components. Accounting for ‘other long-term employee benefits’ requires:

- using an actuarial technique to estimate the cost of the employee benefits earned by employees; and
- discounting that benefit in order to determine the present value of QRIDA’s obligation and current service cost.

All directly associated on-costs (e.g. employer superannuation contributions, payroll tax and workers' compensation insurance) are also recognised as liabilities, where these on-costs are material. The discount rates used to calculate the present value of long service leave are from 0.14 per cent to 0.44 per cent (2019: 1.03 per cent to 1.19 per cent). The discount rates are attached to Australian Stock Exchange (ASX) government bonds yields at the reporting date, which most closely matched the terms of maturity of the related obligations.

Superannuation – Post-employment benefits for superannuation are provided through defined contribution (accumulation) plans or the Queensland Government’s QSuper defined benefit plan as determined by the employee’s conditions of employment.

Defined Contribution Plans – Contributions are made to eligible complying superannuation funds based on the rates specified in *State Government Entities Certified Agreement 2019* or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee’s service each pay period.

Defined Benefit Plan – The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The amount of contributions for defined benefit plan obligations is based upon the rates determined on the advice of the State Actuary. Contributions are paid by the authority at the specified rate following completion of the employee’s service each pay period. QRIDA’s obligation is limited to those contributions paid.

Workers’ Compensation Premiums – QRIDA pays premiums to WorkCover Queensland in respect of its obligations for employee compensation. Workers' compensation insurance is a consequence of employing employees but is not counted in an employee's total remuneration package. It is not employee benefits and is recognised separately as employee related expenses.

Key management personnel and remuneration disclosures are detailed in **Note 24**.

Note 7: Supplies and services

	Note	2020 \$'000	2019 \$'000
Advertising and promotion		377	302
Audit fees - Queensland Audit Office	7.1	73	72
Computer expenses		1,648	872
Contractors		4,177	2,250
Professional and legal expenses		101	178
Office accommodation		1,044	899
Securities expenses		2,598	127
Motor vehicle and travel expenses		325	409
Lease expenses	7.2	19	-
Other		632	573
Total		10,993	5,681

Accounting Policies

Distinction between Grants and Procurement – For a transaction to be classified as supplies and services, the value of goods or services received by QRIDA must be of approximately equal value to the value of the consideration exchanged for those goods or services. Where this is not the substance of the arrangement, the transaction is classified as a grant in the Statement of Comprehensive Income.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7: Supplies and services (continued)

Office accommodation - QRIDA is provided access to office accommodation by the Department of Housing and Public Works (DHPW), the Department of Natural Resources, Mines and Energy (DNRME) and the Department of Agriculture and Fisheries (DAF) under government-wide frameworks. These arrangements are categorised as procurement of services rather than leases because DHPW, DNRME and DAF has substantive substitution rights over the assets.

Motor vehicle expenses - Motor vehicle expenses include motor vehicle lease expenses in the period in which they are incurred. QFLEET provides QRIDA with access to motor vehicles under government-wide frameworks. These arrangements are categorised as procurement of services rather than as leases because QFLEET has substantive substitution rights over the vehicles.

Lease expenses - Lease expenses include lease rentals for leases of low value assets. QRIDA has elected not to recognise right-of-use assets and lease liabilities arising from leases of low value assets. The lease payments are recognised as expenses on actual amount basis over the lease term. An asset is considered low value where it is expected to cost less than \$10,000 when new. Refer to **Note 7.2** for breakdown of lease expenses and other lease disclosures.

7.1 Audit Fees

Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements are \$73,168 (2019: \$67,640).

7.2 Lease Expenses

	2020 \$'000	2019 \$'000
Expenses relating to leases of low value assets	19	-
Total cash out flow for leases	19	-

2018-19 disclosures under AASB 117

	2019 \$'000
Not later than one year	687
Later than one year and not later than five years	2,009
Total	2,696

Note 8: Grants and subsidies

	2020 \$'000	2019 \$'000
Farm Management Grant	759	1,059
North Queensland Restocking, Replanting & On-farm Infrastructure Grants	32,397	1,635
Natural Disaster Relief and Recovery Arrangements	-	762
Disaster Recovery Funding Arrangements	53,422	78,051
Rural Economic Development Grants	2,458	116
Affordable Energy Plan	7,308	4,304
Vessel Tracking Rebate Scheme	271	358
Household Waste Payment Scheme	563	-
Queensland Bus Driver Safety Scheme	480	-
Wheelchair Accessible Taxi Grant Scheme	539	-
Other Schemes	73	2
Total	98,270	86,287

Accounting Policy

A grant is a payment or contribution made to an organisation or person which is not to be repaid or reciprocated where the recipients meet specific criteria. Accordingly, grant payments are expensed when payments are made.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements



for the year ended 30 June 2020

Note 9: Finance/borrowing costs

	Note	2020 \$'000	2019 \$'000
Contractual interest on borrowings		5,348	6,273
Amortisation of discount on borrowings	9.1	1,752	3,206
Interest – Other		-	2
Total effective interest on borrowings		7,100	9,481

Accounting Policy

Finance/Borrowing Costs - Finance costs are recognised as an expense in the period in which they are incurred. Finance costs include amortisation of discounts or premiums relating to borrowings and provisions. No borrowing costs are capitalised into qualifying assets.

9.1 Amortisation of discount on borrowings

	Note	2020 \$'000	2019 \$'000
Amortisation of discount on interest-bearing borrowings	14.1		
Effective interest		1,842	1,812
Other unwinding of discount		(1,223)	98
Amortisation of discount on non-interest-bearing borrowings	15.1		
Effective interest		877	1,047
Other unwinding of discount		255	249
Total Amortisation of discount on borrowings		1,752	3,206

Note 10: Other expenses

	2020 \$'000	2019 \$'000
Unspent funding returned	11,724	-
Total	11,724	-

Disclosure – unspent funding returned

Where QRIDA administers programs on behalf of other government agencies, unspent program funding is returned to program owners when programs are completed or upon request from program owners. The expenses are recognised when the value of returned funding is agreed by QRIDA and the counter agency.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Section 3 - Notes about our financial position

Note 11: Cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash at Bank	30,274	7,209
Queensland Treasury Corporation (QTC) - at call	221,238	203,340
Total	251,512	210,550

Accounting Policy

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call with financial institutions. It also includes investments with short periods of maturity that are readily convertible to cash on hand at QRIDA's option and that are subject to a low risk of changes in value. Cash and cash equivalents are measured at fair value through profit and loss, which is assumed to be equal to the nominal amounts notified by QRIDA's banks and investment counterparties.

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

All bank and QTC cash holdings are interest-bearing. Total cash includes cash and interest revenue related to the funding of QRIDA's financial assistance programs. These are quarantined using separate bank accounts and separate accounting ledgers from cash that QRIDA uses to pay for employee expenses and supplies and services, and only reissued as future payments to program applicants, or repaid to the Government Agencies that funded the respective financial assistance programs.

Note 12: Loans and advances

	2020 \$'000	2019 \$'000
Gross carrying amount	1,573,087	626,329
Less: Allowance for expected credit losses	(105,803)	(2,063)
Discount on loans issued at greater than fair value	(309,699)	(112,877)
	1,157,585	511,389
Current	84,181	104,983
Non-Current	1,073,405	406,406
Total	1,157,585	511,389

Accounting Policy

Loans and advances - Loans and advances are recognised in the Statement of Financial Position when QRIDA becomes party to the contractual provisions of the financial instrument.

Loans and advances are measured initially at fair value. Where loans and advances are provided with interest-free periods or at concessional interest rates, they are considered to have a fair value which is less than the amount lent. This fair value is calculated in accordance with **Note 17.1**. The difference between the amount lent and the fair value is recognised as a charge for discounted loans in profit or loss.

Subsequently, loans and advances are measured at amortised cost using the effective interest method as defined in **Note 1.5**. The discount rate used to calculate the amortised cost is the original effective interest rate applied to the loan and is calculated in accordance with **Note 17.1**.

12.1 Impairment of Loans and Advances

QRIDA applies a three-stage approach to measuring the Expected Credit Losses (ECL) based on changes in credit quality since initial recognition. At each reporting date, QRIDA recognises a loss allowance based on either the 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on the loan since initial recognition. The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements



for the year ended 30 June 2020

Note 12: Loans and advances (continued)

Stage	Measurement Basis
Stage 1 – Performing	12-month ECL: the portion of lifetime ECL associated with the probability of default events occurring within the next 12 months.
Stage 2 – Under-performing	Lifetime ECL (Not impaired): ECL associated with the probability of default events occurring throughout the life of the loan.
Stage 3 – Non-performing	Lifetime ECL (Impaired): ECL associated with the probability of default events occurring throughout the life of the loan.

All loans are first recognised as Stage 1 at initial recognition. If the credit risk of an exposure has increased significantly since initial recognition, the asset will migrate to Stage 2. If no significant increase in credit risk is observed, the asset will remain in Stage 1. Should an asset become impaired it will be transferred to Stage 3.

QRIDA does not have any purchased or originated credit impaired loans during or at the end of the financial year (2019: Nil).

Segmentation

For the purpose of applying an ECL methodology, QRIDA has segmented its loan book into appropriate groupings based on shared credit risk characteristics. QRIDA has identified four portfolios which have shared credit risk characteristics as follows:

- 1) Disaster Recovery loans – loans provided to primary producers, small business and non-profit organisations that are affected by disaster events;
- 2) Loans administered under the Primary Industry Productivity Enhancement Scheme (PIPES) and Commonwealth Concessional Loan Schemes (CCLS) – loans to primary producers to enhance production in Queensland;
- 3) Solar and Battery loans – interest-free loans to Queensland households and small businesses to purchase solar systems and battery storage; and
- 4) COVID-19 Jobs Support Loans – loans to businesses that have been financially impacted by the COVID-19 pandemic.

The segmentation into the first two portfolios has been determined based on past due information as well as historical loss write-off data over a 10-year period.

The third segment is a distinctive portfolio of loans which are all unsecured and non-interest bearing.

The fourth segment is the Queensland Government \$1,000 million COVID-19 Jobs Support Loans scheme which is being provided to assist Queensland businesses and non-profit organisations financially impacted by COVID-19 to retain employees and maintain their operations. The maximum of each loan is \$250,000 and the loan term is 10 years. The first year of the loan is repayment free and no interest is charged. Following the first year, repayments are interest-only for 2 years, after which principal and interest repayments apply for the remaining term.

Assessment of Significant Increase in Credit Risk (SICR)

In determining whether there has been a significant increase in credit risk, QRIDA has applied different criteria depending on the loan segment.

The criteria for the PIPES/CCLS and Disaster Recovery loans are a combination of quantitative and qualitative stage triggers based on:

- The change in the lifetime risk of default based on QRIDA's internally-developed Default Risk Rating (DRR) system;
- The number of days in arrears of the loan, i.e. the Days Past Due (DPD); and
- Other qualitative criteria determined as appropriate by the Client Management team to individually identify credit impaired loans.

For the Solar/Battery loans, QRIDA has applied the presumption in AASB 9 that a significant increase in credit risk occurs when contractual loan payments are more than 30 days in arrears.

As the COVID-19 Jobs Support Loans scheme was only launched in March 2020 and no repayments are required during the first year of the loan, there is no arrears data to determine whether a significant increase in credit risk has occurred. It is estimated that a proportion of the portfolio has been financially impacted since loan origination and that a significant increase in credit risk has occurred for this proportion. The change to Stage 2 for a subset of the Disaster Recovery loans has been used as a proxy of the incremental percentage to Stage 2 for the COVID-19 Jobs Support Loans.

Definition of Default

QRIDA combines the concepts of default, impairment or non-performing used in credit risk management into the below definition:

- For PIPES/CCLS and Disaster Recovery segments, a loan is considered to be in default or credit impaired at the earlier of:
 - an event of default as defined in the Facility Agreement occurs;
 - the loan becomes more than 300 DPD;
 - the loan is considered insolvent, with loan recovery entirely dependent on either voluntary or forced sale of all assets.
- For the Solar/Battery and COVID-19 Jobs Support Loans segments, a loan is considered to be in default and therefore assessed as Stage 3 (credit impaired) at the earlier of an event of default as defined in the Facility Agreement or when the borrower becomes more than 90 DPD on their contractual payments.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12: Loans and advances (continued)

12.2 Calculation of Expected Credit Losses (ECL)

ECL is a probability weighted credit loss estimated by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.

To calculate ECL, QRIDA has applied the following credit risk factors:

Probability of Default (PD): an estimate of the likelihood of default over a given time horizon. 12-month PD and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk. A roll rate model has been used to estimate the PD. The roll rate approach determines the PD for each of the DPD buckets based on historical data to which are applied forward-looking adjustments.

Loss Given Default (LGD): an estimate of the loss that is likely to be incurred should an exposure default, taking into account the effect of collateral.

Exposure at Default (EAD): the amount outstanding with the borrower at the time of likely default. The amount includes the principal loan balance plus accrued interest and excludes the unamortised discount balance.

Effective Interest Rate (EIR): The time value of money is accommodated by using a weighted average EIR for each segment in the ECL model.

Financial assets in Stage 1 and Stage 2 are assessed for impairment collectively while exposures in Stage 3 are individually assessed. Collective 12-month ECL (Stage 1) and lifetime ECL for (Stage 2) financial instruments that have similar credit risk characteristics are clustered in the four segments as discussed above and collectively assessed for impairment losses.

Incorporation of Forward-Looking Information

Different scenarios of future economic conditions are incorporated into the ECL calculation and risk stage determination in a probability weighted manner. These scenarios are developed by QRIDA and are reviewed at each reporting date.

QRIDA relies on a range of forward-looking information as economic variables obtained from the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), such as the forecast of the gross value of beef production and sugar production.

For the COVID-19 Jobs Support Loans portfolio, forward-looking multipliers have been applied that have been calculated based on the forecasts of GDP, GDP deflator as well as the unemployment rate.

Solar/Battery Loan Segment

QRIDA determines the ECL as the higher of the weighted average ECL of the PIPES/CCLS and Disaster Recovery loan segments compared to the industry ECL benchmark percentage. This determination was made as a result of limited availability of historical arrears, default and loss data for this segment as loans were only initiated in the previous financial year.

COVID-19 Jobs Support Loans Segment

The existing ECL model has been modified for the ECL calculation of this loan portfolio originated during the current financial year. The roll rate matrix has been modified so that only the historical arrears data for the Disaster Recovery loans to business and non-profit organisations was applied. The resultant PD is then used as one of the variables in calculating the collective ECL. An estimated Stage 2 overlay has also been factored into the calculation and this represents the forecast percentage of exposures (10%) that have an increased credit risk since origination.

Significant Judgements and Estimates – ECL Allowance for COVID-19 Jobs Support Loans

The challenges and limitations that QRIDA faces in its measurement of the ECL allowance and the estimates required in the measurement of the allowance is dependant on data that is not readily observable due to the current economic environment and the nature of the scheme. These include:

- lack of relevant and comparable data for forecasting ECL due to federal government instigated moratorium on director liability for insolvent trading and ongoing government stimulus payments which are potentially masking the financial state of businesses;
- lack of a comparable scheme or portfolio internally or externally to benchmark loss rates and probabilities;
- the small dataset within the Disaster Recovery loans portfolio used as a proxy for estimating probability of default and SICR;
- no repayments falling due in the current period which limits QRIDA's ability to assess SICR and the existence of credit-impaired loans;
- no repayments were due by 30 June 2020 and therefore no data for the loans was available on which to base the estimate;
- the short period that has elapsed since origination of the loans to assess changes in credit risk and obtain relevant data.

Given the factors disclosed above and the inherent subjectivity in such an estimate in the current environment, the ECL allowance for the COVID-19 Jobs Support loans is subject to a significant level of estimation uncertainty and has a significant risk of resulting in a material adjustment to the carrying amount of \$652.14 million (**Note 31**) within the next financial year.

The assumptions applied which significantly contribute to the estimation uncertainty include:

1. **Estimate of LGD:** QRIDA has applied an LGD rate of 95% of Exposure at Default. Security is required to be taken for loans over \$100,000. Whilst nearly 80% of the loans exceed \$100,000 and are therefore secured, the form of security taken over business assets is considered weak and the opportunity to realise the security is not readily available. This variable has a material impact on calculation of the ECL. If the average LGD of 53% for the 'other retail' portfolio of the 4 major Australian banks was applied, this would decrease the ECL allowance from \$103.43 million to \$57.71 million, all other variables remaining constant. The quality of security taken by the major banks is considered to be of a much higher quality.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020



Note 12: Loans and advances (continued)

2. Estimate of proportion of Stage 2 exposures: QRIDA has estimated that 10% of exposures will have experienced a significant increased credit risk at 30 June as compared with the date the loans were originated. This increment is based on the delta to Stage 2 between the end of February and May 2020 for a subset of the Disaster Recovery loan arrears data of 6.89%. It has been uplifted to 10% to reflect the perceived higher credit risk of the COVID-19 Jobs Support loans. It is inherently difficult to measure this proportion given the immature nature of the portfolio. If 20% of exposures had an increased credit risk, this would increase the ECL allowance from \$103.43 million to \$139.64 million, all other variables remaining constant.

It is not expected that these uncertainties will be resolved by 30 June 2021. Whilst there will be evidence of the proportion of loans unable to be repaid due to insolvency, it will still be difficult to estimate SICR based on repayment behaviour as principal and interest repayments do not commence until March 2023.

Impact of Movements in Gross Carrying Amount on Allowance for Expected Credit Losses

Overall the total ECL allowance increased by \$103.74 million (2019 \$0.41 million) compared to the opening loss allowance. This is primarily due to the portfolio of COVID-19 Jobs Support loans issued during the current financial year (ECL 2020: \$103.43 million ECL 2019:Nil).

Write-off of Debt

If QRIDA determines that an amount owing by a debtor does become uncollectible (after an appropriate range of debt recovery actions), that amount is recognised as a Bad Debt expense and written-off directly against loans and advances. Loans written off during 2019-20 totalled \$96,083 (2019:\$21,909).

The write-off policy requires that all options to recover the debt must be fully exhausted without the debt being fully cleared before the remaining debt will be written off. Reasons why QRIDA believes that further action to recover the debt will not be cost effective must be provided.

Under certain programs managed by QRIDA, debts written off may be recovered by QRIDA in the following circumstances:

- Queensland Treasury may reimburse debts written off in relation to disaster loans including and post the 2013 Tropical Cyclone Oswald event;
- For debts written off under the CCLS, the Australian Government may provide a corresponding reduction in the outstanding amount of the Australian loan which is then owed by QRIDA to the Commonwealth; and
- For debts written off under the COVID-19 Jobs Support Loans scheme, the Queensland Government will provide a corresponding reduction in the non-appropriated equity to be returned.

12.3 Credit Risk Exposure of Loans and Advances

Definition	Exposure	Measurement Method	Risk Management Strategies
Credit risk exposure refers to the situation where QRIDA may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.	<ul style="list-style-type: none"> • The maximum exposure to credit risk at Statement of Financial Position date in relation to each class of recognised loans and advances is the gross carrying amount of those assets before allowing for any fair value adjustments or provisions for impairment. • Loans that are secured on real property in Australia are exposed to the risk of the increase of the Loan to Value Ratio (LVR) should the property market be subject to a decline. 	<ul style="list-style-type: none"> • Ageing Analysis • Risk of loss in event of default • Risk of default • Concentrations of credit risk in relation to loans 	<ul style="list-style-type: none"> • The method of managing credit risk exposure is by way of credit assessment procedures, annual loan reviews, and quarterly reporting of arrears to the Board. • The risk of loss from the loans undertaken is primarily reduced by the nature and quality of the security taken. The valuation of securities is assessed annually to ensure sufficient collateral to cover the indebtedness of borrowers. QRIDA's policy is to hold security over real property where available.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12: Loans and advances (continued)

Credit Risk Exposure by Risk Grading

The table below shows the credit quality and the maximum exposure to credit risk based on QRIDA's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances and the discount on loans issued at greater than fair value:

	Stage 1 2020 \$'000	Stage 1 2019 \$'000	Stage 2 2020 \$'000	Stage 2 2019 \$'000	Stage 3 2020 \$'000	Stage 3 2019 \$'000	Total 2020 \$'000	Total 2019 \$'000
PIPES/CCLS & Disaster Recovery								
Low Risk of Default	66,935	89,637	9	39	-	-	66,944	89,676
Medium Risk of Default	536,108	507,912	5,060	5,031	3,964	1,725	545,132	514,669
High Risk of Default	-	-	3,635	4,797	3,547	3,359	7,182	8,156
Very High Risk of Default	-	-	-	-	1,580	1,382	1,580	1,382
Solar/Battery	24,178	12,406	133	36	60	4	24,371	12,446
Total	627,221	609,955	8,837	9,903	9,151	6,470	645,209	626,329

The table below shows the credit quality and the maximum exposure to credit risk based on an assessment of risk by an independent provider of credit data at the time of loan application. The amounts presented are gross of impairment allowances and the discount on loans issued at greater than fair value:

	Stage 1 2020 \$'000	Stage 1 2019 \$'000	Stage 2 2020 \$'000	Stage 2 2019 \$'000	Stage 3 2020 \$'000	Stage 3 2019 \$'000	Total 2020 \$'000	Total 2019 \$'000
COVID-19 Jobs Support Loans								
Minimal/Very Low Risk	193,123	-	-	-	-	-	193,123	-
Low Risk	292,656	-	-	-	-	-	292,656	-
Average Risk	328,260	-	-	-	-	-	328,260	-
Moderate Risk	21,051	-	58,583	-	-	-	79,634	-
High/Very High/Severe Risk	-	-	34,205	-	-	-	34,205	-
Total	835,090	-	92,788	-	-	-	927,878	-

	Stage 1 2020 \$'000	Stage 1 2019 \$'000	Stage 2 2020 \$'000	Stage 2 2019 \$'000	Stage 3 2020 \$'000	Stage 3 2019 \$'000	Total 2020 \$'000	Total 2019 \$'000
Total – All segments	1,462,311	609,955	101,625	9,903	9,151	6,470	1,573,087	626,329

Queensland Rural and Industry Development Authority

Notes to the Financial Statements



for the year ended 30 June 2020

Note 12: Loans and advances (continued)

Concentration of Exposure

The following table represents the maximum exposure to credit risk based on geographical area and industry for the Disaster Recovery and PIPES/CCLS loan segments:

	Maximum credit risk exposure			
	% of total loans		\$'000	
	2020	2019	2020	2019
Geographical area				
Queensland				
Cape York and the Gulf	0.30%	0.24%	1,884	1,443
Central North	8.84%	16.67%	54,865	102,362
Charleville - Longreach	5.73%	5.53%	35,581	33,956
Eastern Darling Downs	11.43%	11.40%	70,955	69,969
Northern Coastal - Mackay to Cairns	17.43%	15.04%	108,204	92,298
Southern Coastal - Curtis to Moreton	27.73%	27.37%	172,131	168,015
West and South West	3.83%	3.55%	23,773	21,811
Western Downs and Central Highlands	24.51%	19.66%	152,219	120,696
Northern Territory	0.20%	0.54%	1,226	3,332
Total*	100.00%	100.00%	620,838	613,883
Industry				
Aquaculture & Fishing	1.50%	1.11%	9,312	6,824
Beef Cattle	52.80%	53.60%	327,790	329,019
Dairy Cattle	2.44%	2.33%	15,144	14,317
Grain & Livestock	9.26%	10.64%	57,482	65,288
Other Crops	7.21%	7.56%	44,790	46,438
Other Livestock	1.87%	1.57%	11,593	9,627
Sheep Farming	3.92%	3.66%	24,349	22,450
Small Crops & Fruit	4.44%	4.16%	27,563	25,567
Sugar Cane Growing	15.18%	14.07%	94,268	86,390
Small Business	1.38%	1.30%	8,547	7,963
Total*	100.00%	100.00%	620,838	613,883
Solar/Battery Loans			24,371	12,446
Grand Total			645,209	626,329

* Excludes Solar/Battery loans and COVID-19 Jobs Support Loans

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12: Loans and advances (continued)

The following table represents the maximum exposure to credit risk based on geographical area and industry for the COVID-19 Jobs Support Loans segment:

Geographical area	Maximum credit risk exposure			
	% of total loans		\$'000	
	2020	2019	2020	2019
Queensland				
Cape York and the Gulf	0.30%	-	2,795	-
Central North	0.78%	-	7,248	-
Charleville - Longreach	0.15%	-	1,368	-
Eastern Darling Downs	3.46%	-	32,074	-
Northern Coastal - Mackay to Cairns	13.23%	-	122,741	-
Southern Coastal - Curtis to Moreton	80.67%	-	748,503	-
West and South West	0.41%	-	3,832	-
Western Downs and Central Highlands	1.00%	-	9,317	-
Total	100.00%	-	927,878	-
Industry				
Accommodation and Food Services	11.88%	-	110,198	-
Administrative and Support Services	4.02%	-	37,287	-
Agriculture, Forestry and Fishing	1.69%	-	15,709	-
Arts and Recreation Services	2.73%	-	25,299	-
Construction	15.15%	-	140,594	-
Education and Training	2.47%	-	22,914	-
Electricity, Gas, Water and Waste Services	0.65%	-	6,026	-
Financial and Insurance Services	2.32%	-	21,539	-
Health Care and Social Assistance	8.38%	-	77,778	-
Information Media and Telecommunications	1.33%	-	12,307	-
Manufacturing	9.52%	-	88,355	-
Mining	0.64%	-	5,959	-
Other Services	5.56%	-	51,577	-
Professional, Scientific and Technical Services	12.19%	-	113,091	-
Public Administration and Safety	0.55%	-	5,080	-
Rental, Hiring and Real Estate Services	5.15%	-	47,820	-
Retail Trade	8.89%	-	82,504	-
Transport, Postal and Warehousing	2.42%	-	22,474	-
Wholesale Trade	4.46%	-	41,367	-
Total	100.00%	-	927,878	-

Collateral and Other Credit Enhancements

For the Disaster Recovery and PIPES/CCLS loan segments, the amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Collateral used to secure loan accounts are divided into two categories:

- Category 'A' Security: Real property and other low risk assets/securities which tend to maintain their value and are readily saleable; and
- Category 'B' Security: Higher risk securities where the value may rapidly deteriorate. Examples include livestock, crops and stock in trade of a business.

Category 'A' security only is considered in the calculation of the LGD.

For the COVID-19 Jobs Support loan segment, only those loans over \$100,000 are required to be secured by a General Security Agreement.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements



for the year ended 30 June 2020

Note 12: Loans and advances (continued)

The below tables provide an indication of the values of collateral held for Stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECLs when the value of the collateral is greater than the LGD. The net exposure of those stage 3 loans may offset the net exposure of Stage 3 loans which do not have sufficient collateral. The Stage 3 ECL can be higher than net exposure shown below when the future value of collateral is expected to decline.

Stage 3 Loans and Advances as at 30 June 2020

		\$'000			
	Segments	Maximum Exposure to Credit Risk	Total Collateral *	Net Exposure	Associated ECL
Loans with Sufficient Collateral	Disaster Recovery	884	5,788	-	-
	PIPES & CCLS	5,891	7,573	-	-
Loans with Insufficient Collateral	Disaster Recovery	614	330	284	494
	PIPES & CCLS	1,702	798	904	1,352
	Solar/Battery	60	-	60	1
Total		9,151	14,489	1,248	1,847

Stage 3 Loans and Advances as at 30 June 2019

		\$'000			
	Segments	Maximum Exposure to Credit Risk	Total Collateral *	Net Exposure	Associated ECL
Loans with Sufficient Collateral	Disaster Recovery	999	5,399	-	-
	PIPES & CCLS	2,956	7,173	-	-
Loans with Insufficient Collateral	Disaster Recovery	657	-	657	588
	PIPES & CCLS	1,854	550	1,192	877
	Solar/Battery	4	-	4	-
Total		6,470	13,122	1,853	1,466

* QRIDA's Net Security Value

12.4 Movement in Discount on Loans Issued at Greater Than Fair Value

	Note	2020 \$'000	2019 \$'000
Balance at 1 July		112,877	102,200
Loss on loans issued at greater than fair value		217,886	25,924
PIPES & CCLS		34,605	19,560
Disaster Recovery		1,834	1,108
Solar/Battery		6,034	5,256
COVID-19 Jobs Support		175,413	-
Amortisation of discount on loans	5	(21,065)	(15,246)
PIPES & CCLS		(15,262)	(13,936)
Disaster Recovery		(1,068)	(1,140)
Solar/Battery		(1,629)	(170)
COVID-19 Jobs Support		(3,105)	-
Balance at 30 June		309,699	112,877

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12: Loans and advances (continued)

12.5 Loan Commitments

At reporting date, QRIDA has undrawn financial loan commitments of \$71.64 million (2019: \$39.89 million). Loan commitments are loans that have been approved and are awaiting client drawdown. The discount on loan commitment at greater than fair value is \$13.72 million as if the loans were drawn at reporting date. The discount is disclosed as a current liability in the Statement of Financial Position.

Accounting Policy

Loan commitments are recognised as a current financial liability in the Statement of Financial Position. The value of the loan commitments is the difference between fair value and nominal value of estimated loan commitments being advanced in the future. The fair value is the present value of estimated future cash receipts, as if the loans are advanced on reporting date, discounted using the prevailing market rate(s) of interest for a similar instrument with a similar credit risk.

Note 13: Intangible assets

13.1 Closing Balances

	Computer Software	
	2020	2019
	\$'000	\$'000
Gross	1,956	1,956
Less: Accumulated amortisation	(313)	(83)
Carrying amount at 30 June	1,643	1,874

The amount for gross value above represents QRIDA's grants and loans management system – RAPID and online grants application portal – Fast Grants.

13.2 Recognition and Measurement

Accounting Policy

Intangible assets with a historical cost or other value equal to or greater than \$100,000 are recognised in the financial statements. Items with a lesser value are expensed. Any training costs are expensed as incurred.

Each intangible asset, less any anticipated residual value, is amortised over its estimated useful life to QRIDA. The residual value is zero for all of QRIDA's intangible assets.

It has been determined that there is not an active market for any of QRIDA's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

The purchase cost of intangible assets as well as any employee benefit costs and professional fees arising directly from testing the asset or bringing it into its working condition are capitalised and amortised on a straight-line basis over the period of the expected benefit to QRIDA. The period of expected benefit is 10 years.

Internal costs associated with the development of computer software are capitalised in accordance with the Queensland Government's Non-Current Asset Policy.

13.3 Impairment

Accounting Policy

Intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, QRIDA determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Intangible assets are principally assessed for impairment by reference to the actual and expected continuing use of the asset by QRIDA, including discontinuing the use of the software. Recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020



Note 14: Interest-bearing borrowings

	2020 \$'000	2019 \$'000
Current		
Queensland Treasury Corporation*	6,821	16,149
Queensland Government**	13,419	13,221
Northern Territory Government	1,225	4,383
Australian Government	39,161	54,609
Total	60,626	88,362
Non-Current		
Queensland Treasury Corporation*	156,910	94,829
Queensland Government**	32,965	43,140
Northern Territory Government	3	1,016
Australian Government	3,727	27,431
Total	193,605	166,416
Total	254,231	254,778

*The loan facility was approved under the Queensland Government's State Borrowing Program (SBP). The approved limit for 2019-20 was \$130.00 million. As at 30 June 2020, the amount undrawn under the facility was \$69.60 million (2019: \$86.28 million). Approval has been received under the 2020-21 SBP to a limit of \$80.00 million.

** Under the Natural Disaster Relief and Recovery Arrangements (NDRRA) and Disaster Recovery Funding Arrangement (DRFA) Program, QRIDA borrows funds from the Queensland Government. Part of the funds borrowed is interest-bearing and is shown in this **Note 14**. The other part is interest-free and is shown in **Note 15**.

Accounting Policy

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

Additional Disclosures

QRIDA borrows funds from the Australian and Northern Territory Governments to be on-lent to successful applicants under the Australian Government's Concessional Loans Schemes. All borrowings are in Australian dollars denominated amounts. The timing and quantum of interest payable to the Australian and Northern Territory Governments is directly linked to the timing and quantum of bank and loan interest received by QRIDA.

Where QRIDA is unable to recover concessional loans made to businesses on behalf of the Australian or Northern Territory Governments, QRIDA's obligation to repay the respective liability to the Australian or Northern Territory Governments will be reviewed in accordance with the loan agreements between QRIDA and those governments. Effective from 1 July 2015, QRIDA acted as an agent in managing certain funds on behalf of a number of government agencies. Transactions and balances where QRIDA is an agent are disclosed in **Note 29**.

Interest rates on interest-bearing borrowings range from 0.45 per cent to 2.36 per cent (2019: 1.37 per cent to 3.51 per cent).

14.1 Movement in Discount on Interest-Bearing Borrowings

	Note	2020 \$'000	2019 \$'000
Balance at 1 July		4,108	6,018
Amortisation of discount in borrowings:			
Effective interest	9.1	(1,842)	(1,812)
Other unwinding of discount	9.1	1,223	(98)
Balance at 30 June		3,489	4,108

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14: Interest-bearing borrowings (continued)

Accounting Policy

Borrowings are initially recognised at fair value. Where borrowings are provided with interest-free periods or at concessional interest rates, they are considered to have a fair value which is less than the amount borrowed. This fair value is calculated in accordance with **Note 17**. The difference between the amount received and the fair value of those amounts is recognised as a gain on borrowings received at greater than fair value in the Statement of Comprehensive Income.

Subsequently, borrowings are measured at amortised cost using the effective interest method as defined in **Note 1.5**. The discount rate used to calculate the amortised cost is the original effective interest rate applied to the borrowing and is calculated in accordance with **Note 17**.

Finance costs are recognised as Finance/Borrowing Costs in the Statement of Comprehensive Income in the period in which they are incurred. Interest on the borrowings which is calculated using the effective interest method as defined in **Note 1.5** is also reported under Finance/Borrowing Costs (refer to **Note 9**).

Note 15: Non-interest-bearing borrowings

	2020 \$'000	2019 \$'000
Current		
Queensland Government**	4,960	4,818
Non-current		
Queensland Government**	17,118	12,988
Total Non-Interest-Bearing Borrowings	22,078	17,805

** Interest-free component of loans for the NDRRA and DRFA program (refer to **Note 14**).

The accounting policy appearing under **Note 14** also applies to the balances shown in this **Note 15**.

15.1 Movement in Discount on Non-Interest-Bearing Borrowings

	Note	2020 \$'000	2019 \$'000
Balance at 1 July		2,224	3,103
Gain on borrowings received at greater than fair value		981	416
Amortisation of discount on borrowings:			
Effective interest	9.1	(877)	(1,047)
Other unwinding of discount	9.1	(255)	(249)
Balance at 30 June		2,072	2,224

Note 16: Equity

QRIDA recognises contributed equity where the contribution meets the principles under Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

During 2019-20, QRIDA received \$950 million funds from Queensland Treasury through DAF. The funds are program funding for COVID-19 Jobs Support Loans. The transfer is non-reciprocal because QRIDA only provides scheme administration services to DAF. Where QRIDA receives principal and interest repayments from loan recipients, QRIDA returns the received funds back to DAF through a reduction of equity.

The transfer has been approved by Queensland Treasury to be received as a non-appropriated equity injection at the time of transfer.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020



Section 4 - Notes about risks and other accounting uncertainties

Note 17: Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price).

17.1 Fair Value Measurement Hierarchy

All assets and liabilities of QRIDA for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

Level 1	Represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
Level 2	Represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
Level 3	Represents fair value measurements that are substantially derived from unobservable inputs.

The fair value of borrowings from QTC is notified by QTC. It is calculated using discounted cash flow analysis and the effective interest rate. They are categorised as level 3 fair values within the fair value hierarchy.

All of QRIDA's other financial assets and liabilities are classified within level 2 of the fair value hierarchy.

The initial fair value of loans, advances and borrowings is estimated using a valuation technique (i.e. the fair value can be estimated as the present value of all future cash receipts discounted using the prevailing market rate(s) of interest for a similar instrument with a similar credit risk).

For loans and advances, QRIDA estimates these prevailing market rates by reference to the 90 day bank bill swap bid rate (BBSY 90 Bid) plus a risk premium. The risk premium takes account of the term of the loan and the security available. These risk premiums range from 265 basis points to 650 basis points (2019: from 295 basis points to 680 basis points).

For borrowings from the Australian and Northern Territory Governments, QRIDA estimates the prevailing market rate of interest to be equal to the current year's book rates.

For borrowings from the Queensland Government, QRIDA estimates the Queensland Treasury Corporation 10 year debt pool interest rates to be the prevailing market rates for a Queensland Government Agency receiving 10 year loans from another Government Agency.

17.2 Fair Value Disclosures for Financial Assets and Liabilities Measured at Amortised Cost

	2020		2019	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets				
Financial assets at amortised cost				
Loans and advances	1,157,585	1,319,964	511,389	530,172

	2020		2019	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial Liabilities				
Financial liabilities at amortised cost				
Australian Government Borrowings	42,888	42,888	82,040	82,040
Northern Territory Government Borrowings	1,228	1,228	5,399	5,399
Queensland Government Borrowings	68,462	72,061	74,167	73,019
Queensland Treasury Corporation Borrowings	163,731	167,862	110,978	113,899
Total	276,309	284,039	272,583	274,357

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18: Financial risk disclosures

18.1 Financial Instrument Categories

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

Category	Note	2020 \$'000	2019 \$'000
Financial Assets			
Cash and cash equivalents	11	251,512	210,550
Loans and advances	12	1,157,585	511,389
Receivables		6,849	1,343
Total		1,415,947	723,282
Financial Liabilities			
Financial liabilities measured at amortised cost:			
Payables		1,819	581
Interest-bearing borrowings	14	254,231	254,778
Non-interest-bearing borrowings	15	22,078	17,805
Total		278,128	273,164

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

18.2 Financial Risk Management

(a) Risk Exposure

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

The management of financial risk is overseen by the Board of Directors, the Audit and Risk Management Committee and the Debt Management Committee under policies approved by QRIDA. QRIDA provides written principles for overall risk management, as well as policies covering specific areas.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020



Note 18: Financial risk disclosures (continued)

QRIDA's activities expose it to a variety of financial risks as set out in the following table:

Risk Exposure	Definition	Exposure	Measurement Method	Risk Management Strategies
Credit risk	Refer to Note 12	Refer to Note 12	Refer to Note 12	Refer to Note 12
Liquidity risk	Liquidity risk refers to the situation where QRIDA may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.	QRIDA is exposed to liquidity risk in respect of its payables and borrowings from Queensland Treasury Corporation, Queensland Treasury, the Australian Government and the Northern Territory Government for on-lending.	Maturity analysis	QRIDA manages liquidity risk using a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring QRIDA has sufficient funds available to meet payment obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts to match the expected duration of the various liabilities.
Market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.	QRIDA does not trade in foreign currency or holds investments in shares/unit trusts and is not materially exposed to commodity price changes. QRIDA is exposed to interest rate risk through its interest-bearing borrowings, cash deposited in interest bearing accounts, and through the variable interest rates applying to certain loans issued by QRIDA.	Interest rate sensitivity analysis	QRIDA does not undertake any hedging in relation to interest risk and manages its risk as per QRIDA's liquidity risk management strategy.

(b) Liquidity Risk – Contractual Maturity of Financial Liabilities

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

Queensland Treasury Corporation borrowings in respect of the Primary Industry Productivity Enhancement Scheme (PIPES) are interest only with no fixed repayment date for the principal component. For the purposes of completing the maturity analysis, the principal component of these loans has been included in the more than five year time band with 30 years interest payment assumed.

Financial Liabilities	2020	Contractual Maturity Payable in			2019	Contractual Maturity Payable in		
	Total	< 1 Yr	1 -5 Yrs	> 5 Yrs	Total	< 1 Yr	1 -5 Yrs	> 5 Yrs
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	1,819	1,819	-	-	581	581	-	-
Australian Government borrowings	42,888	39,161	869	2,858	82,040	54,609	24,515	2,916
Northern Territory Government borrowings	1,228	1,225	3	-	5,399	4,383	1,016	-
Queensland Government borrowings	75,131	18,791	45,575	10,766	82,977	18,868	59,308	4,801
Queensland Treasury Corporation borrowings	236,636	9,603	22,158	204,874	174,167	18,333	11,855	143,979
Total	357,702	70,599	68,604	218,498	345,163	96,773	96,694	151,696

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18: Financial risk disclosures (continued)

(c) Interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that provided to management, depicting the outcome on net income if interest rates would change by +/-0.25 (2019 +/- 1) per cent from the year-end rates applicable to QRIDA's financial assets and liabilities. With all other variables held constant, QRIDA would have a surplus and equity increase/(decrease) of \$3.15 million (2019: \$4.67 million).

The impact of interest rate movement on QRIDA's profit and equity has increased in the current period due to an increase in the ratio of QRIDA's interest-bearing assets to interest-bearing borrowings from 2.83:1 (2019) to 5.54:1 (2020).

Financial instruments	Carrying amount \$'000	2020 interest rate risk			
		-0.25%		+0.25%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and cash equivalents	251,512	(629)	(629)	629	629
Loans and advances	1,157,585	(3,154)	(3,154)	3,154	3,154
Australian Government borrowings	42,888	107	107	(107)	(107)
Northern Territory Government borrowings	1,228	3	3	(3)	(3)
Queensland Government borrowings*	46,384	116	116	(116)	(116)
Queensland Treasury Corporation borrowings	163,731	409	409	(409)	(409)
Overall effect on profit and equity		(3,147)	(3,147)	3,147	3,147

Financial instruments	Carrying amount \$'000	2019 interest rate risk			
		-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and cash equivalents	210,550	(2,105)	(2,105)	2,105	2,105
Loans and advances	511,389	(5,114)	(5,114)	5,114	5,114
Australian Government borrowings	82,040	820	820	(820)	(820)
Northern Territory Government borrowings	5,399	54	54	(54)	(54)
Queensland Government borrowings*	56,361	564	564	(564)	(564)
Queensland Treasury Corporation borrowings	110,978	1,110	1,110	(1,110)	(1,110)
Overall effect on profit and equity		(4,672)	(4,672)	4,672	4,672

* Interest-bearing component of borrowings for the NDRRA and DRFA program (refer to **Note 14**).

Note 19: Contingencies

QRIDA did not have any contingent assets or liabilities as at 30 June 2020 (2019: nil).

Note 20: Commitments

At the reporting date, QRIDA had no commitments for capital expenditure (2019: Nil).

Loan commitments are reported at **Note 12.5**.

Note 21: Events occurring after the balance date

In July 2020, QRIDA started administering a new scheme - Small Business COVID-19 Adaption Grant - Round 2 Scheme. The grant funding of the scheme is \$100 million. Grant revenue and grant expenses which relate to this scheme are expected to occur in 2020-21.

Note 22: Future impact of accounting standards not yet effective

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

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020



Section 5 - Notes about our performance compared to budget

Note 23: Budgetary reporting disclosures

This section discloses QRIDA's original published budgeted figures for 2019-20 compared to actual results, with explanations of major variances, in respect of QRIDA's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows.

Overall Comments

As a specialist administrator of financial assistance programs on behalf of various government agencies, QRIDA often is required to deliver new programs that are announced after QRIDA's annual budget has been finalised. This can have a significant impact on QRIDA's financial results.

Explanation of major variances - Statement of Comprehensive Income

Grants and other contributions	The decrease of \$140.63 million is mainly due to less than anticipated take up for the North Queensland Restocking, Replanting & On-farm Infrastructure Grants of \$126.00 million and the Disaster Recovery Funding Arrangements of \$22.20 million; offset by Household Waste Payment Scheme of \$3.27 million and Wheelchair Accessible Taxi Grant Scheme of \$4.48 million which were initiated after the 2019-20 budget was finalised.
Fees	The decrease of \$1.26 million is mainly due to less than anticipated take ups for North Queensland Restocking, Replanting & On-farm Infrastructure Grants of \$5.86 million and application of AASB 1058 Income of Not-for-Profit Entities of \$0.60 million; offset by \$5.83 million of fees for COVID-19 Jobs Support Loans which was initiated after 2019-20 budget was finalised.
Gain on borrowings received at greater than fair value	The decrease of \$1.06 million is due to the market borrowing interest rate decreased during the year. As a result, the gain of gross value over the fair value is reduced.
Employee expenses	The increase of \$1.63 million is mainly due to \$2.03 million of employee costs for COVID-19 Jobs Support Loans Scheme, which were initiated after 2019-20 budget was finalised.
Supplies and services	The increase of \$4.48 million is mainly due to \$5.01 million of supplies and services expenses for COVID-19 Jobs Support Loans Scheme, which was initiated after 2019-20 budget was finalised.
Grants and subsidies	The decrease of \$220.46 million is mainly due to less than expected take up on North Queensland Restocking, Replanting & On-farm Infrastructure Grants of \$167.60 million, Disaster Recovery Funding Arrangement of \$23.78 million, Affordable Energy Plan of \$14.52 million, Farming in Reef Catchment Rebate of \$5.56 million and Queensland Bus Driver Safety Scheme of \$4.87 million.
Loss on loans issued at greater than fair value	The increase of \$191.71 million is mainly due to \$175.41 million of loss on COVID-19 Jobs Support Loans Scheme, which was initiated after 2019-20 budget was finalised and \$15.56 million of loss on PIPES due to lower than expected interest rates in 2019-20.
Loss on loan commitments	The increase of \$13.72 million is due to the initial recognition of the loss on concessional loan commitments in 2019-20 not previously recognised.
Impairment loss	The increase of \$103.15 million is due to \$103.43 million provision of impairment loss on COVID-19 Jobs Support Loans Scheme, which was initiated after 2019-20 budget was finalised.
Finance/borrowing costs	The decrease of \$1.72 million is due to lower than expected contractual interest on borrowing of \$0.98 million and lower amortisation of discount on borrowings as a result of decreasing interest rates in 2019-20.
Other expenses	The increase of \$11.72 million is mainly due to grant funding being returned to Department of Environment and Science for Farming in Reef Catchment Rebate Scheme of \$9.50 million and Household Waste Payment Scheme of \$2.00 million.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23: Budgetary reporting disclosures (continued)

Explanation of major variances - Statement of Financial Position

Cash and cash equivalents	The increase of \$129.09 million is largely due to the program funding being held for the delivery of the North Queensland Restocking, Replanting and On-farm Infrastructure Grant Scheme of \$77.29 million, the North and Far North Queensland Monsoon 25 January - 14 February 2019 event of \$7.05 million and the Affordable Energy Plan \$15.68 million and Bus Driver Safety Scheme of \$5.16 million and COVID-19 Jobs Support Loans Scheme of \$22.16 million.
Receivables	The increase of receivables is mainly due to \$6.41 million cost recovery from Department of Agriculture and Fishery for COVID-19 Jobs Support Loans Scheme.
Loans and advances - Non Current	The increase of \$642.91 million is largely due to \$652.13 million carrying amount of COVID-19 Jobs Support Loans Scheme, which was initiated after 2019-20 budget was finalised.
Payables – Current	The increase of \$1.33 million is due to unpaid supplies and services expenses at the end of financial year. The expenses are mainly for COVID-19 Jobs Support Loans Scheme, which was initiated after 2019-20 budget was finalised.
Loan Commitments	The increase of \$13.72 million is due to the initial recognition of the loss on concessional loan commitments in 2019-20 not previously recognised.
Interest-bearing borrowings – current	The increase of \$22.43 million is mainly due to \$21.68 million higher than expected repayments to Australian Government in next 12 months. The increased repayments are due to the expected loan repayments from Commonwealth Concessional Loans being delayed. As a result, QRIDA's repayments of borrowings to the Australian Government will be increased in the next 12 months.
Accrued employee benefits – current	The increase of \$0.97 million is mainly due to increased number of employees to administer COVID-19 Jobs Support Loans Scheme. The full time employees increased from 118 at 30 June 2019 to 168 at 30 June 2020.
Unearned Revenue - non current	The decrease of \$1.10 million is due to the application of AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i> . Under the new accounting standards, QRIDA does not have any revenue which is qualified to be deferred (refer Note 27)
Contributed equity	The increase is due to the equity injection of \$950 million for COVID-19 Jobs Support Loans Scheme, which was initiated after 2019-20 budget was finalised.

Explanation of major variances - Statement of Cash Flows

Grants and other contributions	The decrease of \$139.09 million is mainly due to less than anticipated take up for the North Queensland Restocking, Replanting & On-farm Infrastructure Grants of \$126.00 million and the Disaster Recovery Funding Arrangements of \$22.20 million; offset by Household Waste Payment Scheme of \$3.27 million and Wheelchair Accessible Taxi Grant Scheme of \$4.48 million which were initiated after the 2019-20 budget was finalised.
Fees	The decrease of \$6.45 million is mainly due to \$5.86 million of lower than expected administration fees for the delivery of the North Queensland Restocking, Replanting and On-farm Infrastructure Grant Scheme. The take up of the scheme is lower than anticipated.
GST collected from customers	The increase of \$5.36 million is mainly due to the GST on grants received for DRFA disaster events which were initiated after the 2019-20 budget was finalised.
Supplies and services	The increase of \$3.28 million is mainly due to \$5.01 million of supplies and services expenses for COVID-19 Jobs Support Loans Scheme, which was initiated after 2019-20 budget was finalised.
Grants and subsidies	The decrease of \$220.46 million is mainly due to less than expected take up on North Queensland Restocking, Replanting & On-farm Infrastructure Grants of \$167.60 million, Disaster Recovery Funding Arrangement of \$23.78 million, Affordable Energy Plan of \$14.52 million, Farming in Reef Catchment Rebate of \$5.56 million and Queensland Bus Driver Safety Scheme of \$4.87 million.
Other Expenses	The increase of \$11.72 million is mainly due to grant funding being returned to Department of Environment and Science for Farming in Reef Catchment Rebate Scheme of \$9.50 million and Household Waste Payment Scheme of \$2.00 million.
GST remitted to ATO	The increase of \$5.05 million is mainly due to the GST on grants received for DRFA disaster events which were initiated after the 2019-20 budget was finalised.
Loans and advances made	The increase of \$942.03 million is largely due to the \$928.42 million of loans issued for COVID-19 Jobs Support Loans Scheme, which was initiated after 2019-20 budget was finalised.
Interest-bearing and non-interest bearing borrowings	For better cashflow management purpose, QRIDA makes redemption when funds are available and borrows again when funds are required. During 2019-20, \$6.50 million were repaid and borrowed again.
Equity injection	The increase is due to the equity injection of \$950 million for COVID-19 Jobs Support Loans Scheme, which was initiated after 2019-20 budget was finalised.
Interest-bearing and non-interest-bearing borrowing redemptions	The increase of the \$14.45 million is mainly due to \$21.68 million lower than expected loan repayments to Australian Government for Commonwealth Concessional Loans and offset by \$6.50 million redemptions for cash flow management purpose.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020



Section 6 - Other information

Note 24: Key management personnel (KMP) disclosures

24.1 Details of Key Management Personnel

The responsible Minister is identified as part of QRIDA's KMP, consistent with additional guidance included in the revised version of AASB 124 *Related Party Disclosures*. That Minister is The Honourable Mark Furner MP, Minister for Agricultural Industry Development and Fisheries (12 December 2017 – present).

The following details for non-Ministerial KMP include those positions that had authority and responsibility for planning, directing and controlling the activities of QRIDA during 2019-20 and 2018-19.

Position	Position Responsibility
Chief Executive Officer	Responsible for leading and managing the affairs of QRIDA including strategically positioning QRIDA to achieve organisational and financial goals and implement Board policy.
General Manager, Program Strategy and Delivery	Delivers financial assistance programs that foster the development of the rural and regional sector that supports the Queensland economy. Delivers programs in response to emergencies and natural disasters and fosters strong relationships with community and industry.
General Manager, Corporate Capability and Programs	Develops and manages QRIDA's systems, infrastructure and policies in the areas of finance, human resources and information services, facilitates planning, performance improvement and debt services including Farm Business Debt Mediation, and the Farm Debt Restructure Office.
General Manager, Business Development and Engagement	Develops and implements business development strategies, leads the scoping and planning for new programs, delivers strategic communications, and manages client and stakeholder partnerships.

24.2 KMP remuneration policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. QRIDA does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2018-19, which are published as part of Queensland Treasury's Report on State Finances.

Remuneration policy for QRIDA's other key management personnel is set by QRIDA's Board of Directors as provided under the *Rural and Regional Adjustment Act 1994* (Qld).

Remuneration expenses for non-Ministerial KMP comprise the following components:

- Short-term employee benefits which include:
 - salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee occupied the KMP position; and
 - non-monetary benefits – consisting of provision of a vehicle together with fringe benefits tax applicable to the benefit.
- Performance bonuses are not paid under the contracts in place.
- Long-term employee benefits include amounts expensed in respect of long service leave entitlements earned.
- Post-employment benefits include amounts expensed in respect of employer superannuation obligations.
- Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide for notice periods or payment in lieu of notice on termination, plus other aspects of termination benefits as required in various circumstances.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24: Key management personnel (KMP) disclosures (continued)

The following disclosures focus on the expenses incurred by QRIDA attributable to non-Ministerial KMP during the respective reporting periods. The amounts disclosed are determined on the same basis as expenses recognised in the Statement of Comprehensive Income.

1 July 2019 - 30 June 2020

Position	Short Term Employee Benefits		Long Term Employee Benefits	Post-Employment Benefits	Termination Benefits	Total Expenses
	Monetary Expenses	Non-Monetary Benefits				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Chief Executive Officer	284	28	8	26	-	346
General Manager, Program Strategy and Delivery	158	24	4	20	-	206
General Manager, Corporate Capability and Programs	154	21	4	20	-	200
General Manager, Business Development and Engagement	164	19	4	19	-	206

1 July 2018 - 30 June 2019

Position	Short Term Employee Benefits		Long Term Employee Benefits	Post-Employment Benefits	Termination Benefits	Total Expenses
	Monetary Expenses	Non-Monetary Benefits				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Chief Executive Officer	270	30	7	25	-	332
General Manager, Program Strategy and Delivery	179	25	5	19	-	229
General Manager, Corporate Strategy and Programs	155	23	4	19	-	202
Director, Business Development and Engagement	137	21	4	18	-	180

Note 25: Board members' fees

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

	2020	2019
	\$'000	\$'000
Board members' remuneration	101	85
Number of Board members receiving remuneration in the following ranges		
\$1 to \$9,999	-	1
\$10,000 to \$19,999	4	4
\$20,000 to \$29,999	-	1
\$30,000 to \$49,999	1	-
\$50,000 to \$59,999	-	-

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020



Note 25: Board members' fees (continued)

The Board members of QRIDA who have served at any point in the financial year are:

Name	Date of joining	Date of leaving	Additional information
John Corbett	18/04/2019	Current	Chair of the Board, Chair of the Remuneration Committee, and Chair of the Debt Management Committee
Dugald Warby	3/06/2014	2/06/2020	
Elton Miller	3/12/2015	Current	Representative of DAF
Belinda Turner	18/04/2019	Current	Chair of the Audit and Risk Management Committee
Leith Bouilly	3/06/2017	2/06/2020	
Zoe Kenneally	3/06/2017	2/06/2020	
Alison Rayner	31/05/2018	20/09/2019	Representative of Queensland Treasury
Drew Ellem	25/10/2019	Current	Representative of Queensland Treasury

Note 26: Related party transactions

Transactions with other Queensland Government-controlled entities

QRIDA's primary ongoing sources of funding from Government for its services are appropriation revenue which is provided in cash via DAF. The revenue received was \$12,914,000 (\$12,486,000 for 2018-19).

QRIDA has borrowings of \$163,731,105 (\$110,977,786 for 2018-19) from QTC and **Note 14** outlines the key terms and conditions of those borrowings.

QRIDA receives car leasing services from QFleet, a commercialised business unit owned by Government. The lease expenses were \$238,648 (\$220,375 for 2018-19).

QRIDA leases Brisbane and Townsville office accommodation from Queensland Government Accommodation Office, a business unit owned by Queensland Government. The Lease expenses in 2019-20 were \$632,534 (\$582,929 for 2018-19).

QRIDA provided services to other Queensland Government entities for administering financial assistance programs. The counter government entities provided program funding (refer **Note 3**) and paid fees to QRIDA to cover administration costs. The service fees earned are in the following table.

Related Party	Program	Service Fee	
		2020	2019
Queensland Government	NDRRA and DRFA	\$1,159,394	\$889,579
Department of Environment and Science	Farming in Reef Catchments Rebate Scheme	\$240,000	-
	Household Waste Payment Scheme	\$330,000	-
DAF	COVID-19 Jobs Support Loans Scheme	\$5,829,909	-

Note 27: First year application of new Accounting Standards or change in Accounting Policies

Accounting standards applied for the first time

Three new accounting standards with material impact were applied for the first time in 2019-20:

- AASB 15 *Revenue from Contracts with Customers*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 16 *Leases*

The effect of adopting these new standards are detailed in notes 27.1 to 27.4. No other accounting standards or interpretations that apply to QRIDA for the first time in 2019-20 have any material impact on the financial statements.

Accounting Standards Early Adopted

No Australian Accounting Standards have been early adopted for 2019-20.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27: First year application of new Accounting Standards or change in Accounting Policies (continued)

27.1 AASB 15 Revenue from Contracts with Customers

QRIDA applied AASB 15 *Revenue from Contracts with Customers* for the first time in 2019-20. The nature and effect of changes resulting from the adoption of AASB 15 are described below.

The revenue line item recognised under this standard from 1 July 2019 includes Fees revenue. This relates to one contract between QRIDA and a non-Government entity, principally to provide loan application assessment services and loan review services. A monthly service fee is charged in arrears for the provision of these services and there are no significant estimates or judgements involved in determining the revenue recognition pattern.

Transitional Impact

Transitional policies adopted are as follows:

- QRIDA applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 118 *Revenue*, AASB 111 *Construction Contracts*, and related interpretations.
- QRIDA elected to apply the standard retrospectively to all contracts, including completed contracts, at 1 July 2019. Completed contracts include contracts where QRIDA had recognised all of the revenue in prior periods under AASB 1004 *Contributions*.
- QRIDA applied a practical expedient to reflect, on transition, the aggregate effect of all contract modifications that occurred before 1 July 2019.

No transitional adjustments occurred as a result of adopting AASB 15.

27.2 AASB 1058 Income of Not-for-Profit Entities

QRIDA applied AASB 1058 *Income of Not-for-Profit Entities* for the first time in 2019-20. The nature and effect of changes arising from the adoption of AASB 1058 are described below.

1. Scope and revenue recognition under AASB 1058

AASB 1058 applies to transactions where QRIDA acquires an asset for significantly less than fair value principally to enable the Authority to further its objective, and to the receipt of volunteer services.

The revenue line items recognised under this standard from 1 July 2019 include Grant revenue and Fees revenue.

The promises outlined in the agreements between QRIDA and other Governments Departments to assist with providing financial assistance to third parties are not 'sufficiently specific' performance obligations. For promises to be sufficiently specific performance obligations, QRIDA must be able to determine when, or to what extent the obligation is satisfied. The revenue received in relation to these arrangements is therefore not assessed under AASB 15 and will be assessed under AASB 1058.

General revenue recognition framework

The revenue recognition framework for in scope transactions, other than specific-purpose capital grants, is as follows:

1. Recognise the asset – e.g. cash, receivables
2. Recognise related amounts – e.g. contributed equity, a financial liability, a lease liability, a contract liability or a provision
3. Recognise the difference as income upfront

Typically there are no related amounts for grants and user fees and therefore the total amount of the asset is recognised as income.

Volunteer services / services received below fair value

During the 2019-20 financial year QRIDA received an inflow of resources in the form of volunteer services to assist with administration of the COVID-19 Jobs Support Loans Scheme. Under AASB 1058, QRIDA recognises volunteer services as income as the services would have been purchased if not donated and the fair value of those services can be measured reliably (refer **Note 3**).

2. Transitional impact

Transitional policies adopted are as follows:

- QRIDA applied the modified retrospective transition method and has not restated comparative information for 2018-19. The comparative information continues to be reported under relevant standards in 2018-19, such as AASB 1004.
- QRIDA elected to apply the standard retrospectively to all contracts, including completed contracts, at 1 July 2019. Completed contracts are contracts where QRIDA has recognised all of the revenue in prior periods under AASB 1004.
- QRIDA applied a practical expedient to not remeasure at fair value assets previously acquired for significantly less than fair value and originally recorded at cost.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020



Note 27: First year application of new Accounting Standards or change in Accounting Policies (continued)

Grant revenue

Revenue recognition for QRIDA's grants will not change under AASB 1058, as compared to AASB 1004. Revenue will continue to be recognised when QRIDA gains control of the asset (e.g. cash or receivable).

Fee revenue

In respect of the fees received for grant/loan administration services provided by QRIDA, the Authority will recognise revenue upfront when it first gains control of either the cash or receivable. For instances where the funds for performance of administration services are received in advance, the recognition of revenue will change under AASB 1058. Previously, under AASB 118 *Revenue* and AASB 111 *Construction Contracts*, these funds would be recognised as unearned revenue and subsequently revenue is recognised as services are performed. Under AASB 1058, QRIDA will recognise revenue when it first gains control of the cash asset.

The following table summarises the transitional adjustments on 1 July 2019 relating to the adoption of AASB 1058:

	\$'000
Other current liabilities – Unearned revenue	(1,526)
Other non-current liabilities – Unearned revenue	(1,697)
Accumulated surplus	3,217
Receivables	(6)

27.3 Impact of Adoption of AASB 15 and AASB 1058 in the current period

The following table shows the impacts of adopting AASB 15 and AASB 1058 on QRIDA's 2019-20 financial statements. It compares the actual amounts reported to amounts that would have been reported if the previous revenue standards (AASB 1004, AASB 118, AASB 111 and related interpretations) had been applied in the current financial year.

	Previous Standards \$'000	AASB 15 Changes \$'000	AASB 1058 Changes \$'000	As Reported \$'000
<u>Operating Result for 2019-20</u>				
Fees	11,406	-	(1,291)	10,115
Grants and subsidies expense	98,343	-	(73)	98,270
Operating Result for the Year	(275,998)	-	(1,218)	(277,216)
Total Comprehensive Income	(275,998)	-	(1,218)	(277,216)
<u>Balances as at 30 June 2020</u>				
Assets				
Receivables	6,848	-	(24)	6,824
Total Assets	1,417,818	-	(24)	1,417,794
Liabilities				
Other current liabilities–Unearned revenue	765	-	(765)	-
Other non-current liabilities–Unearned revenue	1,258	-	(1,258)	-
Total liabilities	297,635	-	(2,024)	295,611
Equity				
Accumulated surplus/deficit	32,532	-	1,999	34,531
Total equity / Net assets	1,120,184	-	1,999	1,122,183

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27: First year application of new Accounting Standards or change in Accounting Policies (continued)

27.4 AASB 16 Leases

QRIDA applied AASB 16 *Leases* for the first time in 2019-20. QRIDA applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 117 *Leases and related interpretations*. The nature and effect of changes resulting from the adoption of AASB 16 are described below.

1. Definition of a lease

AASB 16 introduced new guidance on the definition of a lease.

For leases and lease-like arrangements existing at 30 June 2019, QRIDA elected to apply the practical expedient to grandfather the previous assessments made under AASB 117 and Interpretation 4 *Determining whether an arrangement contains a Lease* about whether those contracts contained leases. However, arrangements were reassessed under AASB 16 where no formal assessment had been done in the past or where lease agreements were modified on 1 July 2019.

Amendments to former operating leases for office accommodation.

In 2018-19, QRIDA held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised commercial office accommodation through the Queensland Government Accommodation Office (QGAO).

Effective 1 July 2019, the framework agreements that govern QGAO have been amended with the result that these arrangements would not meet the definition of a lease under AASB 16 and therefore are exempt from lease accounting.

From 2019-20 onward, the costs for these services are expensed as supplies and services when incurred. The new accounting treatment is due to a change in the contractual arrangements rather than a change in accounting policy.

2. Changes to lessee accounting

Previously, QRIDA classified its leases as operating or finance leases based on whether the lease transferred significantly all of the risks and rewards incidental to ownership of the asset to the lessee. This distinction between operating and finance leases no longer exist for lessee accounting under AASB 16. From 1 July 2019, all leases, other than short-term leases and leases of low value assets, are now recognised on balance sheet as lease liabilities and right-of-use assets.

Lease liabilities

Lease liabilities are initially recognised at the present value of lease payments over the lease term that are not yet paid. The lease term includes any extension or renewal options that QRIDA is reasonably certain to exercise. The future lease payments included in the calculation of the lease liability comprise the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by QRIDA under residual value guarantees;
- The exercise price of a purchase option that QRIDA is reasonably certain to exercise; and
- Payments for termination penalties, if the lease term reflects the early termination.

The discount rate used is the interest rate implicit in the lease, or QRIDA's incremental borrowing rate if the implicit rate cannot be readily determined.

Subsequently, the lease liabilities are increased by the interest charge and reduced by the amount of lease payments. Lease liabilities are also remeasured in certain situations such as a change in variable lease payments that depend on an index or rate (e.g. a market rent review), or a change in the lease term.

Right-of-use assets

Right-of-use assets are initially recognised at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Lease payments made at or before the commencement date, less any lease incentives received;
- Initial direct costs incurred, and
- The initial estimate of restoration costs.

Right-of-use assets will subsequently give rise to a depreciation expense and be subject to impairment. Right-of-use assets differ in substance from leased assets previously recognised under finance leases in that the asset represents the intangible right to use the underlying asset rather than the underlying asset itself.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020



Note 27: First year application of new Accounting Standards or change in Accounting Policies (continued)

Short-term leases and leases of low value assets

QRIDA has elected to recognise lease payments for short-term leases and leases of low value assets as expenses on an actual amount basis over the lease term, rather than accounting for them in the balance sheet. This accounting treatment is similar to that used for operating leases under AASB 117.

3. Transitional impact

Former operating leases as lessee

QRIDA has no former operating leases that were recognised on-balance sheet as right-of-use assets and lease liabilities.

As at 30 June 2019, QRIDA has a liability from straight-lining operating lease expenses and a balance of unamortised lease incentive liability for office accommodation under the QGAO arrangement. As the arrangement is not classified as a lease under AASB 16 (**Note 7**), the liabilities are derecognised against Accumulated Surplus at 1 July 2019.

The following table summarises the on-transition adjustments to asset and liability balances at 1 July 2019 in relation to the former operating leases.

	\$'000
Accrued lease payments (from straight-lining of operating lease expenses)	(146)
Lease incentives liability	(183)
Accumulated surplus	329

Reconciliation of operating lease commitments at 30 June 2019 to the lease liabilities at 1 July 2019.

	\$'000
Total undiscounted operating lease commitments at 30 June 2019	2,696
Present value of operating lease commitments	
Less internal-to-government arrangements that are no longer leases	2,696
Lease liability at 1 July 2019	-

Note 28: Taxation

QRIDA is a State body as defined under the *Income Tax Assessment Act 1936* (C'wealth) and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). GST credits receivable from, and GST payable to the ATO are recognised within payables and receivables.

Note 29: Transactions and balances where QRIDA is an agent

QRIDA acts as an agent in its management of certain funds on behalf of a number of government agencies. As QRIDA performs only a custodial role in respect of these transactions and balances, they are not recognised in QRIDA's financial statements but are disclosed in these notes for the information of users. This is explained further in **Note 14** under the heading "Additional Disclosures". Revenue relating to fees received by QRIDA for providing agency services are included in Fees in **Note 4**.

Revenue received by QRIDA on behalf of Principals	2020	2019
	\$'000	\$'000
Revenues		
Interest earned on loans and advances	2,465	3,499
Interest earned on cash and investments	12	237
Total	2,477	3,736

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29: Transactions and balances where QRIDA is an agent (continued)

Assets held by QRIDA on behalf of Principals	2020 \$'000	2019 \$'000
Current assets		
Cash and cash equivalents	1,783	245
Loans and advances	11,805	-
Non-current assets		
Loans and advances	94,054	115,393
Total	107,641	115,638

Note 30: Climate risk disclosure

QRIDA has not identified any material climate related risks relevant to the financial report at the reporting date, however constantly monitors the emergence of such risks under the Queensland Government's Climate Transition Strategy.

Note 31: Significant financial impacts from COVID-19 pandemic

The Queensland Government created the \$1,000 million COVID-19 Jobs Support Loans scheme in March 2020 to assist Queensland businesses and non-profit organisations financially impacted by COVID-19 to retain employees and maintain their operations. The maximum of each loan is \$250,000 and the loan term is 10 years. Only those loans over \$100,000 are required to be secured by a General Security Agreement. The first year of the loan is repayment free and no interest is charged. Following the first year, payments are interest-only for 2 years, after which principal and interest repayments apply for the remaining term. Most of the COVID-19 Jobs Support Loans were advanced in the last quarter of 2019-20.

The COVID-19 Jobs Support Loans scheme is the most significant scheme by value administered by QRIDA and has more than doubled the value of loans managed by QRIDA (refer **Note 12**). This Queensland Government scheme is supporting more than 86,000 jobs across 54 local government areas of which 88% are small business with less than 20 employees.

The current environment makes it difficult to forecast the financial impact of COVID-19 as conditions are subject to rapid change which creates high levels of uncertainty (refer **Note 12.2**).

The following significant transactions were recognised by QRIDA during the 2019-20 financial year in response to the COVID-19 pandemic:

Statement of Comprehensive Income

Significant expense items in relation to administration of COVID-19 Jobs Support Loans Scheme

	\$'000
Employee expenses	1,500
Supplies and services	4,330
Loss on loans issued at greater than fair value*	175,413
Loss on loan commitments issued at greater than fair value	9,640
Impairment losses	103,434
	<u>294,317</u>

* The initial fair value of the COVID-19 loans has been estimated by discounting future cash receipts based on an estimated market interest rate. This market interest rate is estimated using the same methodology applied when estimating the rate for other Loans and Advances, i.e. 90-day BBSY plus a risk premium that takes account of loan term and security.

Queensland Rural and Industry Development Authority

Notes to the Financial Statements

for the year ended 30 June 2020



Note 31: Significant financial impacts from COVID-19 pandemic (continued)

Significant revenue items in relation to administration of COVID-19 Jobs Support Loans Scheme

	\$'000
Fees	5,830
Interest (Amortisation of discount on loans)	3,105
	<u>8,935</u>
Impact on Total Comprehensive Income	<u>285,382</u>

Statement of Financial Position

Significant changes in assets arising from COVID-19 Jobs Support Loans Scheme

		\$'000
Cash and cash equivalents		22,165
Receivables		6,142
Loans and Advances		
Gross Carrying Amount	927,878	
Less Allowance for Expected Credit Loss	(103,434)	
Less Discount on loans issued at fair value	<u>(172,307)</u>	<u>652,137</u>
		<u>680,444</u>

Significant changes in liabilities arising from COVID-19 Jobs Support Loans Scheme

Loan Commitments	9,640
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Significant equity transactions arising from COVID-19 Jobs Support Loans Scheme

Non-appropriated equity injection	950,000
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Impairment of Loans and Advances

Due to the impact of COVID-19, various relief measures were offered to all clients with Disaster Recovery and PIPES/CCLS loans. These measures were in the form of:

- A temporary moratorium on loan repayments of up to 6 months;
- The option of converting principal and interest repayments to interest-only for up to 6 months;
- The option of varying the frequency of repayments.

Where a temporary payment moratorium has been granted, this is not reflected in the DPD reporting and in the resulting assessment of SICR and calculation of the ECL.

The approach to staging assessment has not changed for the loan segments that existed at 30 June 2019. Refer Note 12.1 for QRIDA's approach to the assessment of SICR for the COVID-19 Jobs Support Loans Scheme loans.

In considering forward looking information, QRIDA has incorporated the increased credit risk as a result of the uncertainty surrounding the COVID-19 pandemic in the weighting of macroeconomic scenarios as well as increased adjustments to PD. The impact of this in relation to the Disaster Recovery and PIPES/CCLS loan segments is not considered material at this point in time and will be monitored for change in the next 12 months.

Queensland Rural and Industry Development Authority

Management Certificate

for the year ended 30 June 2020

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (Qld) (the Act), section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with section 62(1)(b) of the Act, we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping of accounts have been complied with in all material respects; and
- b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of QRIDA for the financial year ended 30 June 2020 and of the financial position of QRIDA at the end of that year; and

We acknowledge responsibility under s.7 and s.11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

ORIGINAL SIGNED

J CORBETT

Chair

ORIGINAL SIGNED

B TURNER

Chair – Audit and Risk Management Committee

ORIGINAL SIGNED

C MACMILLAN

Chief Executive Officer

ORIGINAL SIGNED

P WYLLIE

Chief Financial Officer

Dated: 7 September 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Queensland Rural and Industry Development Authority

Report on the audit of the financial report

Qualified Opinion

I have audited the accompanying financial report of Queensland Rural and Industry Development Authority.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the accompanying financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for qualified opinion

The measurement of expected credit losses at 30 June 2020, reported in note 12 as \$105,803,000, was not supported by sufficient appropriate audit evidence. The allowance includes \$103,434,000 for COVID-19 jobs support loans that were issued in the final quarter of the year ending 30 June 2020. As disclosed in the credit risk exposure by risk grading section of note 12.3, the gross carrying value of these loans has been allocated between 'stage 1 performing' (\$835,090,000) and 'stage 2 under-performing' (\$92,788,000). In deriving this allocation, QRIDA relied on historical data for other loan types and credit history data for the COVID-19 jobs support loan recipients. I concluded that these sources were not sufficiently relevant and reliable due to the unknown impact of the COVID-19 pandemic on the credit outlook for the loan recipients. My measure of materiality for assessing misstatements in the financial statements is \$15.7 million.

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

Auditing and professional standards

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

Responsibilities of the entity for the financial report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Board is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the entity or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, except for the matter described in the Basis of Qualified Opinion section of my report, for the year ended 30 June 2020:

- a) I received all the information and explanations I required.
- b) I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the entity's transactions and account balances to enable the preparation of a true and fair financial report.



Brendan Worrall
Auditor-General

9 September 2020

Queensland Audit Office
Brisbane