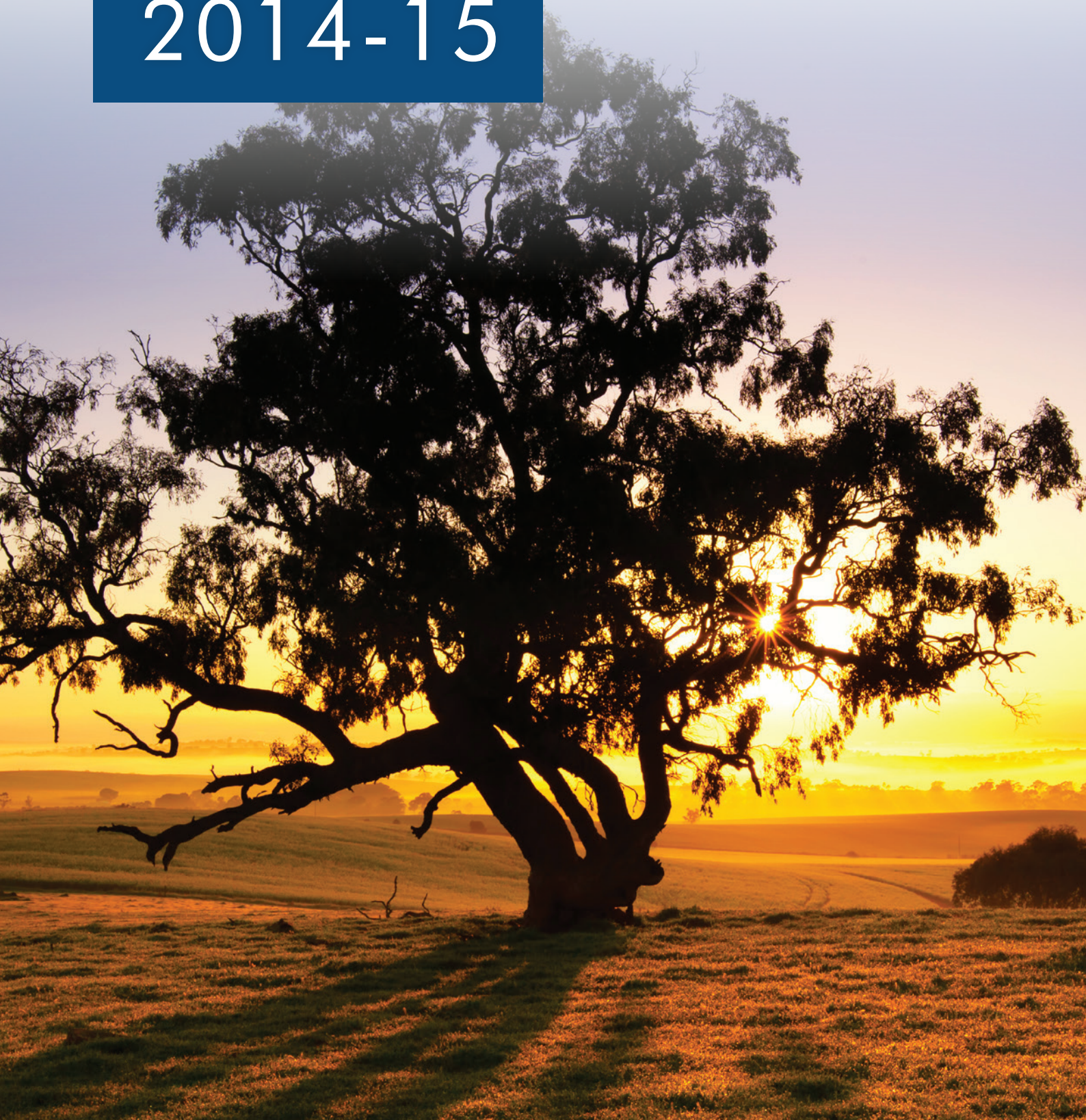


Annual Report

2014-15



**REGIONAL
AUSTRALIA**
INSTITUTE





About us

INDEPENDENT, PRACTICAL, EVIDENCE-BASED SOLUTIONS FOR OUR REGIONS

The Regional Australia Institute (RAI) exists to create a vibrant future for regional Australia – for the benefit of all Australians.

Informed by both research and on-going dialogue with communities, we work together with regions to provide information, thought leadership and to develop strategies for a prosperous future.

We won't stop until we have an informed and connected community, a stronger and more sustainable economy and a better quality of life in our regions.



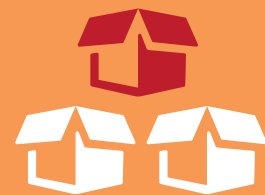
8.8 MILLION
— PEOPLE —

call regional
Australia home



- not regional Australia
- regional Australia

Regional Australia is
ALL AREAS outside
5 major cities and
Canberra



Regional Australia
accounts for **1/3**
of national output

Table of contents

Message from the Chairman	4
Report from the CEO	7
Highlights of 2014-15	8
[In]Sight 2014	8
Cities Beyond Perth	9
Foundations of Regional Australia	11
Policy Submissions 2014-15	13
Regional Information and Issues Analysis	16
[In]Sight 2014	16
Population Dynamics in Regional Australia	17
[In]Form Update	17
Prosperous Futures: Understanding the Potential of Australia's Regional Cities	18
Access to Finance in Western Australia	19
Login or Logout: Online Work in Regional Australia	20
Our People	22
Upcoming Work	24
Pathfinder Initiative	24
Innovation Watch	25
Forward Agenda	26
Financial Statements	28



Message from the Chairman



The Regional Australia Institute (RAI) was founded on the belief that regions can and do shape their own futures.

It is this principle that has informed much of the work the RAI has undertaken since its launch in 2012. The RAI's core product

[In]Sight: Australia's regional competitiveness index is perhaps the strongest example of this. Updating this innovative tool that allows people to analyse their communities and identify opportunities for growth and prosperity was one of the highlights for the Board this year.

Knowledge is power. Better knowledge about regional Australia enables us to influence decision-making, ensuring the growth and prosperity of Australia's regions and our nation as a whole. I am proud of the role that RAI's knowledge has played in national policy issues such as Northern Development and National Competition Policy.

The RAI team is now developing our next research agenda to ensure that the research and data we produce is most relevant to the policy discussions we will need to have in the coming years.

From this next research agenda, you can expect a number of exciting new products that look outside the box of traditional thinking.

The work of the RAI is due to the first class efforts of the RAI team, ably lead by Su McCluskey. On behalf of the Board I congratulate the team for their work.

Su has transformed the RAI into a leading force of research and advocacy for regional Australia. Under her leadership, the team has created a powerful body of research and policy and formed valuable relationships around the country. I would like to thank Su for her excellent results and wish her all the success in her future endeavours.

The Board are pleased to engage Jack Archer as the new CEO. Jack's broad experience with regional Australia and his previous roles in the RAI make him the ideal candidate to build on Su's legacy and lead the RAI into the future.

Success over the next year will be crucial to the long term sustainability and on-going impact of the RAI. The organisation has been frugal with the Australian Government seed funding. This has enabled us to develop the organisation and effectively fill the gap in regional issues for nearly four years. We retain funds for approximately eighteen months of operations and funding initiatives will be critical for the ongoing success of the organisation.

In 2015-16 the RAI will make the transition to a fully diversified funding base. This will include revenue from corporate partnerships, new services for regions and renewed investment by government and others in our independent policy and research. Alongside continuing to build our impact in decision making and debate, navigating this transition will be the Board and management's biggest challenge.

For such a young organisation, the RAI is clearly ambitious. Thinking about the incredible work we have already produced, it is clear that this ambition is backed by hard work and a determination to succeed.

For those of us who have chosen to live in regional Australia, the work of the RAI is critical and I look forward to the solutions we can deliver in the coming years.



Mal Peters

On behalf of the Board, Research Advisory Committees, Research Fellows and the RAI staff I would like to extend my most sincere condolences to the friends and family of the late Professor Graeme Hugo AO. Professor Hugo was a valuable member of our Research Advisory Committee and an RAI Research Fellow. His generous commitment of time and expertise has been vital to our research and policy since the RAI's formation. His passion and wealth of knowledge will be greatly missed.



Report from the CEO



It has been another great year at the Regional Australia Institute (RAI). We have taken full advantage of the benefits of a growing and diverse team and have produced a number of significant research reports, policy submissions, spoken at

numerous conferences and continued to work hard to advocate for change that not only supports the regions, but the whole of Australia.

With a number of new staff joining us, we have been able to expand the skills in the team. Bringing together experts from several different fields has added an important level of depth to our work. This has been pivotal to the success the RAI has achieved this year.

This year has been all about equipping government and regional development practitioners with practical tools for understanding and engaging with the regions. [In]Sight: Australia's regional competitiveness index, was our biggest achievement in this area.

The next generation of [In]Sight was launched in November 2014 and was a great opportunity for us to get together with key decision-makers and regional development practitioners to share our capability and outline our plans for upcoming work.

This update process allowed us to redevelop our core product to ensure that it best meets the needs of our wide range of stakeholders. We undertook a considerable period of stakeholder engagement to identify what [In]Sight users saw as the key strengths of the product but also how they thought it could be improved.

I would like to personally thank everyone who contributed their feedback and helped us to build a better [In]Sight.

Our contribution was not just limited to the research space. This year the RAI had significant input into and influence on a number of policy debates.

The strongest example of this was the White Paper for Northern Australia which drew strongly from the RAI's report Rethinking the future of northern Australia's regions: more than mines, dams and development dreams.

This is testament to the value of the work the RAI is producing and the impact it is having as the national thought leader on regional issues. As a team we were very excited to be part of a strategic plan to develop the great potential of the north.

Sadly, this will be my last Annual Report for the Regional Australia Institute as I step down from my position as CEO. I am very proud of the RAI team and what we have achieved together in the short space of time since our inception.

It is very gratifying indeed to see the fruits of our hard work and passion being spread across a wide range of issues that have great potential to contribute to the economic growth of not just our regions, but the whole of Australia. Our tagline "For the Good of Australia" really rings true. I would like to extend my deepest gratitude to the Board and all the staff for their contributions, loyalty and support, for both myself and the RAI over this time.

I would particularly like to acknowledge Rebecca Barratt our Business Manager who provided such strong support in my role as CEO.

To Jack Archer, who will be stepping up as the new CEO, I pass on my sincere congratulations. Jack has been instrumental in the success of the RAI since its inception and I know that he will continue this great track record into the future.

As for me, I am exploring several other opportunities that will continue my involvement in regional policy – it is, and will continue to be a passion.

Regional Australia has been crucial to the success of our country and I look forward to continuing to play an active role in furthering its success.



Su McCluskey

Highlights of 2014-15

1 [In]Sight 2014

Following the initial launch of *[In]Sight: Australia's regional competitiveness index* in 2013, the RAI sought feedback and suggestions from stakeholders about ways to build upon the depth and quality of the resource. A major update was launched in November 2014, incorporating both updated data and revised methodologies.

THEMES OF COMPETITIVENESS



**ECONOMIC
FUNDAMENTALS**



**LABOUR
MARKET
EFFICIENCY**



**BUSINESS
SOPHISTICATON**



**HUMAN
CAPITAL**



**INFRASTRUCTURE
& ESSENTIAL
SERVICES**



**INSTITUTIONAL
FOUNDATIONS**



INNOVATION



**TECHNOLOGICAL
READINESS**



DEMOGRAPHY



**NATURAL
RESOURCES**

2 Cities Beyond Perth

The RAI's report *Cities Beyond Perth: Best bets for growth in a new economic environment* outlines a framework which, if implemented successfully, would build a diversified, resilient and growing network of regional cities and economies in Western Australia. The framework identified four types of communities in regional WA, together with their best strategies for development. This work was undertaken in partnership with the Government of Western Australia.



The RAI has identified four types of communities based on population and economic changes. These can be used to help create development strategies for each different region.

Old towns with city-sized opportunities
Using existing strengths to grow innovation and knowledge industries.

Places growing through connected lifestyles
Lifestyle attractors and proximity to Perth provides market opportunities.

Areas well-positioned to access the new global markets
Aligning natural resources with new market opportunities in agribusiness and tourism.

Boom towns in transition
Identifying non-resource related opportunities to diversify economy.

Highlights of 2014-15

3 Foundations of Regional Australia

What does regional Australia actually look like? The Talking Point: *Foundations of Regional Australia* tackled this question head on. Using demographic, social and economic change data, the RAI defined four different regional types based on the relationships between a region's key industries, its proximity to larger cities and local population size. This approach is an essential enabler of national policy for regional Australia.

FOUNDATIONS OF REGIONAL AUSTRALIA



REGIONAL CITIES

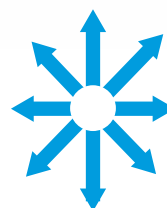


population of over
50,000 persons



diverse
economies

size & diversity
create future
opportunities



CONNECTED LIFESTYLE REGIONS



do not have city
population size



are close to
major metropolitan
regions

influenced by
their connection





INDUSTRY AND SERVICE HUBS



more than **15,000** residents

located further from major metropolitan areas



performance linked to industry outcomes



HEARTLAND REGIONS



smaller regional areas



isolated from major metropolitan or Regional Cities

shaped by local ingenuity





Policy submissions 2014-15

The RAI provided significant input to a range of national policy processes in 2014-15.

National Competition Policy Review

The RAI made a major contribution to National Competition Policy reform through CEO Su McCluskey's membership of the Competition Policy Review Panel. Competition policy is one of the key pillars of national economic policy and has a significant influence on the business environment in regional Australia as well as access to public and other services for regional Australians.

The Panel's final report was provided to the Australian Government in March 2015, which recommended reinvigorating competition policy by applying it more broadly to government services, reviewing regulations restricting competition and prioritising reform areas covering both new and unfinished business. It also recommended reform to enhance effectiveness of competition laws through legislative change to protect competition, simplify and clarify provisions, streamline approval processes and provide easier access to remedies. Finally, the report recommended that a gap in the competition institutional framework be filled through a new national competition reform body to replace the National Competition Council and a separate access and pricing regulator.

The full report is available at www.competitionpolicyreview.gov.au. The report is now being considered by government as a key component of the national economic reform agenda.

Submission to the Senate Rural & Regional Affairs & Transport References Committee Inquiry into Australia's Hidden Metropolis

The RAI welcomed the opportunity to provide a submission to the Senate Rural & Regional Affairs & Transport References Committee Inquiry into the Future Role and Contribution of Regional Capitals to Australia in April 2015.

Collectively Regional Capitals are home to 4.5 million Australians. They are increasingly urban places with economies and employment profiles that mirror and are often deeply connected to our major metropolitan cities.

Although Regional Capitals are distributed around the nation and service and support our diverse regions, collectively they should be considered as a major city with a population base equal to our largest cities. Their emergence has been the most significant part of Australia's urbanisation pattern for more than 30 years.

Regional Capitals are also fundamental to our economy. They are at the forefront of Australia's capacity to compete in key industries such as manufacturing and services and have a central role to play in providing for a productive and successful ageing Australia. They also provide a source of economic diversity and resilience to the Australian economy and society that is essential in uncertain economic times.

While Regional Capitals are major contributors to our economy, the RAI believes that overall they are underperforming in terms of growth, innovation and dynamism when measured against their potential.

Key constraints on their growth include:

- The lack of a coherent urban development policy and ambition for these places, resulting from their distribution around the country and position as second or third tier settlements in each state or territory;
- Human capital, technology and innovation constraints not present in our five major cities; and
- The lack of capacity and a genuine mandate for Regional Capitals to lead their own development with the support of state and federal Governments.

Joint submission to the Northern Australia Taskforce, Department of the Prime Minister and Cabinet

The RAI's submission to the Northern Australia Green Paper was the result of a collaboration between the RAI, Ninti One and the northern universities: James Cook University (JCU), Central Queensland University (CQU), and the University of Notre Dame Australia (UNDA).

Fourteen papers on themes including health, human services, tourism, agriculture, education, defence, climate change, land tenure and economic equity, and major development were developed across the collaboration.

Overall the submission highlighted that quick wins and new initiatives will inevitably be a feature of the current process – however this should not be the sole focus. We also need to ensure that the more challenging objectives of seeking better information and building the capacity of leadership and governance in the north gets ample attention and effort.

Submission to the Productivity Commission's Inquiry into Migration Intake into Australia

Research by the RAI on the settlement of permanent entrants into regional Australia clearly indicates the advantages of settling international migrants into a region. However there are significant gaps in our knowledge when it comes to understanding and targeting the needs of different regions.

This submission identified the varying costs and benefits of settling international migrants in different parts of the country. These costs and benefits are heavily influenced by the type of migrant (including their occupation, skills and experience), where they settle (for example a community's capacity to grow its population and the type of workforce shortages there are) and how well these two align.

Targeting migration to the right areas will likely yield higher benefits at potentially lower costs. However, gaps in data at the regional level make this difficult to confirm. A more in-depth understanding of the opportunities and outcomes in different regions could maximise the benefits of Australia's migration policy without substantially increasing the required level of investment. This was recommended as a priority to the inquiry.

Submission in response to the Department of Immigrant and Border Protection's Proposal Paper: Simplification of the skilled migration and temporary activity visa programmes

In our response to the Proposal Paper, the RAI emphasised the need for immigration policy to incorporate a more detailed investigation of the differing capacity of regions to make the most of international migrants settling in their community.

For many communities, international migration has become the main driver of population growth and it is the source of vital parts of their workforce. However, opportunities for growth need to be matched with the skills and expectations of migrants to maximise the outcomes of international migration.

The RAI recommended that achieving this match should be one of the core objectives of immigration policy in Australia.

Submission to the Board of Taxation

The majority of businesses operating in regional Australia are small businesses and as such, taxation has a significant impact on businesses in regional Australia. While corporate Australia has a major footprint across regional Australia, through enterprises such as banks and Australia Post, typically the head office is located in a major city and therefore the taxation impacts are less likely to be differentiated across the regions.

The compliance burden on any business is an impediment to competitiveness and productivity, however in the case of small businesses, particularly those operating in regional Australia, these impediments are magnified. Tax impediments constitute a major part of the overall compliance burden, and add to the cumulative compliance burden.

Therefore, the RAI recommended that any proposed changes to the taxation system should be evaluated in light of how they will impact difference areas.

Submission to the Productivity Commission's Natural Disaster Funding Inquiry

The severity and frequency of natural disasters is anticipated to increase. Now is the time to reconsider our national objectives and programs to achieve a better balanced approach. This is especially important for highly exposed parts of regional Australia.

In the RAI's submission to the inquiry into natural disaster funding, the RAI made three key recommendations.

The first of these was that reducing Australia's risk exposure should be the first priority for future natural disaster policy and programs. This will require a rebalancing of expenditure and effort towards mitigation. Different incentive options should be explored to actively encourage preparedness by all levels of government.

Exposure to risk can never be completely eliminated. Consequently the RAI identified that the second priority for disaster policy should be improving recovery arrangements.

The second recommendation was about defining the objective for our response and recovery efforts. Natural disaster policy needs to be about more than helping affected communities to 'bounce back'. Local renewal and adaptation to help communities achieve a 'new normal' should be the main objective.


Finally, the RAI identified that it is vital that the Australian Government build stronger systems of information to support policy development and implementation across mitigation, response and recovery. This includes making better use of available information and actively seeking to fill gaps in our knowledge.

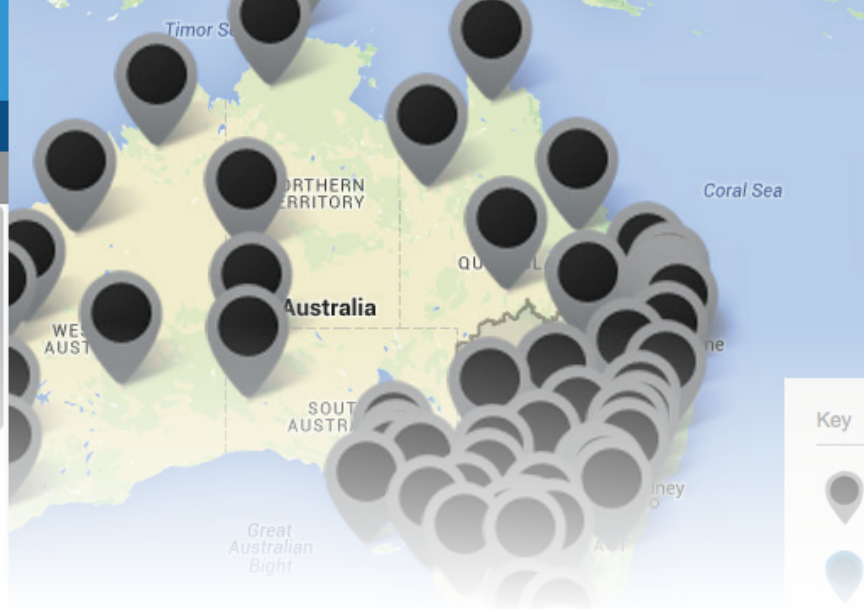
Submission to the Department of Prime Minister and Cabinet

As part of the Council of Australian Government's review of Indigenous land administration, the Department of Prime Minister and Cabinet sought the views of the RAI in relation to '...how Indigenous land administration systems and processes could be improved to encourage or support better economic development outcomes for Indigenous people.'

The RAI's submission in considered the systemic issues necessary for framing policy in relation to economic development on Indigenous land. The RAI emphasised that, in order to realise the potential for economic development, the framing of any reforms ought to be driven by the Indigenous land-holders themselves, not through the prism of securing government interests on native title land.



	Institutional Foundations	12	+
	Technological Readiness	37	+
	Infrastructure & Essential Services	45	+
	Business	50	+



Regional information and issues analysis

[In]Sight 2014

A major update of *[In]Sight: Australia's regional competitiveness index* was launched in November 2014, incorporating both updated data and revised methodologies.

Key changes included:

- A new Institutional Foundations theme including a suite of nationally-consistent indicators on the quality and performance of regional and local institutions;
- New indicators measuring the Economic Fundamentals of each region to provide a more nuanced view of the state of each local and regional economy;
- Revised methods for assessing the distances to key Infrastructure, Essential Services and Natural Resources;
- New measures for Technological Readiness including quality of access to broadband, mobile internet and mobile phone coverage;
- New indicators on patents and business start-ups;
- A new Demography theme to provide information on population size and dynamics in each area;

- Updated data on unemployment, school performance, welfare dependency, research organisations and income from own businesses;
- Data for eight new regions to align state regions in Western Australia, the Northern Territory and Tasmania that do not align to the national Regional Development Australia (RDA) framework; and
- Improvements to the ranking process to reduce the impact of outliers and other data anomalies in the interpretation of results.

[In]Sight will continue to be updated with the most current available data to enable regions, government and others access to benchmarked information on each Local Government Area (LGA) and region in Australia.

Population Dynamics in Regional Australia

Non-metropolitan regions are diverse and dynamic, not static, homogenous and declining as many people assume. This is the key finding of the *Population Dynamics in Regional Australia* report.

This report explores the major factors, key drivers and influences of population change, including ageing populations, economic drivers, the role of international and internal migration, temporary migration, and analyses how they influence the distribution of population across the regions.

The report demonstrates there is a clear pattern of growth in coastal areas, locations around major regional cities and in mining regions, while those experiencing stasis or decline are more likely to be inland.

These variations in population trends need to be reflected in the common understanding of regional Australia and in the broader policy space. Planning for the future should not be dependent on 'how many Australians?' but 'where will they live?'

This work has formed the foundation of the RAI's Talking Points *Returning to regional Australia* and *An ageing (regional) Australia and the rise of the Super Boomer*.

These reports are essential reference points for anyone seeking to deeply understand recent population trends in regional Australia.

[In]Form Update

[In]Form: Australia's online library of regional research was developed to help address the divide between research and users of research that was identified in the initial stakeholder engagement the RAI undertook in early 2012.

When it was first completed, [In]Form housed more than 1,500 publications released between the year 2000 and September 2012.

[In]Form was developed by the RAI for two key reasons;

- To provide easy access to completed and current research and data from the year 2000; and
- To identify what information is already out there, and what gaps between key policy areas and available knowledge we need to fill.

This year, the RAI completed its first update, and now has over 2000 publications in the database. The RAI also made additions to the functionality of the [In]Form website to increase usability for its audience.

Prosperous Futures: Understanding the Potential of Australia's Regional Cities

To understand how competitive advantage and growth can become more closely aligned, the RAI developed case studies of Goulburn and Orange in NSW. This project sought to better understand the differences between competitive advantage and successful regional development outcomes through the use of qualitative research methods. *Prosperous futures: Understanding the potential of Australia's regional cities* shows how leadership, community participation, perception and confidence turn opportunities into actual success.

Goulburn and Orange are important regional centres with much in common. Both centres have growing populations of more than 20,000 people, and their demographics and education levels are also similar. In addition declining employment in agriculture and manufacturing business closures are challenges faced by both regions. Despite these similarities between the two centres, Goulburn and Orange are progressing in different ways.

Orange has a strong profile in tourism, generally aimed at a wealthier, metropolitan based market, utilising local advantages in winemaking and food-growing enterprises. This has built a widespread perception of Orange as a 'place to be'. In contrast, while Goulburn has also been successful, its growth has been slower and a new local industry is yet to clearly emerge to replace the sectors in decline.

Any region can recast its future. But there is no 'single formula' solution. Goulburn and similar inland centres can look to the successes of Orange for inspiration. But in the end, local leaders, businesses and communities will need to find a unique pathway to prosperity. In order for regional centres to maintain and enhance their economic potential, they need to understand their community and use this to make informed decisions about their future. Creative thinking, from local leaders and entrepreneurs especially, about what might happen next is vital.

KEY LEARNINGS

- 1** Regions that look similar from the outside can have very different futures.
- 2** Leadership and entrepreneurship are as important as fundamental competitiveness.
- 3** Confidence and perceptions are vital factors in regional success.

COMMON FACTORS BETWEEN THE TWO CITIES

- ▶ Similar age profiles.
- ▶ Similar employment and industry profiles.
- ▶ Experiencing a period of transition over the past two decades.
- ▶ Stable population growth (approx. 1% 2001-2011).
- ▶ Close proximity to capital cities.

Access to Finance in Western Australia

Small to Medium Enterprises (SMEs) are important for regional economies because they grow local jobs, generate income within the local economy, retain more profits at a local level, and are often vital sources of innovation. There has been a long-standing perception that poor access to finance is a constraint on the growth of regional SMEs.

Research by the RAI found that regional SMEs in Western Australia face many of the same constraints that have been identified for SMEs nationally. SMEs in regional Western Australia are more likely to be in industries, such as agriculture, construction, and manufacturing. These SMEs tend to have tangible assets (such as land or supply contracts) which can be used as collateral for finance, and have established practices for leasing equipment.

The RAI analysis found limited evidence to suggest that additional, widespread access to finance issues exist for regional SMEs in Western Australia. Instead, these regional businesses had access to many of the factors associated with successful access to finance.

However, there were some constraints experienced by regional SMEs, with finance being more difficult to access when SMEs were:

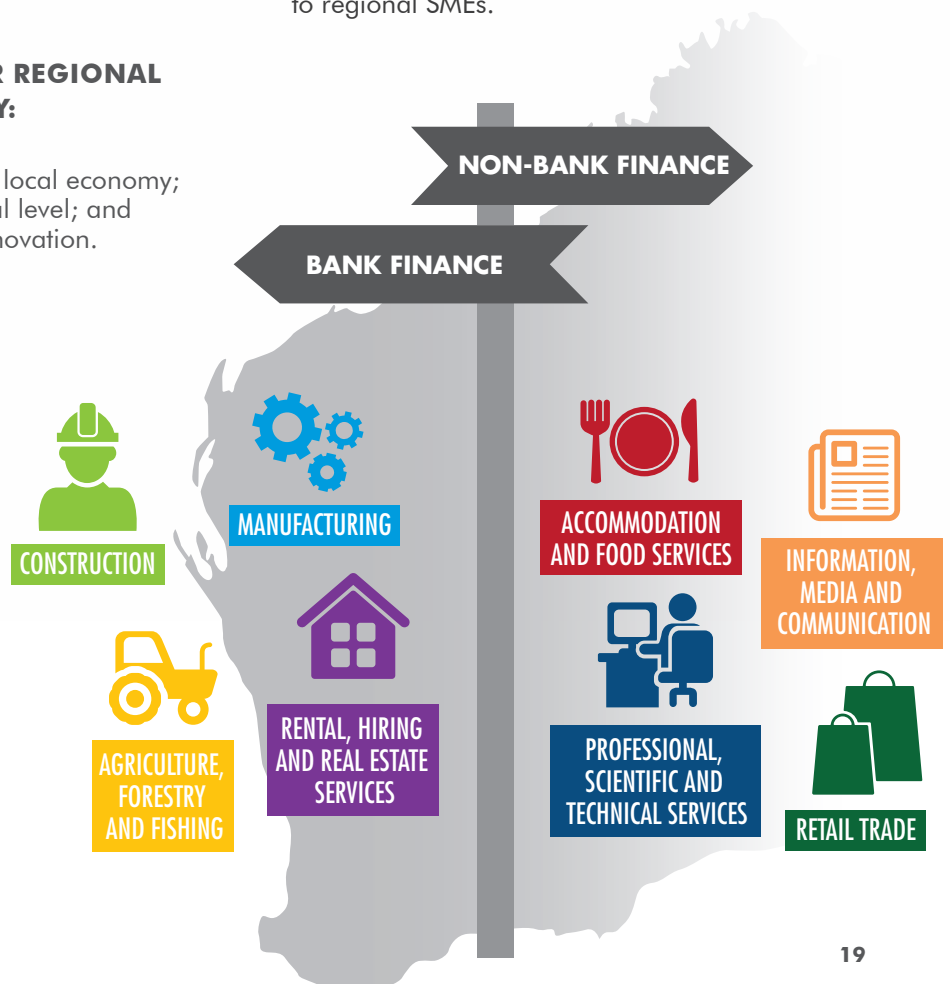
- Smaller in size or turnover;
- Newly established;
- Have fewer tangible assets to use as collateral;
- Are in service-based or knowledge-based industries; or
- Are located in areas with smaller or thinner markets.

The RAI's investigation into access to finance revealed that bank finance is the most commonly used means of funding for regional SMEs, but the use of non-bank finance is growing. At present, non-bank forms of finance are more readily available in Perth or other Australian capital cities, but are relatively rare in regional Western Australia. The rise of finance delivery through online portals has mitigated these effects somewhat, enabling wider regional access.

Policy responses may be useful to improve data about regional businesses and business performance, build business literacy, support growth in business confidence, and to increase awareness of different sources of finance available to regional SMEs.

SMES ARE IMPORTANT FOR REGIONAL ECONOMIES BECAUSE THEY:

- Grow local jobs;
- Generate income within the local economy;
- Retain more profits at a local level; and
- Are often vital sources of innovation.



Login or Logout: Online Work in Regional Australia

Advances in information and communications technology (ICT) are changing the nature of many jobs in Australia, as they enable both new types of work and new working arrangements to emerge. Knowledge-based work can potentially be undertaken in any place with sufficient connectivity, equipment and workforce capability. A capacity to untie many types of work from needing a fixed site of production is particularly significant when considered within the context of regional Western Australia.

The RAI undertook a study that assessed the opportunities and challenges for online work in regional Western Australia to better inform regional development strategies and policy.

At present, online work is occurring in regional Western Australia, but limitations in data currently restrict our understanding of the scale of this practice. A critical mass of people moving into online work roles will be required for this trend to have a discernible impact on a regional economy. This project found that the potential for the expansion of online work in any region depends upon four key factors:

- Workforce capacity;
- Industry mix;
- Broadband connectivity; and
- Business capacity.

The RAI found that several local government areas (LGAs) in regional Western Australia possess significant opportunities to tap into online work as a regional development strategy. These areas have either existing connectivity, or easily established connectivity and largely consist of: established regional centres (e.g. Albany, Bunbury and Geraldton); areas with proximity to Perth (e.g. the Peel region); and resource sector hubs (e.g. the Pilbara and Kimberley). Most other areas of regional Western Australia exhibit a combination of poor connectivity, low levels of ICT workforce capacity, and limited business capacity.

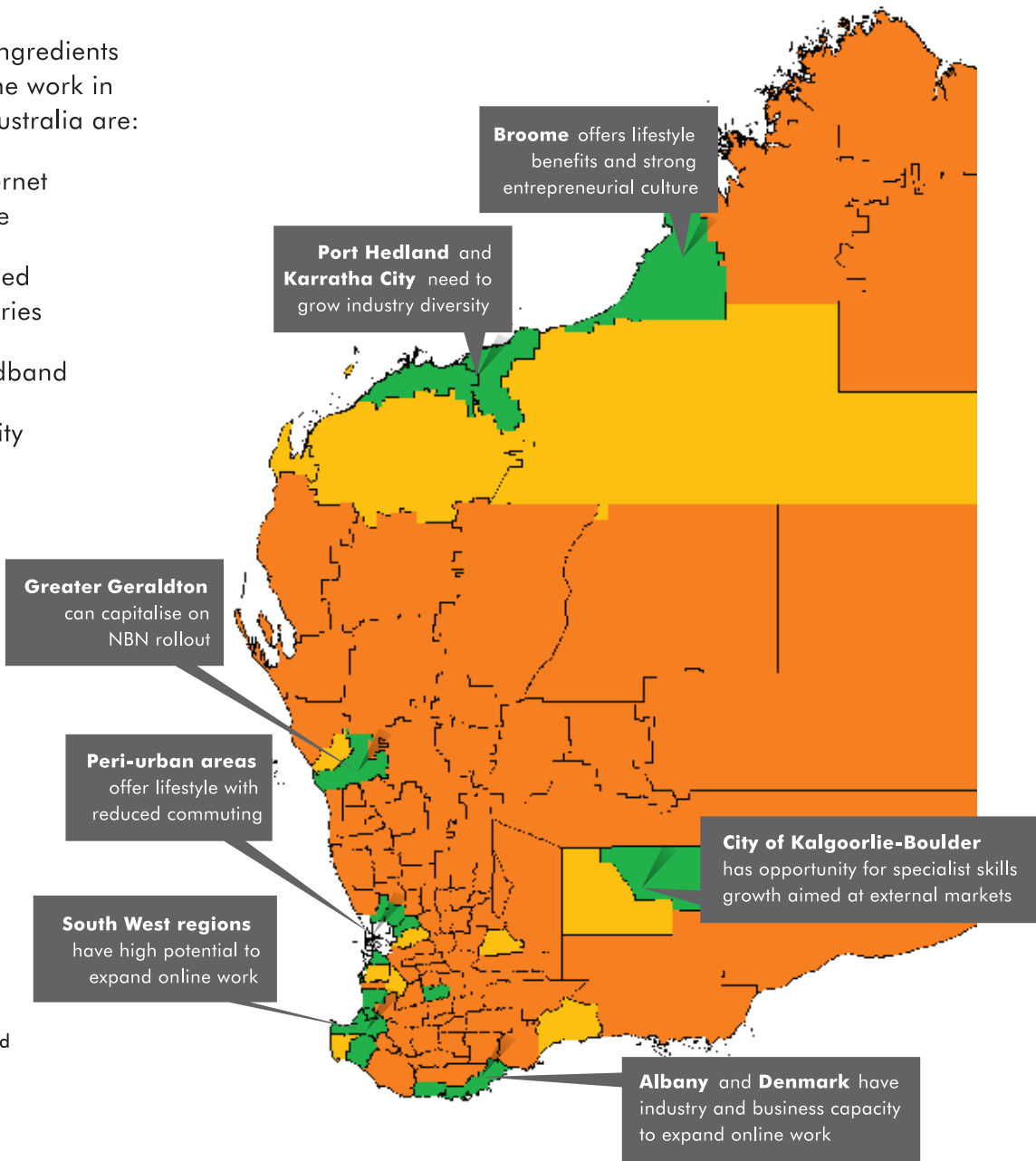
Lack of high speed broadband connectivity risks creating bottlenecks to growth in regions with potential to develop and engage with the knowledge economy. Areas with substantial populations and no planned improvements in connectivity risk the creation of a digital divide which will inhibit their long term economic growth.

Overall this project determined that technology in the workplace offers opportunities to deepen the connection of Western Australian regions to the rest of the world. This offers potential for regional residents and businesses to have new or easier access to national and international markets for goods, services and employment. It also offers challenges, as existing regional markets are simultaneously opened up to new competitors.

The four essential ingredients for expanding online work in regional Western Australia are:

1. Skilled and internet ready workforce
2. Knowledge-based jobs and industries
3. Access to broadband
4. Business capacity

- High potential with good connectivity and workforce capacity
- Some potential, additional connectivity and development of workforce capacity is important
- Low potential due to limited connectivity and workforce capacity





Our people

Regional Australia Institute Board

The RAI is governed by a diverse group of independent thinkers, who bring together the right mix of knowledge, expertise, skills and experience. The Board has extensive knowledge of research and policy implementations at the local, state and federal levels, and strong community links.



Mr Mal Peters OAM (Chair)



Mr Christian Zahra



Mr Tim Shackleton



Mr Grant Latta AM



Rt Hon Ian Sinclair AC



Professor Sandra Harding

Fellows

The RAI's Fellows are recognised experts in regional development and provide input on the direction of our research. Our Fellows come from a range of community, government, industry and academic platforms, and are committed to the vision of the Institute.

- Professor John Tomaney (Inaugural Fellow)
- Professor Andrew Beer
- Professor AJ Brown
- Professor Ngiare Brown
- Professor Chris Cocklin
- Professor John Martin
- Professor Fiona Haslam McKenzie
- Adjunct Professor Tony Sorensen

Our Fellow, Professor Graeme Hugo, died on 19 January 2015 following a short battle with lymphoma. His death came as a terrible shock to all who knew him well. The RAI's staff extend their condolences to the friends and family of Professor Hugo. His contribution to our work will be sorely missed.

The Research Advisory Committee

The Research Advisory Committee assists in the development and implementation of the RAI's research agenda.

The Committee is responsible for ensuring that our research aligns with the research vision, framework and priority areas of the Institute, and that it is within our capacity and is of a quality that can be recommended to the Board for consideration and endorsement.

- Professor Sandra Harding (Chair)
- Professor Andrew Beer
- Professor Graeme Hugo (to January 2015)
- Professor John Tomaney
- Mr Tim Shackleton
- Ms Su McCluskey (ex-officio)

Staff

This year saw new skills and areas of expertise brought into the team. Our staff members join the RAI from a range of policy, advocacy, research and development backgrounds and are committed to a vision of a vibrant future for regional Australia.

- Su McCluskey, Chief Executive Officer
- Jack Archer, Deputy Chief Executive Officer
- Julie Anderson, Business Support Officer
- Annemarie Ashton-Wyatt, Senior Researcher
- Rebecca Barratt, Business Manager
- James Barrett, Research Assistant (P/T, September 2014 – March 2015)
- Finnley Cowden, Research Assistant (February 2015 - Summer position)
- Ayndri de Soysa, Research Assistant (P/T, from August 2014)
- Jennie Dwyer, Policy Adviser (to April 2015)
- Blake Ford, Leader, Major Research Projects (from September 2014)
- Tai Nguyen, Researcher (P/T)
- Christine Peters, Research Assistant (December 2014 - February 2015 - Summer position)
- Chris Swan, Leader, [In]Sight and Data Projects (from September 2014)
- Morgan Rennie, Researcher
- Shannon Rennie, Graphic Designer

Upcoming work



Pathfinder Initiative

The *Pathfinder Initiative* combines the knowledge and experience of local leaders and stakeholders with RAI's analytical capability and unparalleled access to the best available information on regions.

This allied approach allows a collective focus on the drivers shaping a region's future – its 'future factors' – over the next 10-15 years.

The *Pathfinder Initiatives* look beyond the symptoms of change affecting a region to identify underpinning causes, how they can be addressed as well as new and emerging opportunities for regions to secure future prosperity.

The RAI works with local leaders to understand how these future factors will shape the region's future, and what practical actions can be undertaken to realise the full potential of the community.

Innovation Watch

Every day people in regions all across Australia are making a difference by developing and implementing innovative initiatives to create a better future for their communities. But policy makers and people in other regions are generally not aware of many or most of this activity.

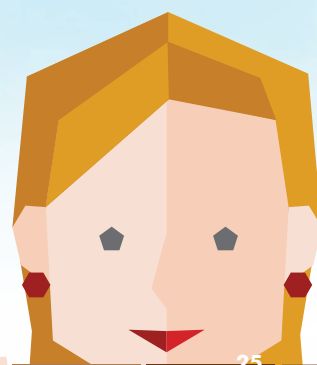
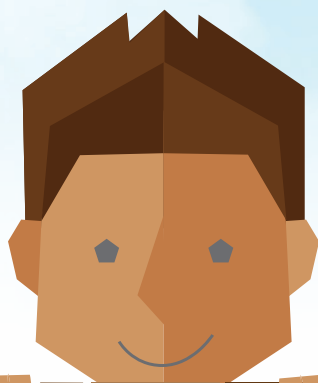
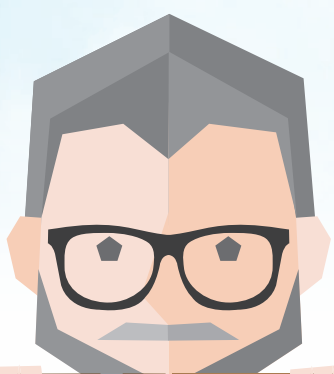
This leads to good approaches not being replicated, mistakes being repeated and a persistent scepticism about the capacity of regions to lead their own development.

Innovation Watch will be the home of these regional success stories.

An easy to access online platform, *Innovation Watch* will be a shared space where regions can promote innovative and successful grass-roots initiatives, share first hand experiences and exchange ideas. It is the first of its kind, unlike anything we are aware of in Australia or overseas.

Advances in technology have enabled a new age of content sharing and the RAI will use this content sharing approach to bring information together in one place, stimulate the development of new initiatives and promote a more positive image of regional Australia.

If *Innovation Watch* can secure an actively engaged and contributing audience from around regional Australia it will become a rich and powerful source of case studies, best practice approaches and peer-to-peer engagement in regional development.



Forward Agenda

2015-16 will be a critical year for the RAI.

A key theme this coming year will be the translation of all the information and knowledge we have developed over the past three years into projects and partnerships to create tangible change in regions. Working in partnership with regional leaders, we have already launched the *Pathfinder Initiative* to support regional decision making and this work will be further expanded in 2015-16.

The RAI will also be focussing on the role of Small and Medium Enterprise (SMEs) in regions with several pieces of research and pilot regional projects to emphasise success and catalyse change in this important part of the regional economy. These regional initiatives will ensure that, as well as playing an influential role in policy making, the RAI supports ambitious regional leaders to be successful in their endeavours.

This coming year will also see the development of a new research agenda to guide our contribution to future policy making and regional change. Alongside this new agenda, we will be building new collaborations and seeking renewed investment in our work through a range of corporate, government and regional partnerships.

Finally, in what will be an election year for the Australian Government, the RAI will ensure it provides new independent knowledge, ideas and advice to help build stronger policy and debate for the future of regional Australia.





Financial statements

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

CONTENTS

	PAGE
FINANCIAL STATEMENTS	
Directors' report	2
Auditor's opinion	7
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13
Directors' declaration	23

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

DIRECTORS' REPORT

Your Directors present their report on the company for the financial period ended 30 June 2015.

DIRECTORS

The names of each person who has been a Director during the year and to the date of this report are:

Names	Position	Appointed
Malcolm John Peters OAM	Director, Chairman	22 September 2011
Professor Sandra Lee Harding	Director	22 September 2011
Grant Frederick Latta AM	Director	22 September 2011
Rt Hon Ian McCahon Sinclair AC	Director	14 November 2011
Christian John Zahra	Director	22 September 2011
Timothy Walter Shackleton	Director	24 August 2012

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activity of the company during the financial period was conducting research into priority policy issues impacting all areas of Australia lying outside capital cities.

The company's objectives are to:

- To conduct research into priority issues impacting on regional Australia, with the aim of identifying solutions that enhance the prosperity, and sustainability of regional Australia.
- To promote the results of policy research to governments and the wider community
- To foster debate on policy issues impacting regional Australia.
- To engage in other such activities of a like nature as may be identified as contributing to regional Australia.

SHORT TERM OBJECTIVES

- **Authoritative research resulting in widely used information products**
RAI develops a program of research and information products that are widely used and recognised by our stakeholders as authoritative sources of knowledge on regional issues.

The foundation for achieving this goal is the development of a regional competitiveness index that looks at the status of regional Australia and trends in the key indicators of its success. This product provide a foundation of knowledge and insight for policy makers. Supporting this are smaller, short term research projects to provide timely input to policy debates and explore new concepts and issues that have the potential to be important for regional policy in the future. A Research Advisory Committee assists the RAI Board in developing and implementing projects under the research agenda.

- **Influential policy advice and promotion of an informed debate on regional issues**
RAI develops and presents advice in a range of formats including through products on the RAI website, formal briefings, actively engaging in public debate through public commentary, opinion pieces and forums and by presentations at conferences. A communication and stakeholder engagement strategy underpins this.
- **Financial sustainability based on a diversity of memberships and investment from government, corporations, philanthropists and interested individuals**
In 2015-16 the RAI will make the transition to a fully diversified funding base. This will include revenue from corporate partnerships, new services for regions and renewed investment by government and others in our independent policy and research. Alongside continuing to build our impact in decision making and debate, navigating this transition will be the Board and management's biggest challenge for 2015-16.

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

DIRECTORS' REPORT

- **Operational and governance structures that are efficient and meet stakeholder expectations.** Governance structures that reinforce the RAIs position as an independent, apolitical contributor to policy are established. Internal policies and procedures to ensure appropriate transparency and manage the operations of the business are in place, including a Board Charter, delegations and operational policies.

LONG TERM OBJECTIVES AND STRATEGIES

1. **Enabling regions to achieve their potential for the benefit of all Australians**
 To achieve this will require better informed discussion about the status of regional Australia and where we want it to be in the future. It will require new policy approaches, different thinking amongst governments and industry leaders and the empowerment and engagement of regional communities so that they can better shape their own futures

2. **To be Australia's pre-eminent authoritative source of independent information and policy advice on issues impacting regional Australia**
 We will do this by building the evidence base and informed public debate and by developing new ideas, by harvesting the best approaches used around the country and internationally and by working to help others involved in the debate and in decision making, to be more effective in what they do.

INFORMATION ON DIRECTORS

Malcolm John Peters OAM	Director, Chairman
<i>Experience</i>	Chair, Northern Basin Advisory Committee MDBA; Past President, NSW Farmers Association; Inaugural Board Member, Australian Farm Institute
<i>Special Responsibilities</i>	Chairman, Chair, Remuneration and Nomination Committee
Sandra Lee Harding	Director
<i>Qualifications</i>	BSc (Hons) ANU, MPubAdmin UQ, PhD NCSU, Hon Doc JIU, FACE, FQA, FAICD, FAIM
<i>Experience</i>	Chair, Universities Australia; Member, Northern Australia Advisory Group; Member, Trade and Investment Policy Advisory Committee; Member, the Australia-China Council Board; Co-Vice Chair, the New Colombo Plan Reference Group; Member, International Education and Training Advisory Council Queensland; Director, Regional Australia Institute; Council Member, the Australian Institute of Marine Science; Director, North Queensland Cowboys NRL club; Member, Defence Science and Technology Organisation (DSTO) Advisory Board; Member, Australian Research Council (ARC) Advisory Board; Director of Townsville Enterprises and of Advance Cairns (regional economic development bodies); and; a Governor of the Committee for Economic Development of Australia (CEDA).
<i>Special Responsibilities</i>	Chair, Research Advisory Committee

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

DIRECTORS' REPORT

Grant Frederick Latta AM	Director
<i>Qualifications</i>	CPA, MBA, B.Bus, C.Eng., FAIM, AAIM, FAICD, AM
<i>Experience</i>	Executive Chairman of GCMCorp Pty Ltd, and Director of SunRice (Ricegrowers Limited), The Sealy Group and Coleambally Irrigation Co-operative Limited. Member of the Australian Competition Tribunal.
Rt Hon. Ian McCahon Sinclair AC	Director
<i>Qualifications</i>	BA, LLB,(Syd); Hon Docs UNE; SCU
<i>Experience</i>	Chairman of the Foundation for Rural and Regional Renewal (FRRR); President of Scouts Australia (NSW); Adj Prof Social Sciences (UNE); former Member for New England; Minister for Social Services; Shipping and Transport; Primary Industry; Special Trade Representations; Communications; Defence; Leader of the House; Speaker of the House of Representatives; Leader of the National Party; President Murray Darling Basin Commission.
Christian John Zahra	Director
<i>Qualifications</i>	B.Economics, M.Assessment and Evaluation, FAICD
<i>Experience</i>	Chief Executive Officer of Wunan Foundation, one of Australia's leading Indigenous organisations. Formerly a Director in KPMG's Strategy Group, Executive Director at Pacific Strategy Partners, Partner at Government Relations Australia, Chairman of the Federal Government's \$1B Regional Development Australia Fund Advisory Panel and Director of Waardi Limited.
<i>Special Responsibilities</i>	Member, Finance, Audit and Risk Committee, Member, Remuneration and Nomination Committee.
Timothy Walter Shackleton	Director
<i>Qualifications</i>	BPE, Post Grad Dip Health Admin, AFACHSM, GAICD
<i>Experience</i>	Director Virtual Health, Chair Wheatbelt Development Commission, Chair Western Australian Regional Development Council, Director WA General Practice Education and Training.
<i>Special Responsibilities</i>	Member, Research Advisory Committee.

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

During the financial year, 6 meetings of directors were held. 3 meetings of the Finance Audit and Risk Committee and 2 meetings of the Research Advisory Committee were also held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Malcolm John Peters OAM (Chairman)	6	6
Professor Sandra Lee Harding	6	4
Grant Frederick Latta AM	6	6
Rt Hon Ian McCahon Sinclair AC	6	6
Christian John Zahra	6	6
Timothy Walter Shackleton	6	6

	Finance, Audit and Risk Committee Meetings	
	Number eligible to attend	Number attended
Grant Frederick Latta AM	3	3
Christian John Zahra	3	3

	Research Advisory Committee Meetings	
	Number eligible to attend	Number attended
Professor Sandra Lee Harding	2	2
Timothy Walter Shackleton	2	0

MEMBER'S GUARANTEE

The company is incorporated under *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$10.00 each towards meeting any obligations of the company. As at 30 June 2015, the total amount that members of the company are liable to contribute if the company is wound up is \$10.00.

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, for the year ended 30 June 2015 has been received.

Signed in accordance with a resolution of the Board of Directors:

Director



Dated this 8th October 2015

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
REGIONAL AUSTRALIA INSTITUTE LIMITED

We have audited the accompanying financial report of Regional Australia Institute Limited ("the company"), which comprises the balance sheet as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-For-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial report of Regional Australia Institute Limited is in accordance with the *Division of the Australian Charities and Not-For-Profits Commission Act 2012*, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Division of the Australian Charities and Not-For-Profits Commission Act 2012*.

RSM BIRD CAMERON



R MILLER
Director

Canberra, Australian Capital Territory
Dated: 8/10/2015

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	2015 \$	2014 \$
Revenue	2	2,157,896	1,845,896
Depreciation and amortisation expense		(24,052)	(25,641)
Board meeting and travel expenses		(21,902)	(24,739)
Salaries, wages and directors fees		(1,405,000)	(1,198,670)
Consulting expenses		(200,934)	(113,095)
InSight expenses		(127,821)	-
Other expenses		(323,691)	(297,604)
Research cost		(54,497)	(186,147)
Profit for the year	3	<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>-</u></u>	<u><u>-</u></u>

The accompanying notes form part of these financial statements

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	NOTE	2015 \$	2014 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	2,777,976	2,507,189
Financial assets	5	-	2,000,000
Trade and other receivables	6	42,500	63,522
Other current assets	7	9,806	10,300
TOTAL CURRENT ASSETS		2,830,282	4,581,011
NON-CURRENT ASSETS			
Property, plant and equipment	8	6,275	13,770
Intangible assets	8	3,522	15,661
TOTAL NON-CURRENT ASSETS		9,796	29,431
TOTAL ASSETS		2,840,078	4,610,442
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	1,750,995	1,601,039
Provisions	11	105,042	65,508
TOTAL CURRENT LIABILITIES		1,856,036	1,666,547
NON-CURRENT LIABILITIES			
Other liabilities	10	974,998	2,940,538
Provisions	11	9,043	3,357
TOTAL NON-CURRENT LIABILITIES		984,041	2,943,895
TOTAL LIABILITIES		2,840,078	4,610,442
NET ASSETS		-	-

The accompanying notes form part of these financial statements.

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Retained earnings	Total
	\$	\$
Balance at 1 July 2013	-	-
Surplus attributable to members	-	-
Balance at 30 June 2014	-	-
	Retained earnings	Total
	\$	\$
Balance at 1 July 2014	-	-
Surplus attributable to members	-	-
Balance at 30 June 2015	-	-

The accompanying notes form part of these financial statements.

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	2015 \$	2014 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from members, sponsors and financial institutions		296,105	466,933
Payments to suppliers and employees		(2,131,688)	(1,927,932)
Interest income		110,786	-
Net cash (used in) / provided by operating activities	14	<u>(1,724,796)</u>	<u>(1,460,999)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(4,416)	(6,856)
Net cash used in investing activities		<u>(4,416)</u>	<u>(6,856)</u>
Net increase/(decrease) in cash held		(1,729,212)	(1,467,855)
Cash and cash equivalents at beginning of the financial year		<u>4,507,189</u>	<u>5,975,044</u>
Cash and cash equivalents at the end of the financial year	4, 5	<u><u>2,777,977</u></u>	<u><u>4,507,189</u></u>

The accompanying notes form part of these financial statements.

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements cover Regional Australia Institute Limited as an individual entity, incorporated and domiciled in Australia. Regional Australia Institute Limited is a company limited by guarantee.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Revenue and other income

Grant revenue is recognised in the statement of comprehensive income when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the state of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amounts of goods and services tax (GST).

Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount. A formal assessment of recoverable amount is made when impairment indicators are present. Plant and equipment that have been contributed at no cost or for nominal cost are valued and recognised at the fair value of the asset at the date it is acquired.

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is available for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed assets	Depreciation rate
Computer equipment	40%
Website development	40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Impairment of assets

At the end of each reporting period, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets class, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset

Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows. Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Income tax

No provision for income tax has been raised as the company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company. The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in future reporting periods is set out below:

Reference	Title	Summary	Application date (financial year beginning)	Expected Impact
AASB 9	<i>Financial Instruments</i>	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2015 (Changed to 1 January 2017 by AASB 2013-9C)	Minimal impact expected
2009-11	<i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12 as a result of the issuance of AASB 9.	1 January 2015	Minimal impact expected
2010-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127 for amendments to AASB 9 in December 2010	1 January 2015	Minimal impact expected

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	\$	\$
NOTE 2: REVENUE AND OTHER INCOME		
Revenue		
- Government grants	1,819,470	1,420,105
- Sponsorship and licencing fees	138,923	221,818
- Interest received from investments	110,786	193,986
- Other income	8,716	9,987
Total revenue and other income	2,157,896	1,845,896
 NOTE 3: SIGNIFICANT EXPENSES FOR THE YEAR		
No profit was derived during the year.		
Significant expenses		
- Rental expense	78,355	69,900
- Auditors' remuneration	11,000	11,500
 NOTE 4: CASH AND CASH EQUIVALENTS		
CURRENT		
Cash at bank	2,777,976	2,507,189
 NOTE 5: FINANCIAL ASSETS		
Held-to-maturity financial assets comprises of:		
Term deposits	-	2,000,000
 NOTE 6: TRADE AND OTHER RECEIVABLES		
Trade receivables	27,036	11,511
Accrued interest receivable	-	43,121
Net GST receivable	8,587	2,013
Rental bonds receivable	6,877	6,877
Total trade and other receivables	42,500	63,522
 NOTE 7: OTHER CURRENT ASSETS		
CURRENT		
Prepayments	9,806	10,300
Total other current assets	9,806	10,300

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 8: NON-CURRENT ASSETS	2015	2014
Plant and equipment	\$	\$
Computer equipment		
At cost	39,678	35,261
Less accumulated depreciation	(33,404)	(21,491)
Total plant and equipment	<u>6,274</u>	<u>13,770</u>
Intangible assets		
Website development		
At cost	32,240	32,240
Less accumulated amortisation	(28,718)	(16,579)
Total intangible assets	<u>3,522</u>	<u>15,661</u>
Total non-current assets	<u>9,795</u>	<u>29,431</u>

Movements in carrying amounts

Movement in the carrying amounts for each class of non-current asset between the beginning and the end of the current financial year:

	Computer equipment	Website development	Total
	\$	\$	\$
2015			
Balance at the beginning of the year	13,770	15,661	29,431
Additions	4,416	-	4,416
Depreciation and amortisation expense	(11,913)	(12,139)	(24,052)
Carrying amount at the end of year	<u>6,273</u>	<u>3,522</u>	<u>9,795</u>
2014			
Balance at the beginning of the year	19,659	28,557	48,216
Additions	6,856	-	6,856
Depreciation and amortisation expense	(12,745)	(12,896)	(25,641)
Carrying amount at the end of year	<u>13,770</u>	<u>15,661</u>	<u>29,431</u>

	2015	2014
	\$	\$
NOTE 9: TRADE AND OTHER PAYABLES		
CURRENT		
Grants received in advance	1,545,270	1,399,200
Sponsorship and other income received in advance	124,680	100,000
Trade payables	5,425	39,549
Other payables	75,620	62,798
Total trade and other payables	<u>1,750,995</u>	<u>1,601,547</u>

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	\$	\$
NOTE 10: OTHER PAYABLES		
NON-CURRENT		
Grants received in advance	974,998	2,940,538

NOTE 11: PROVISIONS		
CURRENT		
Short term employee benefits	105,042	65,508
NON-CURRENT		
Long term employee benefits	9,043	3,357

Provision for long term employee benefits

A provision has been recognised for employee entitlements relating to long service leave. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to these financial statements.

NOTE 12: CAPITAL AND LEASING COMMITMENTS

Operating lease commitments	2015	2014
	\$	\$
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	75,651	75,025
- between 12 months and 5 years	-	75,025
Payable - minimum lease payments:	75,651	150,050

Operating lease commitments comprise of rental of a part area of Level 2, 53 Blackall Street, Barton. The amounts shown are for a 3 year lease, with an option to extend for a further 1 year.

NOTE 13: RELATED PARTY TRANSACTIONS

a. Key management personnel	2015	2014
	\$	\$
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) is considered key management personnel.		
Key management personnel compensation		
- short-term benefits	529,880	468,692
- post-employment benefits	43,013	33,633
	572,893	502,325

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 14: CASH FLOW INFORMATION

Reconciliation of cash flows from operations with profit after income tax	2015	2014
	\$	\$
Profit after income tax	-	-
Non cash flows		
Depreciation and amortisation	24,052	25,641
Changes in assets and liabilities		
(Increase) in trade and other receivables	21,516	98,585
(Decrease)/increase in trade and other payables	(1,815,584)	(1,618,458)
(Decrease)/increase In provisions	45,219	33,233
	<u>(1,724,796)</u>	<u>(1,460,999)</u>

NOTE 15: FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, receivables and payables and lease liabilities.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

		2015	2014
		\$	\$
Financial assets	Note		
Cash and cash equivalents	4	2,777,976	2,507,189
Held-to-maturity investments			
- term deposits	5	-	2,000,000
Total financial assets		<u>2,777,976</u>	<u>4,507,189</u>
Financial liabilities			
Trade and other payables	9	1,750,995	102,347
Total financial liabilities		<u>1,750,995</u>	<u>102,347</u>

Financial risk management policies

The directors' risk management strategy seeks to assist the company in meeting its financial targets while minimising potential adverse effects on financial performance. Risk management is approved and reviewed by the finance committee. These include credit risk and future cash flow requirements.

Specific financial risk exposures and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk.

There have been no substantive changes in the types of risks the company is exposed to, how these risks arise, or the board's objectives, policies and processes for managing or measuring the risks from the previous period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 15: FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through the maintenance of procedures ensuring to the extent possible, that customers and counter parties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 days from the invoice date. Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. The company has no significant concentration of credit risk with any single counter party or group of counter parties Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

Credit risk related to balances with banks and other financial institutions managed by the finance committee in accordance with approved Board policy. The following table provides information regarding credit risk relating to cash and money market securities based on Standard & Poor's counter party credit ratings.

b. Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financial activities;
- maintaining a reputable credit risk profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

As of 30 June 2015, the organisation has sufficient funds for approximately eighteen months of operations and therefore the funding initiatives identified in the Short Term Objectives will be critical for the ongoing business and management of liquidity risk.

The tables on the next page reflect an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 15: FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 years		Total contractual cash flow	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Trade and other payables (excluding estimated leave and amounts received in advance)	(1,750,995)	(102,347)	-	-	(1,750,995)	(102,347)
Total contractual outflows	(1,750,995)	(102,347)	-	-	(1,750,995)	(102,347)
Total expected outflows	(1,750,995)	(102,347)	-	-	(1,750,995)	(102,347)
Financial assets - cash flows realisable						
Cash and cash equivalents	2,777,876	2,507,189	-	-	2,777,876	2,507,189
Held-to-maturity investments	-	2,000,000	-	-	-	2,000,000
Total anticipated inflows	2,777,876	4,507,189	-	-	2,777,876	4,507,189
Net (outflow)/inflow on financial instruments	2,777,876	4,404,842	-	-	2,777,876	4,404,842

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit	Equity
	\$	\$
Year ended 30 June 2015		
+/- 1% in interest rates	27,780	27,780
Year ended 30 June 2014		
+/- 1% in interest rates	45,071	45,071

No sensitivity analysis has been performed on foreign exchange risk as the company has no material exposures to currency risk.

Net fair values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the company. Most of these instruments which are carried at amortised cost are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the company.

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 16: MEMBERS GUARANTEE

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$10.00 each towards meeting any obligations of the company. As at 30 June 2015, the total amount that members of the company are liable to contribute if the company is wound up is \$10.00.

NOTE 17: ENTITY DETAILS

The registered office of the entity is:
Regional Australia Institute Limited
Level 2, 53 Blackall Street
Barton ACT 2600

REGIONAL AUSTRALIA INSTITUTE LIMITED
ABN 65 152 955 667

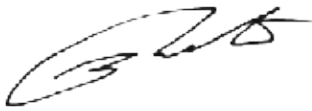
DIRECTORS DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



MALCOLM JOHN PETERS OAM
Chairman

Dated this day 8th Of October 2015



GRANT FREDERICK LATTA AM
Chair, Finance, Audit and Risk Committee

Dated this day 8th Of October 2015

About the Regional Australia Institute

Independent and informed by both research and on-going dialogue with the community, the Regional Australia Institute develops policy and advocates for change to build a stronger economy and better quality of life in regional Australia – for the benefit of all Australians.

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