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Your ref: A19/173

31 October 2019

Ms Iryna Reszitaryk
Principal Audit Manager
Auditor-General's Department
Level 9, State Administration Centre
200 Victoria Square
ADELAIDE SA 5000

Dear Ms Reszitaryk,

Management representation letter

Residential Tenancies Fund financial statements for the year ended 30 June 2019

We make the following representation, for your audit of the financial statements of the Residential Tenancies Fund for the year ended 30 June 2019, having made such enquiries as we considered necessary for appropriately informing ourselves and according to the best of our knowledge and belief.

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter dated 20 December 2018 for the preparation of financial statements that give a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards.
2. We have provided you with:
 - (a) access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters
 - (b) additional information that you have requested from us for the purpose of the audit
 - (c) unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence and

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- (d) information regarding all legal issues and legal opinions which have the capacity to be relevant to the control environment and the fair presentation of the financial statements.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
 4. We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud and error. We have established and maintained an effective internal control structure to facilitate the preparation of reliable financial statements, and adequate financial records have been maintained. We have disclosed to you details of all deficiencies in internal control that we are aware of.
 5. We have disclosed to you all information about
 - fraud or suspected fraud involving:
 - i. management
 - ii. employees who have significant roles in internal control
 - iii. others where the fraud could have a material effect on the financial statements
 - allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators or others.
 6. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 7. We have disclosed to you all known or suspected instances of non-compliance with laws, regulations, contracts or agreements, the effects of which should be considered when preparing the financial statements.
 8. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in line with the financial reporting framework.
 9. We believe the significant assumptions used in making accounting estimates (including estimates relating to fair value) are reasonable.
 10. All events occurring subsequent to the date of the financial statements and for which the financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
 11. There have been no changes in accounting policies or application of those policies that would have a material effect on the financial statements, except as disclosed in the financial statements.

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12. Non-current assets

- (a) The entity has satisfactory title to all assets (excluding those assets held in the name of the Crown), and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- (b) Depreciation on assets has been allocated on a systematic basis over the estimated useful lives of assets. Useful lives and residual values of the assets were reviewed during the reporting period and adjusted where necessary. Any resulting changes were accounted for as a change in accounting estimate.
- (c) We have considered the requirements of accounting standards when assessing whether there are indicators of impairment of assets, and in ensuring that no assets are stated in excess of their recoverable amount.
- (d) We consider the measurement methods (including related assumptions) used to determine the value of assets to be appropriate, consistently applied, and sufficiently disclosed in the financial statements.

13. Liabilities

- (a) We have recognised all liabilities in the financial statements.
- (b) We consider the measurement methods (including related assumptions) used to determine the value of liabilities to be appropriate, consistently applied, and sufficiently disclosed in the financial statements.

14. Contingent liabilities

All material contingent liabilities have been completely and adequately disclosed in the financial statements.

15. Commitments

We have disclosed all material commitments in the financial statements.

16. Related party transactions

- (a) We have disclosed to you the identity of all related parties and related party relationships and transactions of which we are aware.
- (b) We have appropriately accounted for and disclosed such relationships and transactions in line with the requirements of the financial reporting framework.

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17. Uncorrected misstatements


Misstatements within the financial statements identified during the audit have been corrected.

18. Publication on a website

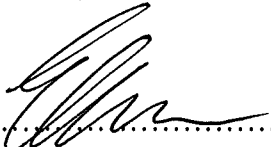
With respect to the publication of the audited financial report on our website, we acknowledge that:

- (a) We are responsible for the electronic publication of the audited financial report.
- (b) We will ensure that the electronic version of the audited financial report and the auditor's report on the website are identical to the final signed hard copy version.
- (c) We will clearly differentiate between audited and unaudited information in the construction of the entity's website as we understand the risk of potential misrepresentation.
- (d) We have assessed the controls over the security and integrity of the data on the website and that adequate procedures are in place to ensure the integrity of the information published.
- (e) We will not present the auditor's report on the full financial report with extracts only of the full financial report.

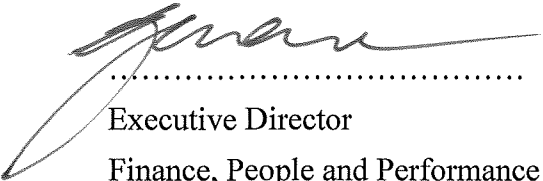
Yours sincerely


.....
Commissioner for Consumer Affairs

31/10/19
.....
Date:


.....
General Manager, Corporate Services
Consumer and Business Services

31/10/19
.....
Date


.....
Executive Director
Finance, People and Performance
Attorney-General's Department

31/10/19
.....
Date:

Residential Tenancies Fund

Financial Statements

For the year ended 30 June 2019

Residential Tenancies Fund
Certification of the Financial Statements
for the year ended 30 June 2019

We certify that the attached general purpose financial statements for the Residential Tenancies Fund:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards
- are in accordance with the accounts and records of the Residential Tenancies Fund
- present a true and fair view of the financial position of the Residential Tenancies Fund as at 30 June 2019 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Residential Tenancies Fund for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Dini Soulio
Commissioner
Consumer and Business Services

31 October 2019



Eleni Labadas
General Manager, Corporate Services
Consumer and Business Services

31 October 2019



Andrew Swanson FCPA
Executive Director, Finance, People & Performance
Attorney-General's Department

31 October 2019

Residential Tenancies Fund
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Expenses			
Compliance and administration	3.1	6 480	6 293
Amortisation	3.2	207	208
Other expenses	3.3	35	32
Total expenses		6 722	6 533
Income			
Interest and investment	4.1	8 167	9 143
Other income	4.2	729	690
Gain on revaluation of investments		294	-
Total income		9 190	9 833
Net cost of providing services		2 468	3 300
Net result		2 468	3 300
Other comprehensive income			
<i>Items that will be reclassified subsequently to net result when specific conditions are met</i>			
Market value movement of investments		-	995
Total other comprehensive income		-	995
Total comprehensive result		2 468	4 295

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

Residential Tenancies Fund
Statement of Financial Position
as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	6.1	3 046	5 393
Investments	6.2	131 554	122 456
Receivables	6.3	2 926	5 525
Total current assets		137 526	133 374
Non-current assets			
Intangible assets	5.1	218	200
Investments	6.2	126 597	119 276
Total non-current assets		126 815	119 476
Total assets		264 341	252 850
Current liabilities			
Security bonds lodged	7.1	93 708	88 705
Payables	7.2	1 016	4 404
Total current liabilities		94 724	93 109
Non-current liabilities			
Security bonds lodged	7.1	114 606	107 963
Other	7.3	9 445	8 680
Total non-current liabilities		124 051	116 643
Total liabilities		218 775	209 752
Net assets		45 566	43 098
Equity			
Investments market value reserve		-	10 171
Retained earnings		45 566	32 927
Total equity		45 566	43 098

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

Residential Tenancies Fund
Statement of Changes in Equity
for the year ended 30 June 2019

	Investments market value reserve	Asset revaluation surplus	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	9 176	190	29 437	38 803
Net result for 2017-18	-	-	3 300	3 300
Gains to be taken to equity	995	-	-	995
Total comprehensive result for 2017-18	995	-	3 300	4 295
Transfer to retained earnings of net increment realised on disposal of leasehold improvements	-	(190)	190	-
Balance at 30 June 2018	10 171	-	32 927	43 098
Adjustments on initial adoption of AASB 9	(10 171)	-	10 171	-
Adjusted balance at 1 July 2018	-	-	43 098	43 098
Net result for 2018-19	-	-	2 468	2 468
Total comprehensive result for 2018-19	-	-	2 468	2 468
Balance at 30 June 2019	-	-	45 566	45 566

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

Residential Tenancies Fund
Statement of Cash Flows
for the year ended 30 June 2019

		2019 (Outflows) Inflows \$'000	2018 (Outflows) Inflows \$'000
Cash flows from operating activities	Note		
Cash outflows			
Bond refunds		(93 722)	(88 618)
Bond guarantee payments		(7 033)	(7 198)
Compliance and administration		(9 713)	(2 193)
Other payments		(35)	(29)
Cash used in operations		<u>(110 503)</u>	<u>(98 038)</u>
Cash inflows			
Bond lodgements		105 634	101 699
Bond guarantee receipts		7 476	7 648
Interest receipts		1 224	1 122
Other receipts		47	65
Cash generated from operations		<u>114 381</u>	<u>110 534</u>
Net cash provided by / (used in) operating activities	8.1	<u>3 878</u>	<u>12 496</u>
Cash flows from investing activities			
Cash outflows			
Purchases for investments		(6 000)	(12 388)
Purchase of intangible assets		(225)	-
Cash used in investing activities		<u>(6 225)</u>	<u>(12 388)</u>
Net cash provided by / (used in) investing activities		<u>(6 225)</u>	<u>(12 388)</u>
Net increase / (decrease) in cash and cash equivalents		<u>(2 347)</u>	<u>108</u>
Cash and cash equivalents at the beginning of the period		5 393	5 285
Cash and cash equivalents at the end of the period	6.1	<u>3 046</u>	<u>5 393</u>

The accompanying notes form part of these financial statements.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

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Residential Tenancies Fund

Notes to and forming part of the financial statements

for the year ended 30 June 2019

1 About the Residential Tenancies Fund

The Residential Tenancies Fund (the Fund) is established under the *Residential Tenancies Act 1995* (the Act) and is a not-for-profit entity. The financial statements are required by section 102(1) of the Act and include income, expenses, assets and liabilities which the Commissioner for Consumer Affairs administers on behalf of the SA Government. The Fund does not control any other entity and has no interest in unconsolidated structured entities.

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

For the 2018-19 financial statements the Fund adopted *AASB 9 – Financial Instruments* and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019. Further information is provided in note 9.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

The Commissioner for Consumer Affairs is liable for goods and services tax (GST). GST collections and payments are carried out by the Attorney-General's Department (AGD) on behalf of the Fund. GST in relation to the Fund is reported in the AGD Controlled Financial Statements.

Income, expenses, assets, receivables, payables and commitments are recognised net of the amount of GST.

Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Fund has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

1.2. Objectives of the Residential Tenancies Fund

The Fund is kept and administered by the Commissioner for Consumer Affairs. The Fund consists of amounts received by the Commissioner by way of security bonds and other amounts paid into the Fund under the Act. The Commissioner will make repayments in respect of security bonds from the Fund. Income derived from investment of the Fund is applied towards the costs of administering the Fund and enforcing the Act, education of landlords and tenants about their statutory and contractual rights and obligations, and operations of the Fund.

The Fund's main source of income is from interest derived from the investment of Fund assets in accordance with section 100(4) of the Act. Fund assets mainly represent the investment of security bonds received in accordance with section 62 of the Act.

1.3. Significant transactions with government related entities

During the year the Fund invested \$6 million with Public Trustee (2018: \$12.4 million).

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2. Board, committees and employees

2.1. Key management personnel

Key management personnel of the Fund include the Minister and the Commissioner for Consumer Affairs. The compensation received by the Commissioner is included in the controlled financial statements of the Attorney-General's Department at note 2.1.

The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively, and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

Transactions with key management personnel and other related parties

There are no related party transactions.

3. Expense

3.1. Compliance and administration

	2019	2018
	\$'000	\$'000
Consumer and Business Services	3 470	3,356
South Australian Civil and Administrative Tribunal	3 010	2 937
Total compliance and administration	6 480	6 293

The Residential Tenancies Fund meets the costs incurred by Consumer and Business Services associated with managing residential tenancy bonds, including necessary ICT infrastructure, as well as costs related to providing tenancy advice to tenants and landlords.

The South Australian Civil and Administrative Tribunal (SACAT) helps resolve residential tenancies tribunal matters relating to the landlord and tenant relationships. The Fund pays a portion of SACAT expenses which are disclosed above.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

3.2. Amortisation

	2019	2018
	\$'000	\$'000
Amortisation		
Intangible assets	207	208
Total amortisation	<u>207</u>	<u>208</u>

All non-current assets, having a limited useful life, are systematically amortised over their useful lives in a manner that reflects the consumption of their service potential.

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Useful life

Amortisation is calculated on a straight line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Leasehold improvements	Life of lease
Intangible Assets	3-5

3.3. Other expenses

	2019	2018
	\$'000	\$'000
Auditor's remuneration		
Audit fees *	35	32
Total other expenses	<u>35</u>	<u>32</u>

* Audit fees paid/payable to the Auditor-General's Department related to work performed under the *Public Finance and Audit Act 1987*. No other services were provided by the Auditor-General's Department.

4. Income

4.1. Interest and investment revenue

	2019	2018
	\$'000	\$'000
Distribution on Investments held with Public Trustee	4 563	5 796
Interest from Public Trustee investments	2 418	2 136
Interest on bond guarantees with Housing SA	1 092	1 121
Interest on deposits with the Treasurer	94	90
Total interest and investment revenues	<u>8 167</u>	<u>9 143</u>

Investment revenue includes income earned on the Funds accounts held with the Public Trustee. Interest includes interest earned on the Fund's accounts held with the Treasurer and the Public Trustee.

Housing SA pays interest at an agreed market determined rate to the Fund based on the daily balance of bond guarantees held.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

4.2. Other income

	2019	2018
	\$'000	\$'000
Management fee recovery	682	639
Sundry recoveries	47	51
Total other income	729	690

5. Non-financial assets

5.1. Intangible assets

	2019	2018
	\$'000	\$'000
Computer software		
Internally developed computer software	1 221	996
Accumulated amortisation	(1 003)	(796)
Total computer software	218	200
Total intangible assets	218	200

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000.

The internally developed computer software relates to the Fund's Bonds Management System with a remaining useful life of 4 years and 11 months and carrying amount of \$218 000.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

5.1. Intangible assets (continued)

Reconciliation 2018-19

	Internally developed computer software	Total
	\$'000	\$'000
Carrying amount at 1 July 2018	200	200
Additions	225	225
Amortisation	(207)	(207)
Carrying amount at 30 June 2019	218	218

Reconciliation 2017-18

	Internally developed computer software	Total
	\$'000	\$'000
Carrying amount at 1 July 2017	408	408
Amortisation	(208)	(208)
Carrying amount at 30 June 2018	200	200

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

6. Financial assets

6.1. Cash and cash equivalents

	2019	2018
	\$'000	\$'000
Deposits with the Treasurer	3 046	5 393
Total cash and cash equivalents	3 046	5 393

Cash is measured at nominal value. Deposits at call with the Treasurer earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

6.2. Investments

	2019	2018
	\$'000	\$'000
Current		
Investments at Fair Value through Profit and Loss	131 554	122 456
Total current investments	131 554	122 456
Non-current		
Investments at Fair Value through Profit and Loss	126 597	119 276
Total non-current investments	126 597	119 276
Total investments	258 151	241 732

Investments represent funds deposited with the Public Trustee. These investments have been classified as financial assets held at fair value through profit and loss as they are held with the intention to dispose of the asset if required to ensure sufficient cash flow to meet bond repayments. Investments are made by way of notional unit holdings in a selection of common funds managed by the Public Trustee. The proportion of unit holdings is dependent upon the investment strategy adopted.

As at 30 June 2019 the Fund held investments in common funds in the following:

Capital Stable	19.52%
Balanced	29.54%
Cash	50.95%

Investments are measured at fair value in accordance with unit prices at balance date as advised by the Public Trustee.

Investments are classified as either current or non-current. The current investments are the Cash Investments Strategy and the non-current investments are the Balanced and Capital Stable Investments Strategy.

The Fund adopted *AASB 9 Financial Instruments* as of 1 July 2018. Per AASB 9, changes to the fair value of investments which were previously disclosed under Other Comprehensive Income are now disclosed in the Statement of Comprehensive Income. The balance of the "Investments market value reserve" (2018: \$10.171 million) was transferred to retained earnings on transition.

Revaluation increments and decrements are recognised at fair value through profit or loss. The fair value of assets traded in active markets are based on quoted market prices for identical assets at balance date.

For further information on risk management refer to note 11.2. For further information on the impact of AASB 9 refer to note 9.2.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

6.3. Receivables

	2019	2018
	\$'000	\$'000
Accrued interest and distributions	2 740	5 203
Other	186	322
Total receivables	2 926	5 525

Receivables and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Refer to note 11.2 for further information on risk management.

7. Liabilities

7.1. Security bonds lodged

	2019	2018
	\$'000	\$'000
Current		
Bonds lodged	93 708	88 705
Total current security bonds lodged	93 708	88 705
Non-current		
Bonds lodged	114 606	107 963
Total non-current security bonds lodged	114 606	107 963
Total security bonds lodged	208 314	196 668

Security bonds are received to ensure a tenant on cessation of residential and parks leases comply with all statutory requirements under the Act. Bonds lodged are recognised as a liability on receipt.

7.2. Payables

	2019	2018
	\$'000	\$'000
Current payables		
Creditors	984	4 372
Accrued expenses	32	32
Total current payables	1 016	4 404
Total payables	1 016	4 404

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts billed but unpaid and are settled within the normal terms of payment of 30 days, unless otherwise agreed. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

7.3. Other liabilities

	2019	2018
	\$'000	\$'000
Non-current		
Other liabilities	9 445	8 680
Total non-current other liabilities	<u>9 445</u>	<u>8 680</u>
Total other liabilities	<u><u>9 445</u></u>	<u><u>8 680</u></u>

The other liability is a balance of unclaimed monies related to security bond refunds that are more than 1 year old. The items remain in Bonds Management System until a valid claim is lodged and the monies are refunded.

8. Other disclosures

8.1. Cash flow reconciliation

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

	2019	2018
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	3 046	5 393
Balance as per the Statement of Cash Flows	<u>3 046</u>	<u>5 393</u>
Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services		
Net cash provided by/(used in) operating activities	3 878	12 496
Add / (less) non-cash items		
Depreciation and amortisation	(207)	(208)
Interest from Public Trustee investments	2 418	2 136
Distributions from Public Trustee investments	4 563	5 796
Management fee recovery	682	639
Gain on revaluation of investments	294	-
Movement in assets and liabilities		
Increase/(decrease) in other receivables	(137)	175
(Increase)/decrease in payables	3 388	(4 211)
(Increase)/decrease in security bonds lodged	(11 646)	(12 352)
(Increase)/decrease in other liabilities	(765)	(1 171)
Net cost of providing services	<u><u>2 468</u></u>	<u><u>3 300</u></u>

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

9. Changes in accounting policy

9.1. Treasurer's Instructions (Accounting Policy Statements)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- Removal of the additional requirement to report transactions with the SA Government.

These changes, however, do not impact on the amounts reported in the financial statements.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further discussed in note 10.2.

9.2. AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

As part of the adoption of AASB 9, the Fund adopted consequential amendments to other accounting standards and the Treasurer's Instructions (Accounting Policy Statements) arising from the issue of AASB 9 as follows:

- *AASB 7 Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

In accordance with transitional provisions and the *Treasurer's Instructions (Accounting Policy Statements)*, *AASB 9 Financial Instruments* was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018.

The adoption of AASB 9 has not had a significant effect on the recognition, measurement or classification of financial liabilities.

Per AASB 9, changes to the fair value of investments which were previously disclosed under Other Comprehensive Income are now disclosed in the Statement of Comprehensive Income. The balance of the "Investments market value reserve" (2018: \$10.171 million) was transferred to retained earnings on transition.

The total impact on the Fund's retained earnings as at 1 July 2018 is as follows:

	2018 \$'000
Closing retained earnings 30 June 2018 – AASB 139	32 927
Adjustment to retained earnings from adoption of AASB 9	10 171
Opening retained earnings 1 July 2018 – AASB 9	43 098

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

9.2. AASB 9 Financial Instruments (continued)

On 1 July 2018, the Fund has assessed and reclassified its financial assets into the appropriate AASB 9 categories depending on the business model and contractual cash flow characteristics applying to the asset. AASB 9 eliminates the AASB 139 categories of loans and receivables and available for sale.

Reclassification of financial instruments on adoption of AASB 9

On the date of initial application, the Fund's financial instruments were as follows, with any reclassifications noted.

	Measurement category		Carrying Amount	
	AASB 139	AASB 9	AASB 139 at 30 June 2018 \$'000	AASB 9 at 1 July 2018 \$'000
<u>Current financial assets</u>				
Receivables	Loans and Receivables	Amortised Cost	5 525	5 525
Investments with Public Trustee	Available for Sale at Fair Value	Fair Value through Profit and Loss	122 456	122 456
<u>Non-current financial assets</u>				
Investments with Public Trustee	Available for Sale at Fair Value	Fair Value through Profit and Loss	119 276	119 276

All other financial assets and financial liabilities are measured at amortised cost.

10. Outlook

10.1. Contingent assets and liabilities

Under the Bond Guarantee Scheme a guarantee for the bond is given to the landlord by Housing SA. In the event of a claim by a landlord, a payment is made by the Fund. Housing SA then reimburses the Fund. The value of bond guarantees lodged at 30 June 2019 is \$57.5 million (2018: \$58 million).

Under the *Residential Tenancies Act 1995*, bonds lodged prior to 9 May 2015 accrue interest which is paid to tenants when a bond is repaid to them. Interest is not paid when a bond is paid to landlords or third parties such as the SA Housing Trust. All bonds lodged after 9 May 2015 (inclusive) will not accrue interest. The interest payable to tenants has not been recorded as a liability as the Fund does not have a present obligation until the tenant lodges a claim for the repayment of the bond.

It is estimated that the contingent interest liability as at 30 June 2019 is \$90 000 (2018: \$95 000).

Residential Tenancies Fund

Notes to and forming part of the financial statements

for the year ended 30 June 2019

10.2. Impact of standards and statements not yet effective

The Fund has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for 2018-19 reporting period and are addressed below in relation to Standards not yet effective and in note 9.1. There are no Accounting Policy Statements that are not yet effective.

AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities

The Fund will adopt AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities from 1 July 2019.

An assessment has been made and there is no impact of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities on the Fund.

AASB 16 – Leases

The Fund will adopt AASB 16 – Leases from 1 July 2019.

Objective

AASB 16 sets out a comprehensive model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. The outcome will be that lease information disclosed will give users of financial statements a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. AASB 16 Leases replaces AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation, and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Impact on 2019-20 financial statements

The Fund has assessed the estimated impact on the Statement of Financial Position of adopting AASB 16 with the transition requirements mandated by the *Treasurer's Instructions (Accounting Policy Statements)*.

AASB 16 requires lessees to recognise assets and liabilities for all leases, not subject to a recognition exemption or scoped out of the application of AASB 16. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position for the first time. Lease incentive liabilities previously recognised will be written off against the right-of-use assets or retained earnings depending on the nature of the incentive.

AASB 16 is expected to have an immaterial impact on the Statement of Financial Position.

10.3. Events after reporting period

There are no known events after balance date that affect these financial statements.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11. Measurement and risk

11.1. Fair value

AASB 13 Fair Value Measurement defines fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Fair value hierarchy

The Commissioner classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

- Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3: not traded in an active market and are derived from unobservable inputs.

Investments are held at level 1. There were no reclassifications during the year.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.2. Financial instruments

Financial risk management

Risk management is managed by the Fund's corporate services section. Fund risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Fund's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Market and credit risk

All cash balances are available at call. Investments held with the Public Trustee are classified as 'fair value through profit and loss' financial assets. Net gains or losses resulting from movements in the fair value of investments are recognised through profit or loss.

Investments represent funds held by the Public Trustee. The Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and international equities. The managers of such vehicles have invested in a variety of financial instruments which expose the Fund to investment risks, including market, credit, interest and currency risk. At reporting date funds totalling \$258 million were invested with the Public Trustee. Pooled investment funds are not rated for credit risk. The Public Trustee considers the credit risk of individual fund managers prior to investing funds and reviews these assessments quarterly.

Other than pooled investments, the Fund has no significant concentration of credit risk.

The Fund is exposed to price risk. Price risk represents the risk that the fair value of investments held with the Public Trustee will fluctuate due to changes in the market price for the underlying asset.

Cash is also subject to interest rate risk.

There have been no changes in risk exposure since the last reporting period.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.2. Financial risk management / financial instruments (continued)

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset and financial liability are disclosed in the respective financial asset/financial liability note.

Classification applicable until 30 June 2018 under *AASB 139 Financial Instruments: Recognition and Measurement*

The carrying amounts are detailed below of each of the following categories of financial assets and liabilities:

- Loan and receivables
- Assets available for sale
- Financial liabilities measured at cost.

Classification applicable from 1 July 2018 under *AASB 9 Financial Instruments*

On initial recognition, a financial asset is classified as measured at amortised cost or fair value through profit and loss.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest only on the principal amount outstanding.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.2. Financial risk management / financial instruments (continued)

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2019 Contractual maturities	
			Within 1 year \$'000	1-5 years \$'000
Financial assets				
Cash and cash equivalents				
Cash and cash equivalents	6.1	3 046	3 046	-
Fair value through profit and loss				
Investments	6.2	258 151	131 554	126 597
Financial assets at amortised cost				
Receivables	6.3	2 926	2 926	-
Total financial assets		264 123	137 526	126 597
Financial liabilities				
Financial liabilities at amortised cost				
Payables	7.2	984	984	-
Security bonds lodged	7.1	208 314	93 708	114 606
Other financial liabilities	7.3	9 445	-	9 445
Total financial liabilities		218 743	94 692	124 051

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2018 Contractual maturities	
			Within 1 year \$'000	1-5 years \$'000
Financial assets				
Cash and cash equivalents				
Cash and cash equivalents	6.1	5 393	5 393	-
Available for sale				
Investments	6.2	241 732	122 456	119 276
Loans and receivables				
Receivables	6.3	5 525	5 525	-
Total financial assets		252 650	133 374	119 276
Financial liabilities				
Financial liabilities at amortised cost				
Payables	7.2	4 372	4 372	-
Security bonds lodged	7.1	196 668	88 705	107 963
Other financial liabilities	7.3	8 680	-	8 680
Total financial liabilities		209 720	93 077	116 643

Receivables and payables

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (for example, audit fees payable to the Auditor-General's Department, etc.). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at amortised cost.

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Your ref: A19/012

31 October 2019

Ms Iryna Reszitaryk
Principal Audit Manager
Auditor-General's Department
Level 9, State Administration Centre
200 Victoria Square
ADELAIDE SA 5000

Dear Ms Reszitaryk,

Management representation letter

Agents Indemnity Fund financial statements for the year ended 30 June 2019

We make the following representation, for your audit of the financial statements of the Agents Indemnity Fund for the year ended 30 June 2019, having made such enquiries as we considered necessary for appropriately informing ourselves and according to the best of our knowledge and belief.

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter dated 20 December 2018 for the preparation of financial statements that give a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards.
2. We have provided you with:
 - (a) access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters
 - (b) additional information that you have requested from us for the purpose of the audit
 - (c) unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence and

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- (d) information regarding all legal issues and legal opinions which have the capacity to be relevant to the control environment and the fair presentation of the financial statements.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud and error. We have established and maintained an effective internal control structure to facilitate the preparation of reliable financial statements, and adequate financial records have been maintained. We have disclosed to you details of all deficiencies in internal control that we are aware of.
5. We have disclosed to you all information about
 - fraud or suspected fraud involving:
 - i. management
 - ii. employees who have significant roles in internal control
 - iii. others where the fraud could have a material effect on the financial statements
 - allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
7. We have disclosed to you all known or suspected instances of non-compliance with laws, regulations, contracts or agreements, the effects of which should be considered when preparing the financial statements.
8. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in line with the financial reporting framework.
9. We believe the significant assumptions used in making accounting estimates (including estimates relating to fair value) are reasonable.
10. All events occurring subsequent to the date of the financial statements and for which the financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
11. There have been no changes in accounting policies or application of those policies that would have a material effect on the financial statements, except as disclosed in the financial statements.

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12. Non-current assets

- (a) The entity has satisfactory title to all assets (excluding those assets held in the name of the Crown), and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- (b) Depreciation on assets has been allocated on a systematic basis over the estimated useful lives of assets. Useful lives and residual values of the assets were reviewed during the reporting period and adjusted where necessary. Any resulting changes were accounted for as a change in accounting estimate.
- (c) We have considered the requirements of accounting standards when assessing whether there are indicators of impairment of assets, and in ensuring that no assets are stated in excess of their recoverable amount.
- (d) We consider the measurement methods (including related assumptions) used to determine the value of assets to be appropriate, consistently applied, and sufficiently disclosed in the financial statements.

13. Liabilities

- (a) We have recognised all liabilities in the financial statements.
- (b) We consider the measurement methods (including related assumptions) used to determine the value of liabilities to be appropriate, consistently applied, and sufficiently disclosed in the financial statements.

14. Contingent liabilities

All material contingent liabilities have been completely and adequately disclosed in the financial statements.

15. Commitments

We have disclosed all material commitments in the financial statements.

16. Related party transactions

- (a) We have disclosed to you the identity of all related parties and related party relationships and transactions of which we are aware.
- (b) We have appropriately accounted for and disclosed such relationships and transactions in line with the requirements of the financial reporting framework.

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17. Uncorrected misstatements

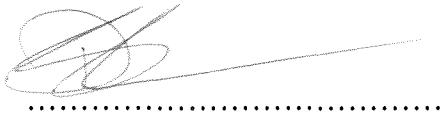
Misstatements within the financial statements identified during the audit have been resolved.

18. Publication on a website

With respect to the publication of the audited financial report on our website, we acknowledge that:

- (a) We are responsible for the electronic publication of the audited financial report.
- (b) We will ensure that the electronic version of the audited financial report and the auditor's report on the website are identical to the final signed hard copy version.
- (c) We will clearly differentiate between audited and unaudited information in the construction of the entity's website as we understand the risk of potential misrepresentation.
- (d) We have assessed the controls over the security and integrity of the data on the website and that adequate procedures are in place to ensure the integrity of the information published.
- (e) We will not present the auditor's report on the full financial report with extracts only of the full financial report.

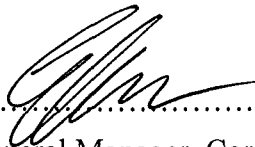
Yours sincerely



.....
Commissioner for Consumer Affairs

31/10/19
.....

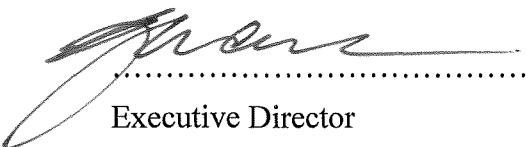
Date:



.....
General Manager, Corporate Services
Consumer and Business Services

31/10/19
.....

Date



.....
Executive Director
Finance, People and Performance
Attorney-General's Department

31/10/19
.....

Date:

Agents Indemnity Fund

Financial Statements

For the year ended 30 June 2019

We certify that the attached general purpose financial statements for the Agents Indemnity Fund:

- comply with relevant Treasurer's Instructions issued under Section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Agents Indemnity Fund; and
- present a true and fair view of the financial position of the Agents Indemnity Fund as at 30 June 2019 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Agents Indemnity Fund for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



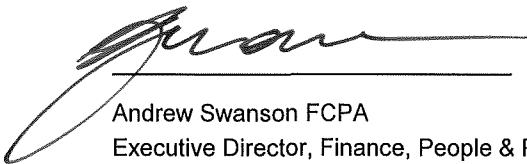
Dini Soulio
Commissioner
Consumer and Business Services

31 October 2019



Eleni Labadas
General Manager, Corporate Services
Consumer and Business Services

31 October 2019



Andrew Swanson FCPA
Executive Director, Finance, People & Performance
Attorney-General's Department

31 October 2019

Agents Indemnity Fund
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Expenses			
Grants and subsidies	3.4	611	640
Compliance and administration	3.1	587	305
Claims expenses	3.3	353	121
Professional expenses	3.2	102	97
Other expenses	3.5	20	19
Total expenses		1 673	1 182
Income			
Interest and investment revenue	4.1	9 212	9 650
Other income	4.2	388	358
Gain on revaluation of investments		214	-
Total income		9 814	10 008
Net result		8 141	8 826
Other comprehensive income			
<i>Items that will be reclassified subsequently to net result when specific conditions are met</i>			
Market value movement of investments		-	672
Total other comprehensive income		-	672
Total comprehensive result		8 141	9 498

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

Agents Indemnity Fund
Statement of Financial Position
as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	5.1	8 473	4 999
Receivables	5.2	2 522	4 350
Investments	5.3	49 340	48 078
Total current assets		60 335	57 427
Non-current assets			
Investments	5.3	92 231	86 969
Total non-current assets		92 231	86 969
Total assets		152 566	144 396
Current liabilities			
Payables	6.1	174	145
Total current liabilities		174	145
Total liabilities		174	145
Net assets		152 392	144 251
Equity			
Investments market value reserve		-	4 150
Retained earnings		152 392	140 101
Total equity		152 392	144 251

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

Agents Indemnity Fund
Statement of Changes in Equity
for the year ended 30 June 2019

	Investments market value reserve	Retained earnings	Total equity
	\$'000	\$'000	\$'000
Balance at 1 July 2017	3 478	131 275	134 753
Net result for 2017-18	-	8 826	8 826
Gains to be taken to equity	672	-	672
Total comprehensive result for 2017-18	672	8 826	9 498
Balance at 30 June 2018	4 150	140 101	144 251
Adjustments on initial adoption of AASB 9	(4 150)	4 150	-
Adjusted balance at 1 July 2018	-	144 251	144 251
Net result for 2018-19	-	8 141	8 141
Total comprehensive result for 2018-19	-	8 141	8 141
Balance at 30 June 2019	-	152 392	152 392

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

Agents Indemnity Fund
Statement of Cash Flows
for the year ended 30 June 2019

		2019 (Outflows) Inflows \$'000	2018 (Outflows) Inflows \$'000
Cash flows from operating activities	Note		
Cash outflows			
Grants and subsidies		(597)	(650)
Compliance and administration		(587)	(305)
Claims		(350)	(125)
Professional costs		(95)	(108)
Other payments		(18)	(18)
Cash used in operations		<u>(1 647)</u>	<u>(1 206)</u>
Cash inflows			
Interest receipts		5 115	4 517
Other receipts		6	3
Cash generated from operations		<u>5 121</u>	<u>4 520</u>
Net cash provided by / (used in) operating activities	7.1	<u>3 474</u>	<u>3 314</u>
Cash flows from investing activities			
Cash outflows			
Purchase of investments		-	(5 500)
Cash used in investing activities		<u>-</u>	<u>(5 500)</u>
Net cash provided by / (used in) investing activities		<u>-</u>	<u>(5 500)</u>
Net increase / (decrease) in cash and cash equivalents		<u>3 474</u>	<u>(2 186)</u>
Cash and cash equivalents at the beginning of the period		4 999	7 185
Cash and cash equivalents at the end of the period	5.1	<u>8 473</u>	<u>4 999</u>

The accompanying notes form part of these financial statements.

Agents Indemnity Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

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Agents Indemnity Fund

Notes to and forming part of the financial statements

for the year ended 30 June 2019

1. About the Agents Indemnity Fund

The Agents Indemnity Fund (the Fund) is established under section 29(1) of the *Land Agents Act 1994* and section 31(1) of the *Conveyancers Act 1994*, and is a not-for-profit entity. The financial statements are required by section 41(2) of the *Land Agents Act 1994* and section 43(2) of the *Conveyancers Act 1994*, and include income, expenses, assets and liabilities which the Commissioner for Consumer Affairs (the Commissioner) administers on behalf of the SA Government.

The Fund does not control any other entity and has no interest in unconsolidated structured entities.

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

For the 2018-19 financial statements the Fund adopted *AASB 9 Financial Instruments* and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019. Further information is provided in note 8.2.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

The Commissioner is liable for goods and services tax (GST). GST collections and payments are carried out by the Attorney-General's Department (AGD) on behalf of the Fund. GST in relation to the Fund is reported in the AGD Controlled Financial Statements.

Income, expenses, receivable, payables and commitments are recognised net of the amount of GST.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Fund has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

1.2. Objectives and programs

The Fund is regulated by the *Land Agents Act 1994* (the Act) and the *Conveyancers Act 1994* and is administered by the Commissioner for Consumer Affairs. It exists to provide compensation for persons who have suffered financial loss as a result of fiduciary default of a land agent or conveyancer and who have no reasonable prospect of recovering the full amount of that loss other than from the Fund.

The Fund's main sources of income are from interest paid to the Fund from Land Agents and Conveyancers trust accounts and interest and distributions derived from the investment of Fund assets in accordance with section 29(2) of the *Land Agents Act 1994*.

1.3. Significant transactions with government related entities

There were no significant transactions with government related entities in 2018-19.

Agents Indemnity Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2. Board, committees and employees

2.1. Key management personnel

Key management personnel of the Fund include the Minister and the Commissioner for Consumer Affairs. The compensation received by the Commissioner is included in the controlled financial statements of the Attorney-General's Department at note 2.1.

The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively, and are payable from the Consolidated Account (via Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

Transactions with key management personnel and other related parties

There were no transactions with key management personnel and other related parties in 2018 and 2019.

3. Expenses

3.1. Compliance and administration

	2019	2018
	\$'000	\$'000
Compliance and administration expenses	587	305
Total compliance and administration expenses	587	305

Compliance and administration expenses of the Fund include payments made to the AGD under section 31(2)(e) of the *Conveyancers Act 1994* and section 29(4)(e) of the *Land Agents Act 1994* as reimbursement for administering the Fund. All payments made from the Fund must meet the requirements in section 31 of the *Conveyancers Act 1994* and section 29 of the *Land Agents Act 1994*.

3.2. Professional expenses

	2019	2018
	\$'000	\$'000
Legal and other professional costs	102	97
Total professional expenses	102	97

Professional costs of the Fund represent expenses associated with audits of land agent and conveyancers trust accounts.

Agents Indemnity Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

3.3. Claims

	2019	2018
	\$'000	\$'000
Claim expenses	353	121
Total claim expenses	353	121

Claim expenses of the Fund represent compensation payments authorised to be made to persons who have suffered financial loss as a result of fiduciary default of a land agent or conveyancer and who have no reasonable prospect of recovering the full amount of that loss other than from the Fund per section 32 of the *Conveyancers Act 1994* and section 30 of the *Land Agents Act 1994*.

3.4. Grants and subsidies

	2019	2018
	\$'000	\$'000
Grants	611	640
Total grants and subsidies	611	640

For grants payable, the grant will be recognised as a liability and expense when the entity has a present obligation to pay the grant and expense recognition criteria are met.

Grants can be either for general assistance or a particular purpose and will usually be subject to terms and conditions set out in a contract, correspondence, or by legislation governing the contribution.

Under section 31(2)(f)(i) of the *Conveyancers Act 1994* and section 29(4)(f)(i) of the *Land Agents Act 1994* the Commissioner for Consumer Affairs may make payments from the Fund for prescribed education programs.

3.5. Other expenses

	2019	2018
	\$'000	\$'000
Other	20	19
Total other expenses	20	19

Included in other are audit fees paid/payable to the Auditor-General relating to work performed under the *Public Finance and Audit Act 1987*. These were \$11 000 (2018: \$10 800). No other services were provided by the Auditor-General's Department.

Agents Indemnity Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

4. Income

4.1. Interest and Investment revenue

	2019	2018
	\$'000	\$'000
Interest from Agents & Conveyancers Trust Accounts	4 915	4 592
Distributions from investments held with Public Trustee	3 257	4 105
Interest on investments held with Public Trustee	952	839
Interest from the Department of Treasury and Finance	88	114
Total interest and investment revenue	9 212	9 650

4.2. Other income

	2019	2018
	\$'000	\$'000
Management fee recovery	382	357
Sundry recoveries	6	1
Total other income	388	358

5. Financial assets

5.1. Cash and cash equivalents

	2019	2018
	\$'000	\$'000
Deposits with the Treasurer	8 473	4 999
Total cash and cash equivalents	8 473	4 999

Cash is measured at nominal value.

Interest rate risk

Deposits at call with the Treasurer earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

5.2. Receivables

	2019	2018
	\$'000	\$'000
Current		
Accrued interest and distributions	1 888	3 609
Accrued interest from Trust Accounts	634	741
Total current receivables	2 522	4 350
Total receivables	2 522	4 350

Receivables related to accrued interest on investments and distributions held with DTF, Public Trustee and trust accounts. They are held with the objective of collecting the contractual cash flows and measured at amortised cost.

It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk. Refer to note 10.2 for further information on risk management.

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5.3. Investments

	2019	2018
	\$'000	\$'000
Current		
Funds invested with the Public Trustee	49 340	48 078
Total current investments	49 340	48 078
Non-current		
Funds invested with the Public Trustee	92 231	86 969
Total non-current investments	92 231	86 969
Total Investments	141 571	135 047

Investments represent funds deposited with the Public Trustee. These investments have been classified as investments held at fair value through profit and loss as they are held with the intention to dispose of the asset if required to ensure sufficient cash flow to meet claim payments on the Fund.

Investments are made by way of notional unit holdings in a selection of common funds managed by the Public Trustee. The proportion of unit holdings is dependent upon the investment strategy adopted.

As at 30 June 2019 the Fund held investments in common funds in the following proportions:

Cash	34.84%
Balanced	35.23%
Capital Stable	29.93%

Investments are measured at fair value in accordance with unit prices at balance date as advised by the Public Trustee.

Investments are classified as either current or non-current. The current investments are the Cash Investments Strategy and the non-current investments are the Balanced and Capital Stable Investments Strategy.

The Fund adopted *AASB 9 Financial Instruments* as of 1 July 2018. Per AASB 9, changes to the fair value of investments which were previously disclosed under Other Comprehensive Income are now disclosed in the Statement of Comprehensive Income. The balance of the 'Investment market value reserve' (2018: \$4.15 million) was transferred to retained earnings on transition.

Revaluation increments and decrements are recognised at fair value through profit and loss. The fair value of assets traded in active markets are based on quoted market prices for identical assets at balance date.

For further information on risk management refer to note 10.2. For further information on the impact of the AASB 9 refer to note 8.2.

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6. Liabilities

6.1. Payables

	2019	2018
	\$'000	\$'000
Current		
Accrued expenses	174	145
Total current payables	<u>174</u>	<u>145</u>
Total payables	<u><u>174</u></u>	<u><u>145</u></u>

Interest rate and credit risk

All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

For further information on risk management refer to note 10.2.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

7. Other disclosures

7.1. Cash flow reconciliation

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

	2019	2018
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	8 473	4 999
Balance as per the Statement of Cash Flows	<u>8 473</u>	<u>4 999</u>
Reconciliation of net cash provided by / (used in) operating activities to net result		
Net cash provided by/(used in) operating activities	3 474	3 314
Add / (less) non-cash Items		
Interest from Public Trustee investments	952	839
Distributions from Public Trustee investments	3 257	4 105
Management fee recovery	382	357
Gain on revaluation of investments	214	-
Movement in assets and liabilities		
Increase/(decrease) in other receivables	(109)	186
(Increase)/decrease in payables	(29)	25
Net result	<u><u>8 141</u></u>	<u><u>8 826</u></u>

Agents Indemnity Fund

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8. Changes in accounting policy

8.1. Treasurer's Instructions (Accounting Policy Statements)

On 22 March 2019 the Treasurer's Instructions (Accounting Policy Statements) 2019 were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report transactions with the SA Government.

These changes, however, do not impact on the amounts reported in the financial statements.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further discussed in note 9.3.

8.2. AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

As part of the adoption of AASB 9, the Fund adopted consequential amendments to other accounting standards and the *Treasurer's Instructions (Accounting Policy Statements)* arising from the issue of AASB 9 as follows:

- *AASB 7 Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

In accordance with transitional provisions and the *Treasurer's Instructions (Accounting Policy Statements)*, *AASB 9 Financial Instruments* was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018.

The adoption of AASB 9 has not had a significant effect on the recognition, measurement or classification of financial liabilities.

Per AASB 9, changes to the fair value of investments which were previously disclosed under Other Comprehensive Income are now disclosed in the Statement of Comprehensive Income. The balance of the 'Investment market value reserve' (2018: \$4.15 million) was transferred to retained earnings on transition.

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8.2. AASB 9 Financial Instruments (continued)

The total impact on the Fund's retained earnings as at 1 July 2018 is as follows:

	2018 \$'000
Closing retained earnings 30 June 2018 – AASB 139	140 101
Adjustment to retained earnings from adoption of AASB 9	4 150
Opening retained earnings 1 July 2018 – AASB 9	144 251

On 1 July 2018, the Fund has assessed and reclassified its financial assets into the appropriate AASB 9 categories depending on the business model and contractual cash flow characteristics applying to the asset. AASB 9 eliminates the AASB 139 categories of loans and receivables and available for sale.

Reclassification of financial instruments on adoption of AASB 9

On the date of initial application, Fund's financial instruments were as follows, with any reclassifications noted.

	Measurement category		AASB 139 at	AASB 9 at 1 July
	AASB 139	AASB 9	30 June 2018 \$'000	2018 \$'000
<u>Current financial assets</u>				
Investments with Public Trustee	Available for sale at fair value	Fair value through profit and loss	48 078	48 078
<u>Non-current financial assets</u>				
Investments with Public Trustee	Available for sale at fair value	Fair value through profit and loss	86 969	86 969

9. Outlook

9.1. Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

The Fund has no commitments contracted for at the reporting date not recognised as liabilities.

9.2. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

The Fund has an estimated contingent obligation to pay \$558 000 (2018: \$183 000) relating to anticipated future claims against the Fund.

The Fund is not aware of any contingent assets at the reporting date.

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9.3. Impact of standards and statements not yet effective

The Fund has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for 2018-19 reporting period and are addressed below in relation to Standards not yet effective and in note 8.1. There are no Accounting Policy Statements that are not yet effective.

AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities

The Fund will adopt AASB 15 – *Revenue from Contracts with Customers* and AASB 1058 – *Income of Not for Profit Entities* from 1 July 2019.

Objective

AASB 15 introduces a 5-step approach to revenue recognition. The objective of AASB 15 is that recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. AASB 15 – *Revenue from Contracts* replaces AASB 111 – *Construction Contracts* and AASB 118 – *Revenue*.

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with AASB 15. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. AASB 1058 replaces parts of AASB 1004 – *Contributions*.

Impact on 2019-20 financial statements

Adopting AASB 15 and AASB 1058 is not expected to have a material impact on the timing of recognition of revenue by the Fund.

AASB 16 - Leases

There is no impact of AASB 16 Leases on the Fund.

9.4. Events after reporting period

There are no known events after balance date that affects these financial statements.

Agents Indemnity Fund

Notes to and forming part of the financial statements

for the year ended 30 June 2019

10. Measurement and risk

10.1. Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Fair value hierarchy

The Commissioner classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

- Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3: not traded in an active market and are derived from unobservable inputs.

Investments are held at level 1. There were no reclassifications during the year.

10.2. Financial instruments

Financial risk management

Risk management is managed by the Fund's corporate services section. Fund risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Fund's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Market and credit risk

All cash balances and cash common funds held with the Public Trustee are available at call. Investments held with the Public Trustee are classified as 'fair value through profit and loss' financial assets. Net gains or losses resulting from movements in the fair value of investments are recognised through the profit and loss.

Investments represent funds held by the Public Trustee. The Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and international equities. The managers of such vehicles have invested in a variety of financial instruments which expose the Fund to investment risks, including market, credit, interest and currency risk. At reporting date funds totalling \$141.5 million were invested with the Public Trustee. Pooled investment funds are not rated for credit risk. The Public Trustee considers the credit risk of individual fund managers prior to investing funds and reviews these assessments quarterly.

Other than pooled investments, the Fund has no significant concentration of credit risk.

The Fund is exposed to price risk. Price risk represents the risk that the fair value of investments held with the Public Trustee will fluctuate due to changes in the market price for the underlying asset.

Cash is also subject to interest rate risk.

There have been no changes in risk exposure since the last reporting period.

Impairment of financial assets

The Fund considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

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10.2. Financial instruments (continued)

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset and financial liability are disclosed in the respective financial asset/ financial liability note.

Classification applicable until 30 June 2018 under AASB 139 Financial Instruments: Recognition and Measurement

The carrying amounts are detailed below of each of the following categories of financial assets and liabilities:

- Available for sale investments
- Loan and receivables
- Financial liabilities measured at cost.

Classification applicable from 1 July 2018 under AASB 9 Financial Instruments

On initial recognition, a financial asset is classified as measured at amortised cost or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest only on the principal amount outstanding.

Agents Indemnity Fund
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10.2. Financial instruments (continued)

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2019 Contractual maturities	
			Less than 1 year \$'000	1-5 years \$'000
Financial assets				
Cash and cash equivalents				
Cash and cash equivalents	5.1	8 473	8 473	-
Fair value through profit and loss				
Investments	5.3	141 571	49 340	92 231
Financial assets at amortised cost				
Receivables	5.2	2 517	2 517	-
Total financial assets		152 561	60 330	92 231
Financial liabilities				
Financial liabilities at amortised cost				
Payables	6.1	163	163	-
Total financial liabilities		163	163	-

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2018 Contractual maturities	
			Less than 1 year \$'000	1-5 years \$'000
Financial assets				
Cash and cash equivalents				
Cash and cash equivalents	5.1	4 999	4 999	-
Available for sale				
Investments	5.3	135 047	48 078	86 969
Loans and receivables				
Receivables	5.2	4 340	4 340	-
Total financial assets		144 386	57 417	86 969
Financial liabilities				
Financial liabilities at amortised cost				
Financial liabilities at cost	6.1	134	134	-
Total financial liabilities		134	134	-

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (for example, audit fees payable to the AGD, etc.). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).