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Your ref: A19/012

31 October 2019

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

Dear Ms Reszitnyk,

**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.

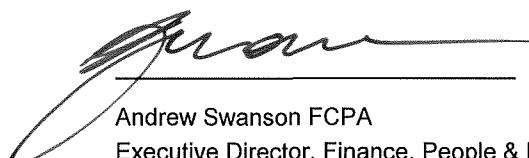
We certify that the internal controls employed by the Agents Indemnity Fund for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



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
<b>Expenses</b>			
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
<b>Total expenses</b>		<b>1 673</b>	<b>1 182</b>
<b>Income</b>			
Interest and investment revenue	4.1	9 212	9 650
Other income	4.2	388	358
Gain on revaluation of investments		214	-
<b>Total income</b>		<b>9 814</b>	<b>10 008</b>
<b>Net result</b>		<b>8 141</b>	<b>8 826</b>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified subsequently to net result when specific conditions are met</i>			
Market value movement of investments		-	672
<b>Total other comprehensive income</b>		<b>-</b>	<b>672</b>
<b>Total comprehensive result</b>		<b>8 141</b>	<b>9 498</b>

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

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*

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

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*

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

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*

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**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*

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**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
<b>Total compliance and administration expenses</b>	<b>587</b>	<b>305</b>

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
<b>Total professional expenses</b>	<b>102</b>	<b>97</b>

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**

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**3.3. Claims**

	2019	2018
	\$'000	\$'000
Claim expenses	353	121
<b>Total claim expenses</b>	<b>353</b>	<b>121</b>

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
<b>Total grants and subsidies</b>	<b>611</b>	<b>640</b>

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
<b>Total other expenses</b>	<b>20</b>	<b>19</b>

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*

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**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
<b>Total interest and investment revenue</b>	<b>9 212</b>	<b>9 650</b>

**4.2. Other income**

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

**5. Financial assets**

**5.1. Cash and cash equivalents**

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

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
<b>Current</b>		
Accrued interest and distributions	1 888	3 609
Accrued interest from Trust Accounts	634	741
<b>Total current receivables</b>	<b>2 522</b>	<b>4 350</b>
<b>Total receivables</b>	<b>2 522</b>	<b>4 350</b>

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.

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

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**5.3. Investments**

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

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.

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

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**6. Liabilities**

**6.1. Payables**

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

**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
<b>Reconciliation of cash and cash equivalents at the end of the reporting period</b>		
Cash and cash equivalents disclosed in the Statement of Financial Position		
<b>Balance as per the Statement of Cash Flows</b>	<b>8 473</b>	<b>4 999</b>
 <b>Reconciliation of net cash provided by / (used in) operating activities to net result</b>		
Net cash provided by/(used in) operating activities	3 474	3 314
 <b>Add / (less) non-cash items</b>		
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	-
 <b>Movement in assets and liabilities</b>		
Increase/(decrease) in other receivables	(109)	186
(Increase)/decrease in payables	(29)	25
<b>Net result</b>	<b>8 141</b>	<b>8 826</b>

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

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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
<b>Closing retained earnings 30 June 2018 – AASB 139</b>	<b>140 101</b>
Adjustment to retained earnings from adoption of AASB 9	4 150
<b>Opening retained earnings 1 July 2018 – AASB 9</b>	<b>144 251</b>

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

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**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.

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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
<b>Financial assets</b>				
<b>Cash and cash equivalents</b>				
Cash and cash equivalents	5.1	8 473	8 473	-
<b>Fair value through profit and loss</b>				
Investments	5.3	141 571	49 340	92 231
<b>Financial assets at amortised cost</b>				
Receivables	5.2	2 517	2 517	-
<b>Total financial assets</b>		<b>152 561</b>	<b>60 330</b>	<b>92 231</b>
<b>Financial liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
Payables	6.1	163	163	-
<b>Total financial liabilities</b>		<b>163</b>	<b>163</b>	<b>-</b>

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
<b>Financial assets</b>				
<b>Cash and cash equivalents</b>				
Cash and cash equivalents	5.1	4 999	4 999	-
<b>Available for sale</b>				
Investments	5.3	135 047	48 078	86 969
<b>Loans and receivables</b>				
Receivables	5.2	4 340	4 340	-
<b>Total financial assets</b>		<b>144 386</b>	<b>57 417</b>	<b>86 969</b>
<b>Financial liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
Financial liabilities at cost	6.1	134	134	-
<b>Total financial liabilities</b>		<b>134</b>	<b>134</b>	<b>-</b>

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).