

# Residential Tenancies Fund

Financial report  
for the year ended  
30 June 2019



Level 9  
State Administration Centre  
200 Victoria Square  
Adelaide SA 5000  
DX 56208  
Victoria Square  
Tel +618 8226 9640  
Fax +618 8226 9688  
ABN 53 327 061 410  
audgensa@audit.sa.gov.au  
www.audit.sa.gov.au

## To the Commissioner for Consumer Affairs Consumer and Business Services, Attorney-General's Department

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 102(2) of the *Residential Tenancies Act 1995*, I have audited the financial report of the Residential Tenancies Fund for the financial year ended 30 June 2019.

### Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Residential Tenancies Fund as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- a Certificate from the Commissioner for Consumer Affairs, Executive Director Finance, People and Performance and the General Manager, Corporate Services.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Residential Tenancies Fund. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

## **Responsibilities of the Commissioner for Consumer Affairs for the financial report**

The Commissioner for Consumer Affairs is responsible for the preparation of the financial report that gives 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, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## **Auditor's responsibilities for the audit of the financial report**

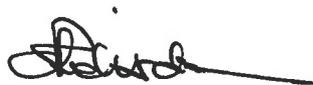
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Residential Tenancies Fund's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner for Consumer Affairs
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Commissioner for Consumer Affairs about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'Andrew Richardson', with a long horizontal line extending to the right.

Andrew Richardson

**Auditor-General**

6 November 2019

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

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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.



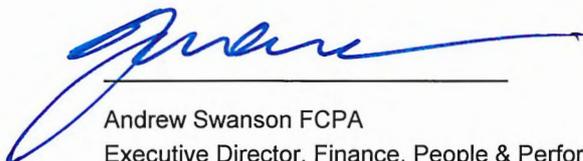
Dini Soulio  
Commissioner  
Consumer and Business Services

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
<b>Expenses</b>			
Compliance and administration	3.1	6 480	6 293
Amortisation	3.2	207	208
Other expenses	3.3	35	32
<b>Total expenses</b>		<b>6 722</b>	<b>6 533</b>
<b>Income</b>			
Interest and investment	4.1	8 167	9 143
Other income	4.2	729	690
Gain on revaluation of investments		294	-
<b>Total income</b>		<b>9 190</b>	<b>9 833</b>
<b>Net cost of providing services</b>		<b>2 468</b>	<b>3 300</b>
<b>Net result</b>		<b>2 468</b>	<b>3 300</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		-	995
<b>Total other comprehensive income</b>		<b>-</b>	<b>995</b>
<b>Total comprehensive result</b>		<b>2 468</b>	<b>4 295</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.

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

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

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
<b>Balance at 1 July 2017</b>	9 176	190	29 437	38 803
Net result for 2017-18	-	-	3 300	3 300
Gains to be taken to equity	995	-	-	995
<b>Total comprehensive result for 2017-18</b>	<b>995</b>	<b>-</b>	<b>3 300</b>	<b>4 295</b>
Transfer to retained earnings of net increment realised on disposal of leasehold improvements	-	(190)	190	-
<b>Balance at 30 June 2018</b>	<b>10 171</b>	<b>-</b>	<b>32 927</b>	<b>43 098</b>
Adjustments on initial adoption of AASB 9	(10 171)	-	10 171	-
<b>Adjusted balance at 1 July 2018</b>	<b>-</b>	<b>-</b>	<b>43 098</b>	<b>43 098</b>
Net result for 2018-19	-	-	2 468	2 468
<b>Total comprehensive result for 2018-19</b>	<b>-</b>	<b>-</b>	<b>2 468</b>	<b>2 468</b>
<b>Balance at 30 June 2019</b>	<b>-</b>	<b>-</b>	<b>45 566</b>	<b>45 566</b>

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

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### 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*

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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 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**

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

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*

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**3.2. Amortisation**

	2019	2018
	\$'000	\$'000
<b>Amortisation</b>		
Intangible assets	207	208
<b>Total amortisation</b>	<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
<b>Auditor's remuneration</b>		
Audit fees *	35	32
<b>Total other expenses</b>	<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
<b>Total interest and investment revenues</b>	<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*

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**4.2. Other income**

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

**5. Non-financial assets**

**5.1. Intangible assets**

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

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*

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**5.1. Intangible assets (continued)**

**Reconciliation 2018-19**

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

**Reconciliation 2017-18**

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

**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
<b>Total cash and cash equivalents</b>	<b>3 046</b>	<b>5 393</b>

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
<b>Current</b>		
Investments at Fair Value through Profit and Loss	131 554	122 456
<b>Total current investments</b>	<b>131 554</b>	<b>122 456</b>
<b>Non-current</b>		
Investments at Fair Value through Profit and Loss	126 597	119 276
<b>Total non-current investments</b>	<b>126 597</b>	<b>119 276</b>
<b>Total investments</b>	<b>258 151</b>	<b>241 732</b>

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*

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**6.3. Receivables**

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

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
<b>Current</b>		
Bonds lodged	93 708	88 705
<b>Total current security bonds lodged</b>	<b>93 708</b>	<b>88 705</b>
<b>Non-current</b>		
Bonds lodged	114 606	107 963
<b>Total non-current security bonds lodged</b>	<b>114 606</b>	<b>107 963</b>
<b>Total security bonds lodged</b>	<b>208 314</b>	<b>196 668</b>

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
<b>Current payables</b>		
Creditors	984	4 372
Accrued expenses	32	32
<b>Total current payables</b>	<b>1 016</b>	<b>4 404</b>
<b>Total payables</b>	<b>1 016</b>	<b>4 404</b>

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*

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**7.3. Other liabilities**

	2019	2018
	\$'000	\$'000
<b>Non-current</b>		
Other liabilities	9 445	8 680
<b>Total non-current other liabilities</b>	<u>9 445</u>	<u>8 680</u>
<b>Total other liabilities</b>	<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
<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	3 046	5 393
<b>Balance as per the Statement of Cash Flows</b>	<u>3 046</u>	<u>5 393</u>
<b>Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services</b>		
Net cash provided by/(used in) operating activities	3 878	12 496
<b>Add / (less) non-cash Items</b>		
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	-
<b>Movement in assets and liabilities</b>		
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)
<b>Net cost of providing services</b>	<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

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## 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:

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

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

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**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 at 30 June 2018 \$'000	AASB 9 at 1 July 2018 \$'000
	AASB 139	AASB 9		
<b><u>Current financial assets</u></b>				
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
<b><u>Non-current financial assets</u></b>				
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*

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#### **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*

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**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*

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#### **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*

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**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
<b>Financial assets</b>				
<b>Cash and cash equivalents</b>				
Cash and cash equivalents	6.1	3 046	3 046	-
<b>Fair value through profit and loss</b>				
Investments	6.2	258 151	131 554	126 597
<b>Financial assets at amortised cost</b>				
Receivables	6.3	2 926	2 926	-
<b>Total financial assets</b>		<b>264 123</b>	<b>137 526</b>	<b>126 597</b>
<b>Financial liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
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
<b>Total financial liabilities</b>		<b>218 743</b>	<b>94 692</b>	<b>124 051</b>

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2018 Contractual maturities	
			Within 1 year \$'000	1-5 years \$'000
<b>Financial assets</b>				
<b>Cash and cash equivalents</b>				
Cash and cash equivalents	6.1	5 393	5 393	-
<b>Available for sale</b>				
Investments	6.2	241 732	122 456	119 276
<b>Loans and receivables</b>				
Receivables	6.3	5 525	5 525	-
<b>Total financial assets</b>		<b>252 650</b>	<b>133 374</b>	<b>119 276</b>
<b>Financial liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
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
<b>Total financial liabilities</b>		<b>209 720</b>	<b>93 077</b>	<b>116 643</b>

**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.