BUILDING INSURERS' GUARANTEE CORPORATION
FAIR TRADING ADMINISTRATION CORPORATION
MOTOR VEHICLE REPAIR INDUSTRY AUTHORITY

ANNUAL REPORT 2008-2009

Contents

Letter to Parliament

The Hon Virginia Judge MP
Minister for Fair Trading
Minister for Citizenship
and Minister Assisting the Premier on the Arts
Level 36, 1 Farrer Place
SYDNEY NSW 2000

Dear Minister

I am pleased to present in this single volume the Annual Report for the year ended 30 June 2009 for the:

- Building Insurers' Guarantee Corporation,
- Fair Trading Administration Corporation, and
- Motor Vehicle Repair Industry Authority

The reports have been prepared for presentation to the Parliament of New South Wales in accordance with the requirements of the *Annual Reports (Statutory Bodies) Act 1984* and of the statutory reporting requirements of the *Home Building Act 1989*.

Yours sincerely

Graeme Head
Director General

ISSN 1832-1593
Building Insurers' Guarantee Corporation
Fair Trading Administration Corporation
Motor Vehicle Repair Industry Authority
Sydney NSW Australia
October 2009

Overview

In 2002-03, the New South Wales Government established the Department of Commerce. The former Department of Fair Trading was renamed as the Office of Fair Trading and was incorporated within that broader agency while retaining its original role and responsibilities to the people of New South Wales. The Home Building Service, which manages the operations of both the Fair Trading Administration Corporation (FTAC) and Building Insurers' Guarantee Corporation (BIG Corp), is a Division of Fair Trading. The Motor Vehicle Repair Industry Authority (MVRIA) was integrated into the Office of Fair Trading in May 2008.

Annual reporting information relevant to the two corporations and the authority therefore appears in two forms:

- In this volume - separate financial reports and simple activity reports for both corporations and the authority; and
- In the 2008-2009 Annual Report of the Department of Commerce - information on the management, human resources, business support and financial administration of the Office of Fair Trading.

Access

Persons making home warranty insurance claims against either of the schemes managed by Fair Trading can obtain access via any Fair Trading Centre or the Fair Trading website. The public access offices are located at 24 locations around NSW – including 18 in regional and rural areas and are open between 8:30am and 5:00pm. While the website address is
http://www.fairtrading.nsw.gov.au/building/homeowners/hihrescuepackage.html

Information is also available from the Fair Trading Information Centre on telephone number: **13 32 20**.

The Home Building Service is located at Fair Trading's head office at:

Level 4, 1 Fitzwilliam Street
Parramatta NSW 2150
Telephone: 1300 554 668

The Insurance Services Branch is located at:

Level 8, 2-24 Rawson Place
Sydney
Telephone: 9777 8683
PO Box 972 Parramatta NSW, 2124

Consumers and the trade seeking the service of the Motor Vehicle Repair Industry Authority are now able to access information and services between 8:30am and 5:00pm through the network of 24 Fair Trading Centres located throughout New South Wales, or by phoning the Fair Trading Information Centre on 13 32 20 which provides a single, convenient point of access for enquiries. Licensing and certification services are provided by the new whole-of-government Government Licensing Service, dispute mediation services are now part of Fair Trading's state-wide Customer Services Division and compliance activities are integrated into Fair Trading's Compliance and Enforcement Division.

Annual Report Production

No external costs have been incurred in the writing, preparation or printing of this annual report. Printing of minimal quantities has been accomplished by laser printing and photocopying as required. Non-printed copies are available through the NSW Fair Trading website.

Neither of the corporations or the authority exists as a discrete operational entity. Overall responsibility for their functions rests with the Commissioner for Fair Trading, with day-to-day operational management being undertaken by Fair Trading within the Department of Commerce. The corporations and the authority are required to produce an annual report and this responsibility resides with the Commissioner for Fair Trading. In the interests of cost effectiveness and of presenting an overview of each entity, the obligations of all three are discharged in this single volume.

Website availability

The NSW Fair Trading home page is at: **www.fairtrading.nsw.gov.au**

From the home page go to: Publications/Publications corporate/Annual reports.

Building Insurers' Guarantee Corporation

Charter, aims & objectives

The Building Insurers' Guarantee Corporation (BIG Corp) and the Building Insurers' Guarantee Fund were set up on 30 June 2001 to function as the Government's rescue package for consumers of insured builders who were affected by the financial collapse of the HIH Insurance Group in March 2001. This collapse had significant implications for holders of HIH and FAI home warranty insurance policies.

The collapse of HIH created, among other things, many serious home warranty difficulties for consumers, builders and developers in New South Wales. Consumers with unfinished or faulty building work found themselves unable to claim against what had become worthless policies. Builders, contractors and developers found themselves without current home warranty insurance coverage which was required under the *Home Building Act 1989*.

BIG Corp is itself administered by the Office of Fair Trading through the Insurance Services Branch of the Home Building Service, drawing upon the Policyholders Protection Fund administered by Treasury for its claims payment capital.

The legislative framework for the package was introduced through the *Insurance (Policyholders Protection) Legislation Amendment Act 2001*, commencing on 30 June 2001, as an amendment to the *Home Building Act 1989*. In particular, the Act established the Building Insurers' Guarantee Fund – to be administered by the Building Insurers' Guarantee Corporation.

The Fund provides insurance cover for homeowners to the same extent that would have applied under home warranty policies issued by the HIH Group. Builders and developers are expressly prevented from claiming on the State indemnity.

Apart from claims processing within the scope of the respective parts of the Act, the corporation is not intended to have any other role in respect of residential home building in NSW.

The corporation does not generate income, nor does it manage the investment of any funds. For claims payment capital they rely exclusively on drawings from NSW Treasury.

BIGCorp, which was set up in June 2001, may accept claims for incomplete work for one year after work has ceased and for defective work, seven years from the date of completion of the work that is the subject of the claim.

Management & structure

The Corporation's activities are managed by the Insurance Services Branch of Home Building Service within the Office of Fair Trading.

Claims processing

Originally, BIG Corp claims processing was carried out by Echelon Australia (formerly Strategic Claims Solutions), a division of Jardine Lloyd Thompson. The firm operated under contract to the Office of Fair Trading to process the ex-HIH and ex-FAI home warranty insurance claims.

However, in early 2006 the decision was taken by Government to bring the management of claims in-house so that the Insurance Services Branch would receive and directly process claims. This change was effective from 1 July 2006. Outsourcing costs were to some extent replaced by the need for additional staff within Insurance Services Branch. However, this was seen as a more effective means of dealing with the various parties to the claims.

Information on claims administered during 2008-09 is given below. It should be noted that, during the reporting year, the corporation received $12.5 million from McGrath Nichol and Partners (Liquidators) as a distribution from the liquidation of the assets/liabilities of HIH, FAI and CIC Insurance Companies.

Statistics for the 2008-09 Financial Year

New claims	52
Number of Current claims being managed	192
Number of Claims paid	166
Value of claims paid	$28.2m

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Building Insurers' Guarantee Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Building Insurers' Guarantee Corporation (the Corporation), which comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Corporation as at 30 June 2009, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

My opinion should be read in conjunction with the rest of this report.

Significant Uncertainty Regarding the Outstanding Claims Provision

Without qualification to the opinion expressed above, I draw attention to the outstanding claims provision relating to the Corporation's administration of the Building Insurers' Guarantee Fund disclosed in Note 7. Whilst the liability is calculated using a standard actuarial approach, there is significant uncertainty associated with the estimate of the provision and related expense item. This uncertainty arises because of the variability of claims costs.

The Commissioner's Responsibility for the Financial Report

The Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the Corporation,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

Heather Watson

Heather Watson
Director, Financial Audit Services

15 October 2009
SYDNEY

STATEMENT BY COMMISSIONER

In accordance with section 41C of the *Public Finance and Audit Act*, 1983 I state that:

(1) the accompanying financial statements exhibit a true and fair view of the financial position of the Building Insurers' Guarantee Corporation as at 30 June 2009 and transactions for the period 1 July 2008 to 30 June 2009;

(2) the statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act,* 1983, the *Public Finance and Audit Regulation,* 2005 and the Treasurer's Directions.

Further, I am not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

On behalf of the Corporation

BRIAN BAKER
A/Director General
Department of Services, Technology & Administration

Dated at Sydney 15th October 2009

BUILDING INSURERS' GUARANTEE CORPORATION

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 $'000	2008 $'000
Revenue			
Grants and Contributions	1(f),2(a)	33,900	23,829
Interest Income	2(b)	29	61
Other		97	80
Total Revenue		**34,026**	**23,970**
Expenses			
Administrative Services	1(a),3(a)	3,418	1,785
Other Operating Expenses	3(b)	3,966	3,444
Net Insurance Claims and Provisions	3(c)	62,755	25,310
Total Expenses		**70,139**	**30,539**
SURPLUS/(DEFICIT) FOR THE YEAR	8	(36,113)	(6,569)

The accompanying notes form part of these statements.

BUILDING INSURERS' GUARANTEE CORPORATION

STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 $'000	2008 $'000
Total Income and Expense recognised directly in equity			
Surplus/(Deficit) for the year	8	(36,113)	(6,569)
Total Income and Expenses recognised for the Year		(36,113)	(6,569)

The accompanying notes form part of these statements.

BUILDING INSURERS' GUARANTEE CORPORATION

BALANCE SHEET
AS AT 30 JUNE 2009

	Notes	2009 $'000	2008 $'000
ASSETS			
Current Assets			
Cash	4	197	809
Receivables	5	61	75
Total Current Assets		**258**	**884**
Non-Current Assets			
Receivables	5	1,533	2,076
Total Non-Current Assets		**1,533**	**2,076**
TOTAL ASSETS		**1,791**	**2,960**
LIABILITIES			
Current Liabilities			
Payables	6	221	199
Provisions - Outstanding Claims	7	27,892	17,833
Total Current Liabilities		**28,113**	**18,032**
Non-Current Liabilities			
Provisions - Outstanding Claims	7	83,698	58,835
Total Non-Current Liabilities		**83,698**	**58,835**
TOTAL LIABILITIES		**111,811**	**76,867**
NET LIABILITIES		**110,020**	**73,907**
EQUITY			
Accumulated Deficit	8	110,020	73,907
ACCUMULATED DEFICIT		**110,020**	**73,907**

The accompanying notes form part of these statements.

BUILDING INSURERS' GUARANTEE CORPORATION

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 $'000	2008 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants Received		33,900	23,829
Interest received		62	34
Other		97	80
Total Receipts		**34,059**	**23,943**
Payments			
Operating and Insurance Claim Payments		(34,671)	(23,621)
Total Payments		**(34,671)**	**(23,621)**
NET CASH FLOWS FROM OPERATING ACTIVITIES	11	**(612)**	**322**
NET INCREASE/(DECREASE) IN CASH		(612)	322
OPENING CASH AND CASH EQUIVALENTS		809	487
CLOSING CASH AND CASH EQUIVALENTS	4	**197**	**809**

The accompanying notes form part of these statements.

BUILDING INSURERS' GUARANTEE CORPORATION

FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Building Insurers' Guarantee Corporation is a Reporting Entity established under the *Home Building Act*, 1989. The Corporation is a not-for-profit entity with no cash generating units. The administrative functions for the Corporation are performed by the Office of Fair Trading and costs associated with these functions are paid for on an operational basis in relation to activities performed (refer Note 3).

The Corporation was set up in June 2001 to administer building consumer claims on the Government's HIH rescue package, the Building Insurers Guarantee Fund. The Corporation does not generate income and claims payments are funded by drawings from the Builder Insurers' Guarantee Fund in accordance with Section 103P(3b) of the *Home Building Act, 1989.*

This financial report for the year ended 30 June 2009 has been authorised for issue by the A/Director General, Department of Services, Technology and Administration on 13th October 2009.

(b) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with:

- Applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the Public Finance and Audit Act 1983
- Financial Reporting Directions issued by the Treasurer under Section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets held for trading and available for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention.

Judgement, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Insurance

A full comprehensive range of insurances covering areas such as Workers Compensation, Motor Vehicles, Fidelity Guarantee, Public Liability, and Industrial Special Risk is carried by the Office of Fair Trading with the Treasury Managed Fund. This coverage extends to the operations of the Building Insurers' Guarantee Corporation. These insurance covers are reviewed periodically to ensure they are adequate.

(e) Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- The amount of GST incurred by the agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- Insurance claim expenses (claims paid) are represented in the statements gross of GST as the authority is not entitled to claim input tax credits due to no direct association with the original expense;
- Receivables and payables are stated with the amount of GST included.

Cash flows are included in the Cash Flow Statement on a gross basis. However, the GST component of cash flows arising from investing and financing activities which is coverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(f) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

(i) Grants and Contributions

Grants and contributions from other bodies are recognised as revenue when the Corporation obtains control over the relevant assets or receipts of cash.

(ii) Investment Income

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

(g) Funding Arrangements

NSW Treasury provides funding to the Corporation for all approved claim payments.

(h) Provisions

A provision for outstanding claims is recognised when the Corporation has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. When some or all of the economic benefits required to settle the provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is based on an actuarial valuation conducted by Finity Consulting which considers the best estimate required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. The provision is measured using the cashflows estimated to settle the present obligation.

(i) Payables

These amounts represent liabilities for goods and services provided to Corporation and other amounts, including interest. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(j) New Australian Accounting Standards Issued But Not Effective

At reporting date a number of Accounting Standards adopted by the AASB had been issued but are not yet operative. New South Wales Treasury has mandated not to early adopt any of the new Standards / Interpretations as per Treasury Circular TC 09/03. As such, these new Standards / Interpretations have not been early adopted by the Building Insurers' Guarantee Corporation.

It is considered that the implementation of these Standards will not have any material impact on the Corporation's financial results.

(k) Impairment Policy

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

(l) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

2. REVENUE

(a) Grants and Contributions

	2009 $'000	2008 $'000
Grants from NSW Treasury	33,900	23,829
	33,900	**23,829**

(b) Interest Income

Interest received on Bank account	29	61
	29	**61**

The Corporation was constituted under the *Insurance (Policyholders Protection) Legislation Amendment Act*, 2001. Grants are received from the Crown to provide for the payment of claims under the home insurance policies of insolvent insurers, and for the administrative costs of the Corporation.

3. EXPENSES

(a) Administrative Services

	2009 $'000	2008 $'000
Administrative Service Fee	3,418	1,785
	3,418	**1,785**

(b) Other Operating Expenses

Audit Fees	23	27
Debt recovery expense	1,035	1,074
Appeals	779	671
Other	2,129	1,672
	3,966	**3,444**

(c) Insurance Claims and Provisions

Claims Paid		28,192	20,699
Less:	Claims subject to recovery	(28,192)	(19,599)
(Less)/Add:	Provision for outstanding claims	34,922	6,965
	Allowance for doubtful debts	(26,575)	3,864
	Bad Debts	54,408	13,381
		62,755	**25,310**

4. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at Bank	197	809
	197	**809**

Cash comprise bank balances with Westpac Banking Corporation. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury. The average rate for the period was 4.69% (30 June 2008: 5.82%).

For the purposes of the Cash Flow Statement, cash includes money deposited with banks.

Cash assets recognised in the Balance Sheet are reconciled to cash at the end of financial year as shown in the Cash Flow Statement as follows:

Cash and cash equivalents (per Balance Sheet)	197	809
Closing Cash and Cash Equivalents (per Cash Flow Statement)	**197**	**809**

5. CURRENT/NON CURRENT ASSETS - RECEIVABLES

	2009 $'000	**2008 $'000**
Current Assets		
Input Taxes	50	31
Accrued Interest	11	44
Amounts owed by the Office of Fair Trading	-	-
	61	**75**
Non Current Assets		
Debtors (i)	76,665	103,783
Less: Allowance for doubtful debts (ii)	(75,132)	(101,707)
	1,533	**2,076**

(i) Section 103P of the *Home Building Act*, 1989 provides that the Corporation may recover the amounts for claims paid.

(ii) Allowance for doubtful debts has been assessed at 98%.

Sale of goods and services - allowance for impairment		
Balance at July 1	101,707	97,843
Amounts written off during the year	(54,408)	(13,381)
Increase/(decrease) in allowance recognised in profit or loss	27,833	17,245
Balance at 30 June	**75,132**	**101,707**

6. CURRENT LIABILITIES - PAYABLES

Creditors		62
Accrued Expenses	221	137
	221	**199**

7. CURRENT/NON CURRENT LIABILITIES - PROVISIONS - OUTSTANDING CLAIMS

	2009 $'000	2008 $'000
Current Outstanding Claims	27,892	17,833
Non-Current Outstanding Claims	83,698	58,835
Total Outstanding Claims	**111,590**	**76,668**

Opening balance:	76,668	69,703
Add: Additional provision recognised	63,114	27,664
Less: Claims paid	(28,192)	(20,699)
Carrying amount at end of year	**111,590**	**76,668**

Finity Consulting Pty Limited carried out an Actuarial Review of home warranty claims as at 30 June 2009. The purpose of this review was to ascertain the possible liability of the Building Insurers' Guarantee Corporation. The outstanding claim estimate of $111.6 million, ($76.7 million 2008) does not include a risk margin for possible adverse deviation from the central estimate. The claim estimate includes allowance for the cost of claims administration. The discount rate used for the valuation of outstanding claims as at 30 June 2009 is 5.1% (6.7% 2008) per annum.

The actuarial review highlighted the considerable uncertainty in the outstanding claim estimates due to the lack of data and the variability of claim costs. As various elements of the liability could be significantly under or over estimated, the ultimate cost could be outside the actuary's estimate.

8. CHANGES IN EQUITY

Balance at the beginning of financial year	(73,907)	(67,338)
Surplus/(Deficit) for the year	(36,113)	(6,569)
Balance at the end of the financial year	(110,020)	(73,907)

9. CONTINGENT LIABILITIES

The Corporation is currently involved in 18 (30 June 2008: 93) legal matters where financial settlement and costs may be awarded against it. It is estimated that these costs may total $36,285,000 (30 June 2008: $2,404,000).

10. COMMITMENTS FOR EXPENDITURE

There are no commitments for capital or other expenditure or commitments for leases at balance date
(NIL - 30 June 2009).

11. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING SURPLUS

Operating Surplus/(Deficit)	**(36,113)**	**(6,569)**
Changes in Asset and Liabilities		
Decrease/(Increase) in debtors	556	(69)
(Decrease)/Increase in outstanding claims	34,922	6,965
(Decrease)/Increase in payables	23	(5)
Net Cash Provided by Operating Activities	**(612)**	**322**

12. ADMINISTERED REVENUE

	2009 $'000	**2008 $'000**
Reinsurance Recoveries (i)	10,255	13,229
Administrators Dividend Distribution (ii)	2,219	10,074
	12,474	**23,303**

(i) Section 103V of the *Home Building Act, 1989* provides that the Corporation may recover from the reinsurer and pay into the Building Insurers' Guarantee Fund the amount due under contract or arrangement.

(ii) Section 103U of the *Home Building Act*, 1989 provides that the Corporation may accept on behalf of the State any assignment from liquidators of an insolvent insurer.

13. FINANCIAL INSTRUMENTS

The Corporation's principal financial instruments are outlined below. These financial instruments arise directly from the Corporation's operations or are required to finance its operations. The Corporation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Building Insurers' Guarantee Corporation's financial instruments include cash, receivables and payables.

(a) Financial Instrument Categories

Financial Assets	Note	Category	Carrying Amount $'000	Carrying Amount $'000
Class:				
Cash and cash equivalents	4	Not applicable	197	809
Receivables*	5	Loans and receivable (at amortised cost)	11	44
Class:				
Payables**	6	Financial liabilities measured at amortised cost	221	199

* Excludes statutory receivables (eg GST) and prepayments (ie not within scope of AASB 7)

** Excludes statutory payables (eg GST) and unearned revenue (ie not within scope of AASB 7)

(b) Credit Risk

Credit risk arises when there is the possibility of the Corporation's debtors defaulting on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Corporation, including cash and receivables. Cash is held within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation 11am unofficial cash rate adjusted for a management fee to Treasury.

The Corporation's debtors do not include trade debtors but rather arise out of claims payments.

(c) Liquidity Risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment or risk.

The Corporation does not generate income and claims payments are funded from the Policy Holders Protection Fund established under the Insurance Protection Tax Act 2001 and administered by New South Wales Treasury.

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation has no exposure to foreign currency risk and does not enter into commodity contracts.

Interest Risk - Cash Facility

Exposure to "interest risk" primarily arises through the investment in cash facilities. The Corporation has no direct equity investments. The Corporation holds units in the following facilities:

	$,000				
	Carrying Amount	**Profit -1%**	**Equity -1%**	**Profit 1%**	**Equity 1%**
2009					
Financial Assets					
Cash and cash equivalents	197	(2)	(2)	2	2
2008					
Financial Assets					
Cash and cash equivalents	809	(8)	(8)	8	8

(e) Fair Value

Financial instruments are generally recognised at cost which are subsequently measured at fair value.

The amortised cost of financial instruments recognised in the balance sheet approximates the fair value, because of the short-term nature of many of the financial instruments.

14. AFTER BALANCE DATE EVENTS

The Corporation is not aware of any circumstances that occurred after balance date that would render particulars included in the financial statements to be misleading

END OF AUDITED FINANCIAL STATEMENTS

Fair Trading Administration Corporation

Charter, aims & objectives

Between 1972 and 1997 various government-run insurance schemes were in place in New South Wales to protect consumers from loss where a homebuilder performed faulty or incomplete work or became insolvent. The introduction of the private home warranty insurance scheme in May 1997 followed on from the integration of the Building Services Corporation (BSC) into the then Department of Fair Trading and the subsequent closure of the last such government-run insurance scheme.

Following the closure of the government-funded Comprehensive and Special Insurance Schemes in May 1997 the Government continued to be responsible for claims for general defects until May 2000 and for structural defects till 30 April 2004. These claims are administered by the Fair Trading Administration Corporation (FTAC). The corporation is itself administered by the Office of Fair Trading through the Insurance Services Branch within the Home Building Service.

The FTAC scheme's assets have been exhausted and all claims are now being funded from the New South Wales Government's consolidated funds. While the Scheme closed on 30 April 2004 the *Home Building Act 1989* provided for the Commissioner for Fair Trading to exercise discretion to accept claims for an additional three years, i.e. up to the end of April 2007.

Apart from claims processing, within the scope of the respective parts of the Act, the corporation is not intended to have any other role in respect of residential home building in NSW.

Management & structure

The Corporation's activities are managed by the Insurance Services Branch of the Home Building Service within the Office of Fair Trading.

Claims processing

The claims paid in 2008-09 covered losses primarily from work classified as major structural defects in houses and home units as shown below:

Statistics for the 2008-09 Financial Year

New claims	3
Re-opened claims	3
Number of Current claims being managed	6
Number of Claims paid	6
Value of claims paid	$441,694

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Fair Trading Administration Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Fair Trading Administration Corporation (the Corporation), which comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Corporation as at 30 June 2009, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

My opinion should be read in conjunction with the rest of this report.

The Director-General's Responsibility for the Financial Report

The Director-General is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the Corporation,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

Heather Watson
Director, Financial Audit Services

13 October 2009
SYDNEY

STATEMENT BY COMMISSIONER

In accordance with section 41C of the Public Finance and Audit Act 1983 I state that:

(1) the accompanying financial statements exhibit a true and fair view of the financial position of the Fair Trading Administration Corporation as at 30 June 2009 and transactions for the year then ended.

(2) the statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005 and the Treasurer's Directions.

Further, I am not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

On behalf of the Corporation

BRIAN BAKER
A/Director General
Department of Services, Technology & Administration

Dated at Sydney 13 October 2009

FAIR TRADING ADMINISTRATION CORPORATION

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 $'000	2008 $'000
Revenue			
Grants and Contributions	1(f), 2(a)	5,200	5,600
Interest Income	1(f), 2(b)	402	448
Other Revenue		8	55
Total Revenue		**5,610**	**6,103**
Expenses			
Administrative Services	1(a),3(a)	629	2,109
Other Operating Expenses	3(b)	928	852
Net Insurance Claims and Provisions	3(c)	4,524	(13,379)
Total Expenses		**6,081**	**(10,418)**
SURPLUS / (DEFICIT) FOR THE YEAR	9	**(471)**	**16,521**

The accompanying notes form part of these statements.

FAIR TRADING ADMINISTRATION CORPORATION

STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 $'000	2008 $'000
Net Income and Expense Recognised Directly in Equity			
Surplus / (Deficit) for the year	9	(471)	16,521
Total Income and Expenses Recognised For the Year		(471)	16,521

The accompanying notes form part of these statements.

FAIR TRADING ADMINISTRATION CORPORATION

BALANCE SHEET
AS AT 30 JUNE 2009

	Notes	2009 $'000	2008 $'000
ASSETS			
Current Assets			
Cash	4	8,862	6,141
Receivables	5	227	600
Total Current Assets		**9,089**	**6,741**
Non-Current Assets			
Receivables	6	65	276
Total Non-Current Assets		**65**	**276**
TOTAL ASSETS		**9,154**	**7,017**
LIABILITIES			
Current Liabilities			
Payables	7	330	1,811
Provisions:			
Outstanding Claims	8	9,591	7,778
Admin Costs- Outstanding Claims	8	743	1,364
Total Current Liabilities		**10,664**	**10,953**
Non-Current Liabilities			
Provisions:			
Outstanding Claims	8	5,686	2,581
Admin Costs- Outstanding Claims	8	574	782
Total Non-Current Liabilities		**6,260**	**3,363**
TOTAL LIABILITIES		**16,924**	**14,316**
NET LIABILITIES		**7,770**	**7,299**
EQUITY			
Accumulated Deficit	9	7,770	7,299
ACCUMULATED DEFICIT		**7,770**	**7,299**

The accompanying notes form part of these statements.

FAIR TRADING ADMINISTRATION CORPORATION

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 $'000	2008 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants and Contributions		5,200	5,600
License Fees, Premiums and Miscellaneous Income		245	(159)
Interest Received		530	238
Insurance Recoveries		205	(2,043)
Total Receipts		**6,180**	**3,636**
Payments			
Operating and Insurance Claim Payments		(3,459)	676
Total Payments		**(3,459)**	**676**
NET CASH PROVIDED BY OPERATING ACTIVITIES	13	**2,721**	**4,312**
NET INCREASE/(DECREASE) IN CASH		2,721	4,312
OPENING CASH AND CASH EQUIVALENTS		6,141	1,829
CLOSING CASH AND CASH EQUIVALENTS	4	**8,862**	**6,141**

The accompanying notes form part of these statements.

FAIR TRADING ADMINISTRATION CORPORATION

FOR THE YEAR ENDED 30 JUNE 2009

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Fair Trading Administration Corporation is a Reporting Entity established under the *Home Building Act*, 1989. The Corporation is a not-for-profit entity with no cash generating units. The administrative functions for the Corporation are performed by the Office of Fair Trading and costs associated with these functions are paid for on an operational basis in relation to activities performed.

The Corporation was established in 1997 to administer claims on the Government's then statutory home warranty insurance scheme, which closed new policies when the private home warranty insurance scheme was introduced on 1 May 1997. The Corporation does not generate income and claims payments are funded by drawings from New South Wales Treasury.

This financial report for the year ended 30 June 2009 has been authorised for issue by the A/Director General of the Department of Services, Technology and Administration on the 13th October 2009.

(b) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with:

- Applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the Public Finance and Audit Act 1983 and Regulation; and
- Financial Reporting Directions issued by the Treasurer under Section 9 (2) (n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets held for trading and available for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention.

Judgement, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Insurance

A full comprehensive range of insurances covering areas such as Workers Compensation, Motor Vehicles, Fidelity Guarantee, Public Liability, and Industrial Special Risk is carried by the Office of Fair Trading with the Treasury Managed Fund. This coverage extends to the operations of the Fair Trading Administration Corporation. These insurance covers are reviewed periodically to ensure they are adequate.

(e) Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- the amount of GST incurred by the agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- insurance claim expenses (claims paid) which are represented in the statements gross of GST as the authority is not entitled to claim input tax credits due to no direct association with the original expense.
- receivables and payables are stated inclusive of GST.

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

(f) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

(iii) Grants and Contributions

Grants and contributions from other bodies are recognised as revenue when the Corporation obtains control over the relevant assets or receipts of cash.

(iv) Investment Income

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

(g) Provisions

A provision for outstanding claims is recognised when the Corporation has a present obligation, the future sacrifice of economic benefits is probable and the amount of the

provision can be measured reliably. A receivable is recognised if it is virtually certain that recovery will be received from a third party and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. The provision is measured using the cashflows estimated to settle the present obligation.

(h) Liabilities

Payables

These amounts represent liabilities for goods and services provided to Corporation and other amounts, including interest. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(i) New Australian Accounting Standards Issued But Not Effective

At reporting date a number of Accounting Standards adopted by the AASB had been issued but are not yet operative. New South Wales Treasury has mandated not to early adopt any of the new Standards / Interpretations as per Treasury Circular TC 09/03. As such, these new Standards / Interpretations have not been early adopted by the Fair Trading Administration Corporation.

It is considered that the implementation of these Standards will not have any material impact on the Corporation's financial results.

(j) Impairment Policy

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

(k) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

2. REVENUE

(a) Grants and Contributions

	2009 $'000	2008 $'000
Grants from NSW Treasury	5,200	5,600
	5,200	**5,600**

(b) Interest Income

	2009 $'000	2008 $'000
Interest Received on Bank account	402	448
	402	**448**

3. EXPENSES

As mentioned in Note 1(a) the Office of Fair Trading has applied an Administrative Service Charge for the recovery of those expenses it has incurred on behalf of the Fair Trading Administration Corporation.

(a) Administrative Services

Administrative Service Charge	629	2,109
	629	**2,109**

(b) Other Operating Expenses

Auditor's Remuneration	24	29
Debt Recovery Expense	451	338
Appeals Expense	304	252
Claims Assessment expenses	141	188
Other	8	45
	928	**852**

(c) Insurance Claims and Provisions

Claims Paid		441	3,663
Less:	Claims Subject to Recovery	(441)	(3,663)
Add:	Increase/(Decrease) in Provision for Outstanding Claims	4,089	(13,376)
	Increase/(Decrease) in Allowance for Doubtful Debts	(10,342)	(9,441)
	Bad Debts	10,777	9,438
		4,524	**(13,379)**

4. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at Bank	8,862	6,141
	8,862	**6,141**

Cash at bank represents the ledger balance of the Corporation's account with the Westpac Banking Corporation. Cash at bank is held within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation 11am unofficial cash rate adjusted for a management fee to Treasury. The average rate for the period was 4.69% (30 June 2008: 5.82%).

For the purposes of the Cash Flow Statement, cash includes money deposited with banks.

Cash assets recognised in the Balance Sheet are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement as follows:

	2009 $'000	**2008 $'000**
Cash and cash equivalents (per Balance Sheet)	8,862	6,141
Closing Cash and Cash Equivalents (per Cash Flow Statement)	**8,862**	**6,141**

5. CURRENT ASSETS - RECEIVABLES

Accrued Income	218	585
Accrued Input Tax Credits	9	15
	227	**600**

6. NON-CURRENT ASSETS - RECEIVABLES

Claim Recovery Debtors	3,217	13,770
Less: Allowance for Doubtful Debts	(3,152)	(13,494)
	65	**276**

(a) Claim Recovery Debtors

Section 98 of the *Building Service Corporation Act*, 1989 provided that the Corporation may recover claims paid under the Corporation's various insurance schemes.

From 1 January 1994, the policy of the Corporation has been to seek recovery of all insurance claim payments, exceptions being where the claim did not arise from any fault on behalf of the contractor who carried out the work. Each insurance file is individually reviewed and assessed for recovery prospects at which time a decision is taken to either continue with recovery or alternatively write the debt off as irrecoverable as in the case of bankruptcies, liquidations etc.

As at 30 June 2009 the total of claim debtors which were subject to recovery action was $3,228,582.74 (30 June 2008: $13,769,635).

(b) Doubtful Debts for Claim Recovery Debtors

Allowance for Doubtful Debts has been assessed at 98 percent (30 June 2008: 98%) of Claim Recovery Debtors. This assessment is based on recent experience in relation to claim recoveries.

Sale of goods and services - allowance for impairment		
Balance at July 1	13,494	22,935
Amounts written off during the year	(10,777)	(9,438)
Increase/(decrease) in allowance recognised in profit or loss	435	(3)
Balance at 30 June	**3,152**	**13,494**

7. CURRENT LIABILITIES - PAYABLES

Amounts owed to the Office of Fair Trading	13	759
Payables	317	1,052
	330	**1,811**

8. CURRENT/NON-CURRENT LIABILITIES - PROVISIONS - OUTSTANDING CLAIMS

	2009 $'000	**2008 $'000**
Current Outstanding Claims:		
Outstanding Claims	9,591	7,778
Admin Costs - Outstanding Claims	743	1,364
	10,334	9,142
Non-Current Outstanding Claims:		
Outstanding Claims	5,686	2,581
Admin Costs - Outstanding Claims	574	782
	6,260	3,363
Total Outstanding Claims	**16,594**	**12,505**
Opening balance	12,505	25,881
Add/(Less): Increase/(Decrease) in provision recognised	4,530	(9,713)
Less: Claims paid	(441)	(3,663)
Carrying amount at end of year	**16,594**	**12,505**

An Actuarial Review of the Outstanding Claim Liability arising from the Corporation's Insurance activities was undertaken by Finity Consulting Pty Limited as at 30 June 2009.

The economic assumptions used by the Actuary in their valuation for 2008/09 are:

Discount Rate	3.50% per annum (30 June 2008: 7.00%)
Allowance for CPI	2.75% per annum (30 June 2008: 2.75%)
Superimposed inflation	5.00% per annum (30 June 2008: 5.00%)

On 16 November 1999, the Office of Fair Trading received a "Letter of Comfort" from NSW Treasury in regard to the Fair Trading Administration Corporation. Treasury has issued a guarantee to fund any shortfall in respect of any payments associated with the Corporation's

Statutory Insurance. The Treasury's guarantee was called upon during the 2008/2009 financial year with a grant from the Consolidated Fund of $5,200,000 (2007/08: $5,600,000).

The provisions for outstanding claims liability as at 30 June 2009 also include $2,800,000 (30 June 2008: $2,500,000) which has been set aside to cover the risk exposure to major claims which have arisen from the decision to discontinue with Stop Loss Insurance cover. The former Building Services Corporation made that decision in January 1993 and carries the full risk of insurance written since 1 February 1993.

With the creation of the Fair Trading Administration Corporation on 1 May 1997, the insurance schemes were privatised and are now underwritten by private insurers. As a result, the Fair Trading Administration Corporation is only responsible for the finalisation of claims under the previous schemes.

9. CHANGES IN EQUITY

Balance at the beginning of financial year	(7,299)	(23,820)
Surplus/(Deficit) for the year	(471)	16,521
Balance at the end of the financial year	**(7,770)**	(7,299)

10. CONTINGENT LIABILITIES

The Corporation currently has NIL cases (30 June 2008: 15) with its legal service providers.

11. CONTINGENT ASSETS

The Corporation as a plaintiff has brought District Court proceedings pursuant to section 98(1) of the Building Services Corporation Act 1989 against a property developer, seeking recovery of costs associated with an insurance settlement of approximately $600,000.

12. COMMITMENTS FOR EXPENDITURE

There are no commitments for capital or other expenditure or commitments for leases at balance date.

13. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING SURPLUS

	2009 $'000	**2008 $'000**
Operating Deficit	**(471)**	**16,521**
Changes in Assets and Liabilities:		
(Increase)/Decrease in receivables	10,926	9,209
Increase/(Decrease) in doubtful debt provision	(10,342)	(9,441)
Increase/(Decrease) in provision for outstanding claims	4,089	(13,376)
Increase/(Decrease) in payables	(1,481)	1,399
Net Cash Flows Provided by Operating Activities	**2,721**	**4,312**

14. FINANCIAL INSTRUMENTS

The Corporation's principal financial instruments are outlined below. These financial instruments arise directly from the Corporation's operations or are required to finance its operations. The Corporation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Fair Trading Administration Corporation's financial instruments include cash, receivables and payables.

Financial Instrument Categories

Financial Assets	Note	Category	Carrying Amount $'000	Carrying Amount $'000
Class:				
Cash and cash equivalents	4	Not applicable	8,862	6,141
Receivables*	5	Loans and receivable (at amortised cost)	218	585
Class:				
Payables**	7	Financial liabilities measured (at amortised cost)	327	1,807

* Excludes statutory receivables (eg GST) and prepayments (ie not within scope of AASB 7)

** Excludes statutory payables (eg GST) and unearned revenue (ie not within scope of AASB 7)

(f) Credit Risk

Credit risk arises when there is the possibility of the Corporation's debtors defaulting on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Corporation, including cash, and receivables. Cash is held within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation 11am unofficial cash rate adjusted for a management fee to Treasury.

The Corporation's debtors do not include trade debtors but rather arise out of claims payments.

(g) Liquidity Risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment or risk.

The Corporation does not generate income and claims payments are funded by drawings from New South Wales Treasury. In 2000 the NSW Treasury issued a Letter of Comfort guarantee funding for the Corporation.

(h) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation has no exposure to foreign currency risk and does not enter into commodity contracts.

Interest Risk - Cash Facility
Exposure to "interest risk" primarily arises through the investment in cash facilities. The Corporation has no direct equity investments. The Corporation holds units in the following facilities:

	$,000				
	Carrying Amount	**Profit -1%**	**Equity -1%**	**Profit 1%**	**Equity 1%**
2009					
Financial Assets					
Cash and cash equivalents	8,862	(89)	(89)	89	89
2008					
Financial Assets					
Cash and cash equivalents	6,141	(61)	(61)	61	61

(i) Fair Value

Financial instruments are generally recognised at costs which are subsequently measured at fair value. The amortised cost of financial instruments recognised in the balance sheet approximates the fair value because of the short-term nature of many of the financial instruments.

15. AFTER BALANCE DATE EVENTS

There are no events subsequent to balance date, which would affect the financial reports.

END OF AUDITED FINANCIAL STATEMENTS

Motor Vehicle Repair Industry Authority

Charter, aims & objectives

The Motor Vehicle Repair Industry Authority is a statutory authority, established by the *Motor Vehicle Repairs Act 1980*. The authority's functions are carried out by the Office of Fair Trading. They include the licensing of motor vehicle repair businesses, the certification of tradespeople working in those businesses and the mediation of disputes between motor vehicle owners and repairers.

Legislation

- The *Motor Vehicle Repairs Act 1980*
- The Motor Vehicle Repairs Regulation 1999.

Management & structure

In May 2008 the Motor Vehicle Repair Industry Authority was fully integrated into the Office of Fair Trading, when all of its branches and staff were relocated to various Office of Fair Trading divisions. This integration follows the review of the *Motor Vehicle Repairs Act* in 2004. A number of enhancements were recommended including the integration of the authority into the Office of Fair Trading.

Services to the public

Licensing of motor vehicle repair businesses

All motor vehicle repair businesses in New South Wales must hold a repairer's licence for the class or classes of repair work that they perform. To be granted a licence operators must be fit and proper, must have sufficient financial and material resources to carry on the business and must employ suitably qualified tradespeople to perform the repair work.

Certification of tradespeople

The Motor Vehicle Repairs Act requires motor vehicle repair businesses and commercial vehicle owners to employ tradespeople who are suitably qualified to perform the type of repair work carried on by the business. These tradespeople are required to hold tradespersons' certificates issued under the Act.

Provisional certificates are usually granted for a specific period of time and may also be subject to certain conditions or restrictions, such as limiting the range of work that can be performed, or requiring the person to work under supervision.

Licence/certificates issued

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Licences issued	1,642	1,342**	1,412	1,183	1,090
Certificates issued*	2,648	2,969	3,102	2,432	2,684

Technical advisory telephone enquiries

Telephone advisory enquiries and complaints in relation to motor vehicle repair related matters are now handled by the Motor Vehicle Services Unit within the Office of Fair Trading. The Motor Vehicle Services Unit received 5,772 incoming technical advisory telephone enquiries during 2008-2009.

Dispute mediation
If an owner lodges a notice of dispute arrangements are made for a Dispute Mediation Officer to either meet with the owner and repairer or to conduct a tele-conference to try to assist them reach a mutually agreed settlement. This process is free of charge and is entirely voluntary. If a settlement can be reached, the terms of the settlement are recorded in writing and signed by the owner and repairer as evidence of their agreement. The settlement terms can then be referred to in evidence if the matter is taken to another forum such as a Court or the Consumer, Trader and Tenancy Tribunal. During the year 1,112 complaints about motor vehicle repairers were received, with 746 of these being either settled without the need for any further action withdrawn by the owner. In 348 cases the dispute was referred to the Consumer, Trader and Tenancy Tribunal.

Formal disputes handled per year

2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
1,528	1,238	1,265	1,096	1,112

Motor vehicle industry grants program
During the year the Automotive Training Board of NSW was provided with $50,000 for the continuation of the Automotive Training Program and $10,000 for the Annual Apprentice Merit Awards.

Compliance

Disciplinary action against repairers
Disciplinary action can be taken against repairers and tradespeople due to the way they conduct their business or the repair work they perform. The most common grounds for disciplinary action is where the trade work of a repair business is below usual trade standard or where the business is being carried on in a dishonest or unfair manner.

Prosecutions and disciplinary actions

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Number of prosecutions	10	9	22	6	4
Number of disciplinary actions	2	12	19	4	3

Prosecution of offences
It is an offence under the *Motor Vehicle Repairs Act* to conduct a motor vehicle repair business without holding a licence for the class or classes of repair work performed or to employ uncertificated people to perform repair work.

During the reporting period 40 complaints were received about possible breaches of the Act. As in past years on investigation the majority of these complaints proved to be unfounded. As a result of investigations four people were prosecuted for a total of eight offences. A total of $5,084 was awarded in fines and costs.

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Motor Vehicle Repair Industry Authority

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Motor Vehicle Repair Industry Authority (the Authority), which comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Authority as at 30 June 2009, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

My opinion should be read in conjunction with the rest of this report.

The Director-General's Responsibility for the Financial Report

The Director-General is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the Authority,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

Heather Watson
Director, Financial Audit Services

13 October 2009
SYDNEY

STATEMENT BY DIRECTOR GENERAL

In accordance with Section 41 C of the *Public Finance and Audit Act, 1983*, I state that:

1. The accompanying financial statements exhibit a true and fair view of the financial position of the Motor Vehicle Repair Industry Authority as at 30 June 2009 and the transactions for the period then ended.

2. The statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act* 1983, the *Public Finance and Audit (General) Regulation*, 2005 and the Treasurer's Directions.

Further, I am not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

On behalf of the Authority

Brian Baker
A/Director-General,
NSW Department of Services, Technology and Administration

13 October 2009

MOTOR VEHICLE REPAIR INDUSTRY AUTHORITY
Income Statement
for the year ended 30 June 2009

	Notes	2009	2008
		$	$
Revenue			
Fees from Regulatory Activities	1(e)(i), 2	2,856,129	1,350,906
Interest on Investments	1(e)(ii), 2	91,025	205,626
Other		-	1,954
Total revenue from ordinary activities		2,947,154	1,558,486
Less:			
Expenditure			
Administration Charge	4	1,982,859	3,208,985
Audit Fees	5	24,700	29,700
Bank Charges		-	1,619
Depreciation & Amortisation		-	18,273
Education & Research Fund Expenditure	6	41,198	58,994
Contingency Fund Payments	7	26,159	28,685
Other		246	-
Total expenditure from ordinary activities		2,075,162	3,346,256
Gains/(Loss) on Disposal	3	(213,372)	-
Surplus/(Deficit) for the year		658,620	(1,787,770)

The accompanying notes form part of these financial statements.

MOTOR VEHICLE REPAIR INDUSTRY AUTHORITY
Balance Sheet
as at 30 June 2009

	Notes	2009	2008
		$	$
ASSETS			
Current Assets			
Cash and Cash Equivalents	8	3,165,886	1,189,646
Receivables	9	3,522	889,710
Land and Buildings held for sale	10	-	2,350,000
Total Current Assets		3,169,408	4,429,356
Total Assets		3,169,408	4,429,356
LIABILITIES			
Current liabilities			
Creditors & Accruals	11	194,170	27,956
Total Current Liabilities		194,170	27,956
Total Liabilities		194,170	27,956
Net Assets		**2,975,238**	**4,401,400**
EQUITY			
Reserves		-	1,926,499
Accumulated funds		2,975,238	2,474,901
Total Equity	15	**2,975,238**	**4,401,400**

The accompanying notes form part of these financial statements.

MOTOR VEHICLE REPAIR INDUSTRY AUTHORITY
Cash Flow Statement
for the year ended 30 June 2009

	Notes	2009 $	2008 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Payments to suppliers and employees		(1,032,310)	(5,039,888)
Total Payments		(1,032,310)	(5,039,888)
Receipts			
Regulatory Fees		2,865,679	1,350,906
Interest Received		91,025	205,626
Other		-	1,954
Total Receipts		2,956,704	1,558,486
NET CASH FLOWS FROM OPERATING ACTIVITIES	14	1,924,394	(3,481,402)
CASH FLOWS FROM INVESTING ACTIVITIES			
Transfer to NSW Treasury	1(j)	(2,084,782)	-
Proceeds from sale of Property		2,136,628	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		51,846	-
NET INCREASE / (DECREASE) IN CASH		1,976,240	(3,481,402)
Opening cash and cash equivalents		1,189,646	4,671,048
CLOSING CASH AND CASH EQUIVALENTS	8	**3,165,886**	**1,189,646**

The accompanying notes form part of these financial statements.

MOTOR VEHICLE REPAIR INDUSTRY AUTHORITY
Statement of Recognised Income and Expense
Year Ended 30 June 2009

	Notes	2009 $	2008 $
Net increase/(decrease) in property, plant and equipment asset revaluation reserve		-	182,023
Asset revaluation reserve transferred to surplus/deficit on disposal		1,926,499	-
Total Income and Expense Recognised Directly in Equity	**15**	**1,926,499**	**182,023**
Surplus/(Deficit) for the year		658,620	(1,787,770)
Total Income and Expense Recognised For the Year		**2,585,119**	**(1,605,747)**

The accompanying notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Motor Vehicle Repair Industry Authority as a reporting entity comprises all activities under its control. The administrative functions of the Authority are performed by Office of Fair Trading and costs associated with these functions are paid for on an operational basis in relation to activities performed (Note 4).

The Authority is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. This financial report for the year ended 30 June 2009 has been authorised for issue by the Director-General on 13 October 2009.

(b) Basis of Preparation

The agency's financial report is a general purpose financial report which has been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and Regulation and
- the Financial Reporting Directions issued by the Treasurer.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets at 'fair value through profit or loss' and available for sale are measured at fair value. Other financial report items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial report.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of Compliance

The financial report, comprising the financial statements and notes, complies with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Insurance

The Authority's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self- insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience.

(e) Revenue Recognition Policy

All revenues arise from Authority operating activities consistent with core operations. Revenue is recognised when the Board has control of the good or a right to receive, it is probable that the economic benefits will flow to the Board and the amount of revenue can be measured reliably.

In prior years, the Authority issued renewals in March, regardless of the month that the applicant had first applied for a license. During 2007/08, the Authority changed licensing systems and commenced using the Government Licensing System (GLS). As part of this change, the policy of only renewing licenses in March has been altered to renewing licenses on the anniversary date of application. The change in renewal timing brings the Authority's revenue recognition policy in line with the revenue recognition requirements of AASB 118 Revenue.

Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

i) Sale of Goods and Services

Revenue is derived mainly from the levying of annual licences and certifications. These charges are recognised as revenue when the Authority obtains control of the assets that result from them.

ii) Investment Income

Interest revenue is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement.

(f) Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- the amount of GST incurred by the agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

- receivables and payables are stated with the amount of GST included.

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

(g) Assets

i) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The agency determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-valuates this at each financial year end.

- *Fair value through profit or loss* - The agency subsequently measures investments classified as "held for trading" or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the operating statement.

  The Hour-Glass Investment Facilities are designated at fair value through profit or loss using the second leg of the fair value option ie these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the agency's key management personnel.

  The movement in the fair value of the Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

- *Held-to-maturity investments* - Non-derivative financial assets with fixed or determinable payments and fixed maturity that the agency has the positive intention and ability to hold to maturity are classified as "held-to-maturity". These investments are measured at amortised cost using the effective interest method. Changes are recognised in the operating statement when impaired, derecognised or though the amortisation process.

- *Available-for-sale investments* - Any residual investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value directly in equity until disposed or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the operating statement. However, interest calculated using the effective interest method and dividends are recognised in the operating statement.

  Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date; ie the date the entity commits to purchase or sell the asset.

  The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the balance sheet date.

ii) Impairment of Financial Assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is

established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the Operating Statement.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the Operating Statement, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the Operating Statement.

Any reversals of impairment losses are reversed through the Operating Statement, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale" must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(h) Liabilities

i) Payables

These amounts represent liabilities for goods and services provided to the Authority and other amounts, including interest. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(i) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies are designated as a contribution by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with Interpretation 1038 "Contributions by Owners Made to Wholly Owned Public Sector Entities".

Transfers arising from an administrative restructure between Government departments are recognised at the amount at which the asset was recognised by the transferor Government department immediately prior to the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

(j) Transfer to NSW Treasury

During the year the Authority transferred $2,084,782 to NSW Treasury from the sale of property at Five Dock.

(k) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

(l) New Australian Accounting Standards Issued But Not Effective

At the reporting date, a number of Accounting Standards adopted by the AASB had been issued but are not yet operative. NSW Treasury has mandated not to early adopt any of the new Standards / Interpretations, as per Treasury Circular TC 09/03. As such, these new Standards / Interpretations have not been early adopted by the Authority.

It is considered that the implementation of these Standards will not have any material impact on the Motor Vehicle Repair Industry Authority's financial results.

2. REVENUE

	2009 $	2008 $
Revenue		
Fees from Regulatory Activities	2,856,129	1,350,906
Interest on Investments	91,025	205,626
Other	-	1,954
Total revenue from ordinary activities	2,947,154	1,558,486

In prior years, the Authority issued renewals in March, regardless of the month that the applicant had first applied for a license. This policy led to some licensees receiving less than twelve months of benefit in their initial license year. During 2007/08, the Authority changed licensing systems. As part of this change, the policy of only renewing licenses in March has been altered to renewing licenses on the anniversary date of application. As a consequence, licensees who received less than twelve months benefit in their first year, will recoup this benefit, now renewing on their anniversary date. This resulted in the Authority receiving less income in 2007/08 in comparison with previous years. This shortfall is for the 2007/08 financial year only and future years revenue from regulatory activities were expected to return to 2006/07 levels. The revenue from regulatory activities for 2008/09 is comparable to 2006/07 level ($2.9 million).

3. GAIN/(LOSS) ON DISPOSAL

	2009 $	2008 $
Net proceeds from sale of property	2,136,628	-
Less: Carrying Value of Asset Held for Sale	(2,350,000)	-
Loss on sale of property	**(213,372)**	**-**

4.

ADMINISTRATION CHARGE

As mentioned in Note 1(a), the Department of Commerce has applied an Administrative Services Charge for the recovery of those expenses it has incurred on behalf of the Motor Vehicle Repair Industry Authority.

	2009 $	2008 $
Personnel Services	1,199,859	1,623,000
Tribunal Costs	137,000	567,000
Operating Costs	-	223,000
Administrative Costs	255,000	310,000
Service & Legal Expenses	214,000	138,000
Minister/Executive Expenses	19,000	72,000
Policy Expenses	139,000	23,000
Corporate Overhead	19,000	53,000
Fit out charges	-	137,489
Minor Capital Expenditure	-	62,496
	1,982,859	**3,208,985**

5. AUDIT FEES

The Audit Office of NSW's fee for auditing the Authority's financial statements for 2008/09 was $24,700 ($29,700 in 2007/08).

6. GENERAL AND EDUCATION & RESEARCH FUNDS

As prescribed by the *Motor Vehicle Repairs Act* 1980, the Authority maintains three separate funds, namely the General Fund, Education and Research Fund and a Contingency Fund. Assets belonging to the Education and Research Fund are consolidated with the General Fund as follows:

	2009 $	2008 $
Opening Balance	54,692	54,692
Add contribution from General Fund	41,198	58,995
	95,890	113,687
Less:		
Expenditure	41,198	58,995
Total Expenditure for the Fund	41,198	58,995
Closing Balance	**54,692**	**54,692**
Represented by:		
Cash	54,692	54,692
Total Assets	54,692	54,692
Less Accrued Expenses		
Closing Balance	**54,692**	**54,692**

7. CONTINGENCY FUND EXPENDITURE

During the year the Contingency Fund was used to pay compensation claims totalling $26,159 ($28,685 in 2007/08).

8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2009	2008
	$	$
Cash at Bank	616,466	467,904
TCorp Hour Glass Cash Facility	2,549,420	721,742
	3,165,886	**1,189,646**

For the purposes of the Cash Flow Statement, cash includes cash on hand, cash at bank, and deposits with the NSW Treasury Corporation (TCorp) Hour Glass Cash Facility. Cash and cash equivalent assets recognised in the Balance Sheet are reconciled at the end of the financial year to the Cash Flow Statement as follows:

	2009	2008
	$	$
Cash at Bank and on Hand (as per Balance Sheet)	616,466	467,904
TCorp Hour Glass Cash Facility	2,549,420	721,742
Closing Cash and Cash Equivalents (as per Cash Flow Statement)	**3,165,886**	**1,189,646**

Weighted Average Effective Interest Rate was 5.33% for 2009 (6.55% 2008).

9. CURRENT ASSETS - RECEIVABLES

	2009	2008
	$	$
Current		
Receivables - Office of Fair Trading	-	876,683
Accrued Income	2,352	7,514
Interest Receivable	-	3,943
Tax Credits	1,170	1,570
	3,522	**889,710**

10. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

	2009	2008
	$	$
Assets held for sale		
Land and buildings	-	2,350,000
	-	**2,350,000**

The Authority's land and building at Five Dock was held for sale in 2007/08 and the sale was completed in the 2008/09 financial year. The final sale price was $2.13 million.

11. CURRENT / NON-CURRENT LIABILITIES - CREDITORS & ACCRUALS

	2009 $	2008 $
Creditors & Accruals	194,170	27,956
	194,170	27,956

As a consequence of the Office of Fair Trading fulfilling the Administrative function, all employee related provisions are assumed by the Crown or the Department of Commerce.

12. COMMITMENTS FOR EXPENDITURE

There are no commitments for capital or other expenditure or commitments for leases at balance date.

13. CONTINGENT ASSETS AND LIABILITIES

The Authority and solicitors acting for the Authority are unaware of any matter or event that may give rise to future economic sacrifice or benefit.

14. CASH FLOW STATEMENT

Reconciliation of Surplus/(Deficit) to Cash Flow from Operating Activities

	2009 $	2008 $
Surplus / (Deficit)	658,620	(1,787,770)
Non-cash flows in result		
Depreciation	-	18,273
Loss on disposal	213,372	-
Changes in assets and liabilities		
(Decrease) / Increase in Creditors	166,214	(824,305)
(Increase) / Decrease in Receivables	886,188	(887,600)
Net Cash flows from Operating Activities	**1,924,394**	**(3,481,402)**

15. CHANGES IN EQUITY

	Accumulated Funds		Asset Revaluation Reserve		Total Equity	
	2009	2008	2009	2008	2009	2008
	$	$	$	$	$	$
Balance at the beginning of the financial year	2,474,901	4,262,671	1,926,499	1,744,476	4,401,400	6,007,147
Changes in equity - transactions with owners as owners	(2,084,782)	-	-	-	(2,084,782)	-
Surplus/(deficit) for the year	658,620	(1,787,770)	-	-	658,620	(1,787,770)
Transfer to surplus/(deficit) on disposal of asset held for sale	1,926,499	-	(1,926,499)	182,023		182,023
Total	500,337	(1,787,770)	(1,926,499)	182,023	(1,426,164)	(1,605,747)
Balance at the end of the financial year	2,975,238	2,474,901	-	1,926,499	2,975,238	4,401,400

16. FINANCIAL INSTRUMENTS

The Authority's principal financial instruments are outlined below. These financial instruments arise directly from the Authority's operations or are required to finance the Authority's operations. The Authority does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Authority's main risks arising from financial instruments are outlined below, together with the Authority's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

The General Manager for Motor Vehicle Repair Industry Authority has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Authority, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Authority on a continuous basis.

(j) Financial Instrument Categories

Financial Assets	Note	Category	Consolidated 2009 $ Carrying Amount	Consolidated 2008 $ Carrying Amount
Class:				
Cash and cash equivalents	8	Not applicable	3,165,886	1,189,646
Receivables*	9	Loans and receivable (at amortised cost)	3,522	889,710
Class:				
Payables**	11	Financial liabilities measured at amortised cost	194,170	27,956

* Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

** Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

(k) Credit Risk

Credit risk arises when there is the possibility of the Authority's debtors defaulting on their contractual obligations, resulting in a financial loss to the Authority. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Authority, including cash and receivables. No collateral is held by the Authority. The Authority has not granted any financial guarantees.

Credit risk associated with the Authority's financial assets, other than receivables, is managed through the selection of counter parties and establishment of minimum credit rating standards. Deposits held with NSW TCorp are guaranteed by the State.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Receivables - Trade Debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

(l) Liquidity Risk

Liquidity risk is the risk that the Authority will be unable to meet its payment obligations when they fall due. The Authority continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Authority's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment or risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment.

(m) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Authority has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Authority operates and the time frame for the assessment (ie until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Balance Sheet date. The analysis is performed on the same basis for 2009. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Exposure to interest rate risk arises primarily through the Authority's interest bearing deposits. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Authority's exposure to interest rate risk is set out below.

	$				
	Carrying Amount	**Profit -1%**	**Equity -1%**	**Profit 1%**	**Equity 1%**
2009					
Financial Assets					
Cash and cash equivalents	3,165,886	(31,659)	(31,659)	31,659	31,659
2008					
Financial Assets					
Cash and cash equivalents	1,189,646	(11,896)	(11,896)	11,896	11,896

Other Price Risk - TCorp Hour-Glass Facilities

Exposure to "other price risk" primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The Authority has no direct equity investments. The Authority holds units in the following Hour-Glass investment trusts:

			Consolidated	
Facility	**Investment Sectors**	**Investment Horizon**	**2009 $**	**2008 $**
Cash facility	Cash, money market instruments	Up to 1.5 years (pre-June 2008 - up to 2 years)	2,549,420	721,742

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp is trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, TCorp acts as manager for part of the Cash Facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities limits the Authority's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass statement).

	Impact on Profit/Loss		
	Change in Unit Price	**2009 $**	**2008 $**
Hour-Glass Investment - Cash Facility	+1.0%	25,494	7,217
	-1.0%	(25,494)	(7,217)

(n) Fair Value

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. As discussed, the value of the

Hour-Glass Investments is based on the Authority's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using "redemption" pricing.

The amortised cost of financial instruments recognised in the Balance Sheet approximates the fair value, because of the short-term nature of many of the financial instruments.

17. AFTER BALANCE DATE EVENTS

The Motor Vehicle Repair Industry Authority is not aware of any circumstances that occurred after balance date that would render particulars included in the financial statements to be misleading.

END OF AUDITED FINANCIAL STATEMENTS

NSW Department of
Commerce

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Government Chief Information Office
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Office of Industrial Relations
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Office of NSW Procurement
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