



Services,
Technology &
Administration

Annual Report 2009/10

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

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

Dear Minister

I am pleased to present in this single volume the annual reports of the:

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

for the year ended 30 June 2010.

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*.

Peter Duncan
Director General

**Building Insurers' Guarantee Corporation,
Fair Trading Administration Corporation and
Motor Vehicle Repair Industry Authority
Annual Report 2009/10**

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Building Insurers' Guarantee Corporation

Fair Trading Administration Corporation

Motor Vehicle Repair Industry Authority

Sydney NSW Australia

October 2010

Overview

The Building Insurers' Guarantee Corporation (BIG Corp), Fair Trading Administration Corporation (FTAC) and Motor Vehicle Repair Industry Authority (MVRIA) are statutory bodies administered by the Department of Services, Technology and Administration (DSTA). The services of the statutory bodies are managed by NSW Fair Trading, a division of DSTA.

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 2009-10 Annual Report of the Department of Services, Technology and Administration - information on the management, human resources, business support and financial administration.

Access

Consumers and the trade seeking the service of the Motor Vehicle Repair Industry Authority or persons making home warranty insurance claims against either of the schemes managed by NSW Fair Trading can obtain access via any Fair Trading Centre, the Fair Trading website or the Fair Trading Information Centre on telephone number: 13 32 20. 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.

NSW Fair Trading's head office is:

1 Fitzwilliam Street
Parramatta NSW 2150
PO Box 972 Parramatta NSW, 2124

Website address is <http://www.fairtrading.nsw.gov.au>

Telephone: 13 32 20

Neither of the corporations or the authority exists as a discrete operational entity. Overall responsibility for their functions rests with the Director General, Department of Services, Technology and Administration, with day-to-day operational management being undertaken by NSW Fair Trading within the Department. The corporations and the authority are required to produce an annual report. 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. Information on the management, human resources, business systems and financial administration of the corporations and the authority is found in the NSW Department of Services, Technology and Administration Annual Report 2009/10.

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.

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.

Internal Audit and Risk Management Statement

For the 2009/10 Financial Year for Builders Insurers Guarantee Corporation (BIGCorp), Fair Trading Administration Corporation (FTAC) and Motor Vehicle Repair Industry Authority (MVRIA)

I, Peter Duncan, Director General of the Department of Services, Technology and Administration (DSTA) am of the opinion that the Builders Insurers' Guarantee Corporation (BIGCorp), Fair Trading Administration Corporation (FTAC) and Motor Vehicle Repair Industry Authority (MVRIA) have internal audit and risk management processes in place that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*.

I, Peter Duncan, Director General of DSTA am of the opinion that the Audit and Risk Committee for the NSW Department of Services, Technology & Administration which oversights BIGCorp, FTAC and MVRIA is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

- Mr Peter Whitehead, Independent Chair (period of appointment from 1 September 2009 to 31 August 2012)
- Ms Carolyn Burlew, Independent Member (period of appointment from 1 September 2009 to 31 August 2011)
- Dr Gul Izmir, Independent Member (period of appointment from 8 October 2009 to 7 October 2011)
- Ms Anne Skewes, Non-independent member (period of appointment from 24 March 2010 to 23 March 2013)
- Mr Michael Silk, Non-independent member (period of appointment from 24 March 2010 to 23 March 2013)

These processes provide a level of assurance that enables the senior management of Builders Insurers' Guarantee Corporation, Fair Trading Administration Corporation and Motor Vehicle Repair Industry Authority to understand, manage and satisfactorily control risk exposures.



Peter Duncan
Director General
NSW Department of Services,
Technology & Administration

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 NSW Fair Trading, drawing upon the Policyholders Protection Fund administered by Treasury for its claims payment capital. It may accept claims or notifications of 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.

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 it relies exclusively on drawings from NSW Treasury.

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 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 2009/10 is given below. It should be noted that, during the reporting year, the corporation received \$23.1 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 2009/10 Financial Year	
New claims	11
Number of Current claims as at 30 June 2010	71
Number of Claims paid	105
Value of claims paid	\$19.1m

External Audit

During 2009/10, the Audit Office of NSW carried out a comprehensive audit of the Building Insurers' Guarantee Corporation.

The Audit Office has issued the statutory audit report on 19 October 2010 for the Corporation for the 2009/10 financial year and has noted the significant uncertainty associated with the provision for outstanding claims. The Audit observations are summarised as follows:

The Corporation administers building consumer claims on the Government's rescue package created in response to the collapse of the HIH Insurance Group. The Treasury provides funding to the Corporation for all approved claim payments. The scheme is in run-off and the liability is expected to reduce over time as claims are settled. However, in recent years the estimate of the amount required to settle claims has exceeded expectations. The increases in the liability in recent years are mainly due to deterioration in case estimates.

The Corporation's response to the above audit observations are as follows:

- New procedures have been implemented by the Corporation to ensure claims estimate provided to the Actuary are more accurate and up to date.
- The Corporation closely monitors claims estimates on a regular basis to ensure the risk of uncertainty is reduced where ever possible.
- Interim Actuarial assessments are also being considered during the financial year to ascertain the movement in claims liability provision.

The Auditor General's 2009/10 Audit Report to Parliament is expected to be tabled in November 2010.



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 statements of the Building Insurers' Guarantee Corporation (the Corporation), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Corporation as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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 in Note 7. The provision arises from the Corporation's administration of the Building Insurers' Guarantee Fund. 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 mainly because of the variability of claims costs.

The Director-General's Responsibility for the Financial Statements

The Director-General is responsible for the preparation and fair presentation of the financial statements 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 statements that are 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 statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

19 October 2010
SYDNEY

STATEMENT BY DIRECTOR GENERAL

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 2010 and transactions for the period 1 July 2009 to 30 June 2010;
- (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*, 2010 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



PETER DUNCAN
Director General
Department of Services, Technology & Administration

18 October 2010

BUILDING INSURERS' GUARANTEE CORPORATION

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
Revenue			
Grants and Contributions	1(f),2(a)	22,400	33,900
Interest Income	2(b)	31	29
Other	2(c)	344	97
Total Revenue		22,775	34,026
Expenses			
Administrative Services	1(a),3(a)	3,007	3,418
Other Operating Expenses	3(b)	2,152	3,966
Net Insurance Claims and Provisions	3(c)	54,255	62,755
Total Expenses		59,414	70,139
SURPLUS/(DEFICIT) FOR THE YEAR		(36,639)	(36,113)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(36,639)	(36,113)

The accompanying notes form part of these statements.

BUILDING INSURERS' GUARANTEE CORPORATION

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
ASSETS			
Current Assets			
Cash	4	245	197
Receivables	5	30	61
Total Current Assets		275	258
Non-Current Assets			
Receivables	5	1,097	1,533
Total Non-Current Assets		1,097	1,533
TOTAL ASSETS		1,372	1,791
LIABILITIES			
Current Liabilities			
Payables	6	105	221
Provisions - Outstanding Claims	7	36,950	27,892
Total Current Liabilities		37,055	28,113
Non-Current Liabilities			
Provisions - Outstanding Claims	7	110,976	83,698
Total Non-Current Liabilities		110,976	83,698
TOTAL LIABILITIES		148,031	111,811
NET LIABILITIES		146,659	110,020
EQUITY			
Accumulated Deficit		146,659	110,020
TOTAL EQUITY		146,659	110,020

The accompanying notes form part of these statements.

BUILDING INSURERS' GUARANTEE CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants Received		22,400	33,900
Interest received		29	62
Other		344	97
Total Receipts		22,773	34,059
Payments			
Operating and Insurance Claim Payments		(24,369)	(34,671)
Insurance Recoveries		1,644	
Total Payments		(22,725)	(34,671)
NET CASH FLOWS FROM OPERATING ACTIVITIES			
	10	48	(612)
NET INCREASE/(DECREASE) IN CASH			
		48	(612)
OPENING CASH AND CASH EQUIVALENTS		197	809
CLOSING CASH AND CASH EQUIVALENTS	4	245	197

The accompanying notes form part of these statements.

BUILDING INSURERS' GUARANTEE CORPORATION**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010**

	Accumulated Funds \$'000
Balance as at 1 July 2009	(110,020)
Surplus/(deficit) for the year	(36,639)
Other comprehensive income	-
Total comprehensive income for the year	(36,639)
Transactions with owners in their capacity as owners	-
Balance as at 30 June 2010	(146,659)

	Accumulated Funds \$'000
Balance as at 1 July 2008	(73,907)
Surplus/(deficit) for the year	(36,113)
Other comprehensive income	-
Total comprehensive income for the year	(36,113)
Transactions with owners in their capacity as owners	-
Balance as at 30 June 2009	(110,020)

The accompanying notes form part of these statements.

BUILDING INSURERS' GUARANTEE CORPORATION

FOR THE YEAR ENDED 30 JUNE 2010

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 Department of Services, Technology & Administration 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.

These financial statements for the year ended 30 June 2010 have been authorised for issue by the Director General, Department of Services, Technology and Administration on 18th October 2010.

(b) Basis of Preparation

The financial statements are general purpose financial statements which have 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.

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 statements comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Administered Activities

The Corporation administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the Corporation's own objectives.

Transactions and balances relating to the administered activities are not recognised as the Department's revenues, expenses, assets and liabilities, but are disclosed in the accompanying schedules as "Administered Revenues".

The accrual basis of accounting and applicable accounting standards have been adopted.

(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 Corporation 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 Statement of Cash Flow 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.

(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 cash flows 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 10/08. 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 Statement of Comprehensive Income.

(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

	2010	2009
	\$'000	\$'000
Grants from NSW Treasury	22,400	33,900
	22,400	33,900

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

(b) Interest Income

Interest received on Bank account	31	29
	31	29

(c) Other

Legal costs recovered	30	21
Bad debts recovered	314	76
	344	97

3. EXPENSES

(a) Administrative Services

Administrative Service Fee	3,007	3,418
	3,007	3,418

(b) Other Operating Expenses

	2010	2009
	\$'000	\$'000
Audit Fees	30	23
Debt recovery expense	469	1,035
Appeals	648	779
Claim Assessment Costs / Admin costs	974	1,799
Other	31	330
	2,152	3,966

(c) Insurance Claims and Provisions

Claims Paid	19,127	28,192
Less: Claims subject to recovery	(19,127)	(28,192)
(Less)/Add: Provision for outstanding claims	36,336	34,922
Decrease in Allowance for doubtful debts	(21,387)	(26,575)
Bad Debts	39,306	54,408
	54,255	62,755

4. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at Bank	245	197
	245	197

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 3.57% (30 June 2009: 4.69%).

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

Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of financial year as shown in the Statement of Cash Flows as follows:

Cash and cash equivalents (per Statement of Financial Position)	245	197
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	245	197

5. CURRENT/NON CURRENT ASSETS - RECEIVABLES

	2010	2009
	\$'000	\$'000
Current Assets		
Input Taxes	17	50
Accrued Interest	13	11
	30	61
Non Current Assets		
Claim Recovery Debtors (i)	54,842	76,665
Less: Allowance for impairment (ii)	(53,745)	(75,132)
	1,097	1,533

(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%.

Claim Recovery Debtors - allowance for impairment

Balance at July 1	75,132	101,707
Amounts written off during the year	(39,306)	(54,408)
Increase/(decrease) in allowance recognised in surplus/deficit	17,919	27,833
Balance at 30 June	53,745	75,132

6. CURRENT LIABILITIES - PAYABLES

Creditors		
Accrued Expenses	101	215
Input Taxes	4	6
	105	221

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

	2010	2009
	\$'000	\$'000
Current Outstanding Claims	36,950	27,892
Non-Current Outstanding Claims	110,976	83,698
Total Outstanding Claims	147,926	111,590
Opening balance:	111,590	76,668
Add: Additional provision recognised	55,463	63,114
Less: Claims paid	(19,127)	(28,192)
Carrying amount at end of year	147,926	111,590

Finity Consulting Pty Limited carried out an Actuarial Review of home warranty claims as at 30 June 2010. The purpose of this review was to ascertain the possible liability of the Building Insurers' Guarantee Corporation. The outstanding claim estimate of \$147.9 million (\$111.6 million 2009) 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 2010 is 4.7% (5.1% 2009) per annum.

The actuarial review has noted that variations may occur between the outstanding claim estimates and ultimate cost of claims due to various factors including limitation of available information, individual large claims and court decisions.

8. CONTINGENT LIABILITIES

The Corporation is currently involved in 62 (30 June 2009: 18) legal matters where financial settlement and costs may be awarded against it. It is estimated that these costs may total \$10,095,172 (30 June 2009: \$36,285,000).

9. COMMITMENTS FOR EXPENDITURE

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

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

	2010	2009
	\$'000	\$'000
Operating Deficit	(36,639)	(36,113)
Changes in Asset and Liabilities		
Decrease/(Increase) in debtors	467	556
(Decrease)/Increase in outstanding claims	36,336	34,922
(Decrease)/Increase in payables	(116)	23
Net Cash Provided by Operating Activities	48	(612)

11. ADMINISTERED REVENUE

Reinsurance Recoveries (i)	7,767	10,255
Administrators Dividend Distribution (ii)	15,328	2,219
	23,095	12,474

- (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.

12. 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	245	197
Receivables*	5	Loans and receivable (at amortised cost)	13	11
Class:				
Payables**	6	Financial liabilities measured at amortised cost	101	215

* 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%
2010 <i>Financial Assets</i> Cash and cash equivalents	245	(2)	(2)	2	2
2009 <i>Financial Assets</i> Cash and cash equivalents	197	(2)	(2)	2	2

(e) Fair Value

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

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

13. 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

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 NSW Fair Trading.

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 then 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 NSW Fair Trading, a division of the Department of Services, Technology & Administration.

Claims processing

The claims paid in 2009/10 covered losses primarily from work classified as major structural defects in houses and home units as shown below:

Statistics for the 2009/10 Financial Year	
New claims	1
Re-opened claims	3
Number of Current claims as at 30 Jun 2010	3
Number of Claims paid	6
Value of claims paid	\$5.5 million



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 statements of the Fair Trading Administration Corporation (the Corporation), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Corporation as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Director-General's Responsibility for the Financial Statements

The Director-General is responsible for the preparation and fair presentation of the financial statements 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 statements that are 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 statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

12 October 2010
SYDNEY

STATEMENT BY DIRECTOR GENERAL

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 2010 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 2010 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



PETER DUNCAN
Director General
Department of Services, Technology & Administration

12 October 2010

FAIR TRADING ADMINISTRATION CORPORATION
**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	2010 \$'000	2009 \$'000
Revenue			
Grants and Contributions	1(e), 2(a)	5,600	5,200
Interest Income	1(e), 2(b)	330	402
Other Revenue	2(c)	209	8
Total Revenue		6,139	5,610
Expenses			
Administrative Services	1(a),3(a)	378	629
Other Operating Expenses	3(b)	820	928
Net Insurance Claims and Provisions	3(c)	(8,172)	4,524
Total Expenses		(6,974)	6,081
SURPLUS / (DEFICIT) FOR THE YEAR		13,113	(471)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		13,113	(471)

The accompanying notes form part of these statements.

FAIR TRADING ADMINISTRATION CORPORATION

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
ASSETS			
Current Assets			
Cash	4	9,075	8,862
Receivables	5	2,098	227
Total Current Assets		11,173	9,089
Non-Current Assets			
Receivables	6	-	65
Total Non-Current Assets		-	65
TOTAL ASSETS		11,173	9,154
LIABILITIES			
Current Liabilities			
Payables	7	463	330
Provisions:			
Outstanding Claims	8	5,167	9,591
Admin Costs - Outstanding Claims	8	200	743
Total Current Liabilities		5,830	10,664
Non-Current Liabilities			
Provisions:			
Outstanding Claims	8	-	5,686
Admin Costs - Outstanding Claims	8	-	574
Total Non-Current Liabilities		-	6,260
TOTAL LIABILITIES		5,830	16,924
NET ASSETS/(LIABILITIES)		5,343	(7,770)
EQUITY			
Accumulated Surplus/(Deficit)		5,343	(7,770)
TOTAL EQUITY		5,343	(7,770)

The accompanying notes form part of these statements.

FAIR TRADING ADMINISTRATION CORPORATION
**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010**

	Accumulated Funds \$'000	Total \$'000
Balance as at 1 July 2009	(7,770)	(7,770)
Surplus/(deficit) for the year	13,113	13,113
Other comprehensive income	-	-
Total comprehensive income for the year	13,113	13,113
Transactions with owners in their capacity as owners	-	-
Balance as at 30 June 2010	5,343	5,343

	Accumulated Funds \$'000	Total \$'000
Balance as at 1 July 2008	(7,299)	(7,299)
Surplus/(deficit) for the year	(471)	(471)
Other comprehensive income	-	-
Total comprehensive income for the year	(471)	(471)
Transactions with owners in their capacity as owners	-	-
Balance as at 30 June 2009	(7,770)	(7,770)

The accompanying notes form part of these statements.

FAIR TRADING ADMINISTRATION CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants and Contributions		5,600	5,200
License Fees, Premiums and Miscellaneous Income		239	245
Interest Received		315	530
Insurance Recoveries		-	205
Total Receipts		6,154	6,180
Payments			
Operating and Insurance Claim Payments		(6,576)	(3,459)
Insurance Recoveries		635	-
Total Payments		(5,941)	(3,459)
NET CASH PROVIDED BY OPERATING ACTIVITIES			
	11	213	2,721
NET INCREASE/(DECREASE) IN CASH		213	2,721
OPENING CASH AND CASH EQUIVALENTS		8,862	6,141
CLOSING CASH AND CASH EQUIVALENTS	4	9,075	8,862

The accompanying notes form part of these statements.

FAIR TRADING ADMINISTRATION CORPORATION

FOR THE YEAR ENDED 30 JUNE 2010

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 Department of Services, Technology & Administration 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.

These financial statements for the year ended 30 June 2010 has been authorised for issue by the Director General of the Department of Services, Technology & Administration on 12 October 2010.

(b) Basis of Preparation

The financial statements are general purpose financial statements which have 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 at “fair value through profit or loss” 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 statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) 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 corporation 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 Statement of Cash Flows 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.

(e) 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*.

(f) 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.

(g) 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.

(h) 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 10/08. 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.

(i) 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.

(j) 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**

	2010	2009
	\$'000	\$'000
Grants from NSW Treasury	5,600	5,200
	5,600	5,200

(b) Interest Income

Interest Received on Bank account	330	402
	330	402

(c) Other Revenue

	2010	2009
	\$'000	\$'000
Legal costs recovered	209	8
	209	8

3. EXPENSES

As mentioned in Note 1(a) Department of Services, Technology & Administration 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

	2010	2009
	\$'000	\$'000
Administrative Service Charge	378	629
	378	629

(b) Other Operating Expenses

Auditor's Remuneration	22	24
Debt Recovery Expense	132	451
Appeals Expense	577	304
Claims Assessment expenses	39	141
Other	50	8
	820	928

(c) Insurance Claims and Provisions

Claims Paid	5,510	441
Less: Claims Subject to Recovery	(5,510)	(441)
Add: Increase/(Decrease) in Provision for Outstanding Claims	(11,227)	4,089
Increase/(Decrease) in Allowance for Doubtful Debts	(2,344)	(10,342)
Bad Debts	5,399	10,777
	(8,172)	4,524

4. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at Bank	9,075	8,862
	9,075	8,862

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 3.57% (30 June 2009: 4.69%).

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

Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

	2010	2009
	\$'000	\$'000
Cash and cash equivalents (per Statement of Financial Position)	9,075	8,862
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	9,075	8,862

5. CURRENT ASSETS - RECEIVABLES

Accrued Income	174	218
Accrued Input Tax Credits	3	9
Amounts owed by the Department of Services, Technology & Administration	35	-
Claim Recovery Debtors	2,694	
Less: Allowance for Impairment	(808)	
	2,098	227

(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 2010 the total of claim debtors which were subject to recovery action was \$2,693,631.00 (30 June 2009: \$3,228,582.74).

(b) Doubtful Debts for Claim Recovery Debtors

Allowance for Doubtful Debts has been assessed at 30 percent (30 June 2009: 98%) of Claim Recovery Debtors. This assessment is based on recent experience in relation to claim recoveries.

	2010	2009
	\$'000	\$'000
Claim Recovery Debtors - allowance for impairment		
Balance at July 1	3,152	-
Amounts written off during the year	(5,399)	-
Increase/(decrease) in allowance recognised in profit or loss	3,055	-
Balance at 30 June	808	-

6. NON-CURRENT ASSETS - RECEIVABLES

	2010	2009
	\$'000	\$'000
Claim Recovery Debtors	-	3,217
Less: Allowance for Impairment	-	(3,152)
	-	65

Claim Recovery Debtors - allowance for impairment

Balance at July 1	-	13,494
Amounts written off during the year	-	(10,777)
Increase/(decrease) in allowance recognised in profit or loss	-	435
Balance at 30 June	-	3,152

7. CURRENT LIABILITIES - PAYABLES

Amounts owed to Department of Services, Technology & Administration

Payables

-	13
463	317
463	330

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

	2010	2009
	\$'000	\$'000
Current Outstanding Claims:		
Outstanding Claims	5,167	9,591
Admin Costs - Outstanding Claims	200	743
	5,367	10,334
Non-Current Outstanding Claims:		
Outstanding Claims	-	5,686
Admin Costs - Outstanding Claims	-	574
	-	6,260
Total Outstanding Claims	5,367	16,594
Opening balance	16,594	12,505
Add/(Less): Increase/(Decrease) in provision recognised	(5,717)	4,530
Less: Claims paid	(5,510)	(441)
Carrying amount at end of year	5,367	16,594

As the number of outstanding claim matters has significantly reduced during 2009/10 the value of the Outstanding Claim Liability as at 30 June 2010 can be more accurately determined by NSW Fair Trading who manage all claims for the Corporation, there were four outstanding claims with a total liability of \$5.4 million as at 30 June 2010.

In prior year's the Outstanding Claims Liability was determined by an Actuarial Review undertaken by Finity Consulting Pty Limited.

On 16 November 1999, Department of Services, Technology & Administration 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 2009/2010 financial year with a grant from the Consolidated Fund of \$5,600,000 (2008/09: \$5,200,000)

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. CONTINGENT LIABILITIES

The Corporation currently has no cases (30 June 2009: nil) with its legal service providers.

10. COMMITMENTS FOR EXPENDITURE

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

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

	2010	2009
	\$'000	\$'000
Operating Surplus/(Deficit)	13,113	(471)
Changes in Assets and Liabilities:		
Increase/(Decrease) in receivables	538	10,926
Increase/(Decrease) in doubtful debt provision	(2,344)	(10,342)
Increase/(Decrease) in provision for outstanding claims	(11,227)	4,089
Increase/(Decrease) in payables	133	(1,481)
Net Cash Flows Provided by Operating Activities	213	2,721

12. 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 2010 \$'000	Carrying Amount 2009 \$'000
Class:				
Cash and cash equivalents	4	Not applicable	9,075	8,862
Receivables*	5	Loans and receivable (at amortised cost)	2,095	218
Class:				
Payables**	7	Financial liabilities measured (at amortised cost)	463	327

* 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 1999 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%
2010 <i>Financial Assets</i> Cash and cash equivalents	9,075	(91)	(91)	91	91
2009 <i>Financial Assets</i> Cash and cash equivalents	8,862	(89)	(89)	89	89

(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 Statement of Financial Position approximates the fair value because of the short-term nature of many of the financial instruments.

13. AFTER BALANCE DATE EVENTS

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

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 NSW 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.

Licensing and certification services are provided by the new whole-of-government Government Licensing Service, dispute mediation services and compliance activities are carried out by NSW Fair Trading.

Legislation

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

Management & structure

The Motor Vehicle Repair Industry Authority's activities are managed by NSW Fair Trading, part of the Department of Services, Technology and Administration.

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	2005/06	2006/07	2007/08	2008/09	2009/10
Motor Vehicle Repairer Licences issued	1,342	1,412	1,183	1,090	1,074
Tradesperson Certificates issued	2,969	3,102	2,432	2,684	2,460

Technical advisory telephone enquiries

Telephone advisory enquiries and complaints in relation to motor vehicle repair related matters are now handled by the Fair Trading Information Centre. Enquiries requiring technical or specialist advice are transferred direct to the Motor Vehicle Services Unit for an Automotive Inspector to review.

Dispute mediation

The dispute resolution function formerly offered by the Motor Vehicle Repair Industry Authority is now part of the Motor Vehicle Services Unit in line with the integration of the Authority to Fair Trading. All complaints relating to an automotive related dispute, including both motor vehicle repairers and motor dealers are reallocated to the Motor Vehicle Services Unit for dispute resolution.

If a vehicle owner lodges a complaint arrangements are made for an Automotive Inspector 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 1,866 complaints about motor vehicle repairers and motor dealers were received by the Motor Vehicle Services Unit, with 1,596 of these being either settled without the need for any further action, withdrawn by the owner or lapsed waiting for further information. In 138 cases the dispute was referred to the Consumer, Trader and Tenancy Tribunal.

	2004/05	2006/07	2007/08	2008/09	2009/10
Formal disputes handled per year	1,528	1,265	1,096	1,112	1,866

Motor vehicle industry grants program

During the year the Automotive Training Board of NSW was provided with \$60,000 for the continuation of the Automotive Training Program aimed at retaining people at the beginning of their automotive career and those who currently work within the industry.

Strategic Community Assistance to Refugee Families was provided with \$1,550 to provide car buying members of the refugee community with the knowledge to make informed decisions about buying and maintaining their "first wheels"

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

	2005/06	2006/07	2007/08	2008/09	2009/10
Number of prosecutions	9	22	6	4	2
Number of disciplinary actions	12	19	4	3	14

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 year 19 motor vehicle repairers were found to be in breach of the act that resulted in warning letters or a penalty notice being issued. As a result of investigations two people were prosecuted for a total of four offences. A total of \$18,660.50 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 statements of the Motor Vehicle Repair Industry Authority (the Authority), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Authority as at 30 June 2010, 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 2010.

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

The General Manager's Responsibility for the Financial Statements

The General Manager is responsible for the preparation and fair presentation of the financial statements 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 statements that are 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 statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 General Manager, as well as evaluating the overall presentation of the financial statements.

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 2010
SYDNEY

STATEMENT BY GENERAL MANAGER

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 Motor Vehicle Repair Industry Authority as at 30 June 2010 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, 2010* 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



Peter Duncan
General Manager
Motor Vehicle Repair Industry Authority

12 October 2010

MOTOR VEHICLE REPAIR INDUSTRY AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
Revenue			
Fees from Regulatory Activities	1(d)(i), 2	2,820,997	2,856,129
Interest on Investments	1(d)(ii), 2	144,592	91,025
Other		10,693	-
Total revenue from ordinary activities		2,976,282	2,947,154
Less:			
Expenditure			
Administration Charge	4	2,056,000	1,982,859
Audit Fees	5	22,700	24,700
Education & Research Fund Expenditure	6	82,240	41,198
Contingency Fund Payments	7	49,853	26,159
Other		-	246
Total expenditure from ordinary activities		2,210,793	2,075,162
Gains/(Loss) on Disposal	3	-	(213,372)
Surplus/(Deficit) for the year		765,489	658,620
<u>Other comprehensive income</u>		-	-
<u>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</u>		765,489	658,620

The accompanying notes form part of these financial statements.

MOTOR VEHICLE REPAIR INDUSTRY AUTHORITY

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Notes	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents	8	3,782,222	3,165,886
Receivables	9	1,170	3,522
Total Current Assets		3,783,392	3,169,408
Total Assets		3,783,392	3,169,408
LIABILITIES			
Current liabilities			
Creditors & Accruals	10	42,665	194,170
Total Current Liabilities		42,665	194,170
Total Liabilities		42,665	194,170
Net Assets		3,740,727	2,975,238
EQUITY			
Accumulated funds		3,740,727	2,975,238
Total Equity		3,740,727	2,975,238

The accompanying notes form part of these financial statements.

MOTOR VEHICLE REPAIR INDUSTRY AUTHORITY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Accumulated Funds	Asset Revaluation Surplus	Total
Balance as at 1 July 2009		2,975,238	-	2,975,238
Surplus/(deficit) for the year		765,489	-	765,489
Other comprehensive income		-	-	-
Total other comprehensive income		-	-	-
Total comprehensive income for the year		765,489	-	765,489
Transactions with owners in their capacity as owners		-	-	-
Balance as at 30 June 2010		3,740,727	-	3,764,149

	Notes	Accumulated Funds	Asset Revaluation Surplus	Total
Balance as at 1 July 2008		2,474,901	1,926,499	4,401,400
Surplus/(deficit) for the year		658,620		658,620
Other comprehensive income		1,926,499	(1,926,499)	-
Total other comprehensive income		1,926,499	(1,926,499)	-
Total comprehensive income for the year		2,585,119	(1,926,499)	658,620
Transactions with owners in their capacity as owners				
Increase/(decrease) in net assets from equity transfers		(2,084,782)	-	(2,084,782)
Balance as at 30 June 2009		2,975,238	-	2,975,238

The accompanying notes form part of these statements.

MOTOR VEHICLE REPAIR INDUSTRY AUTHORITY
**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Payments to suppliers and employees		(2,362,298)	(1,032,310)
Total Payments		(2,362,298)	(1,032,310)
Receipts			
Regulatory Fees		2,820,997	2,865,679
Interest Received		144,592	91,025
Other		13,045	-
Total Receipts		2,978,634	2,956,704
NET CASH FLOWS FROM OPERATING ACTIVITIES	13	616,336	1,924,394
CASH FLOWS FROM INVESTING ACTIVITIES			
Transfer to NSW Treasury	1(i)	-	(2,084,782)
Proceeds from sale of Property		-	2,136,628
NET CASH FLOWS FROM INVESTING ACTIVITIES		-	51,846
NET INCREASE / (DECREASE) IN CASH		616,336	1,976,240
Opening cash and cash equivalents		3,165,886	1,189,646
CLOSING CASH AND CASH EQUIVALENTS	8	3,782,222	3,165,886

The accompanying notes form part of these financial statements.

MOTOR VEHICLE REPAIR INDUSTRY AUTHORITY

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2010

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 the Department of Services, Technology & Administration 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. These financial statements for the year ended 30 June 2010 have been authorised for issue by the General Manager on 12 October 2010.

(b) Basis of Preparation

The agency's financial statements are general purpose financial statements which have 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 statement 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 statements.

(c) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards which include Australian Accounting Interpretations.

(d) Revenue Recognition Policy

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

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.

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.

(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 Authority 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 Statement of Cash Flows 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) 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.

(g) Liabilities

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.

(h) 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.

(i) Transfer to NSW Treasury

In 2008/09 the Authority transferred \$2,084,782 to NSW Treasury from the sale of property at Five Dock. There was no transfer in 2009/10.

(j) 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.

(k) 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 10/08. 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

	2010	2009
	\$	\$
Revenue		
Fees from Regulatory Activities	2,820,997	2,856,129
Interest on Investments	144,592	91,025
Compensation Recoveries	10,693	-
Total revenue from ordinary activities	2,976,282	2,947,154

1. GGAIN/(LOSS) ON DISPOSAL

	2010	2009
	\$	\$
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), DSTA has applied an Administrative Services Charge for the recovery of those expenses it has incurred on behalf of the Motor Vehicle Repair Industry Authority.

	2010	2009
	\$	\$
Personnel Services	1,488,000	1,199,859
Tribunal Costs	-	137,000
Administrative Costs	404,000	255,000
Service & Legal Expenses	103,000	214,000
Minister/Executive and Policy Expenses	61,000	158,000
Corporate Overhead	-	19,000
	2,056,000	1,982,859

5. AUDIT FEES

The Audit Office of NSW's fee for auditing the Authority's financial statements for 2009/10 was \$22,700 (\$24,700 in 2008/09).

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:

	2010	2009
	\$	\$
Opening Balance	54,692	54,692
Add: contribution from General Fund	82,240	41,198
	136,932	95,890
Less:		
Expenditure	82,240	41,198
Total Expenditure for the Fund	82,240	41,198
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 \$49,853 (\$26,159 in 2008/09).

8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2010	2009
	\$	\$
Cash at Bank	1,119,182	616,466
TCorp Hour Glass Cash Facility	2,663,040	2,549,420
	3,782,222	3,165,886

For the purposes of the Statement of Cash Flows, 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 Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

	2010	2009
	\$	\$
Cash at Bank and on Hand (as per Statement of Financial Position)	1,119,182	616,466
TCorp Hour Glass Cash Facility	2,663,040	2,549,420
Closing Cash and Cash Equivalents (as per Statement of Cash Flows)	3,782,222	3,165,886

Weighted Average Effective Interest Rate was 4.1% for 2010 (5.33% 2009).

9. CURRENT ASSETS - RECEIVABLES

	2010	2009
	\$	\$
Current		
Accrued Income	-	2,352
Tax Credits	1,170	1,170
	1,170	3,522

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

	2010	2009
	\$	\$
Creditors and Accruals	42,665	194,170
	42,665	194,170

11. COMMITMENTS FOR EXPENDITURE

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

12. 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.

13. STATEMENT OF CASH FLOWS**Reconciliation of Surplus/(Deficit) to Cash Flow from Operating Activities**

	2010	2009
	\$	\$
Surplus/(Deficit)	765,489	658,620
Non-cash flows in result		
Loss on disposal	-	213,372
Changes in assets and liabilities		
(Decrease)/Increase in Creditors	(151,505)	166,214
(Increase)/Decrease in Receivables	2,352	886,188
Net Cash Flows from Operating Activities	616,336	1,924,394

14. 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 these financial statements.

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.

(a) Financial Instrument Categories

Financial Assets	Note	Category	Consolidated	
			2010 \$	2009 \$
			Carrying Amount	Carrying Amount
Class: Cash and cash equivalents	8	Not applicable	3,782,222	3,165,886
Receivables*	9	Loans and receivable (at amortised cost)	1,170	3,522
Class: Payables**	11	Financial liabilities measured at amortised cost	42,665	194,170

* 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)

(b) 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.

(c) 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.

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.

(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 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 Statement of Financial Position date. The analysis was performed on the same basis as 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%
2010					
<i>Financial Assets</i>					
Cash and cash equivalents	3,782,222	(37,822)	(37,822)	37,822	37,822
2009					
<i>Financial Assets</i>					
Cash and cash equivalents	3,165,886	(31,659)	(31,659)	31,659	31,659

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	2010 \$	2009 \$
Cash facility	Cash, money market instruments	Up to 1.5 years (pre-June 2008 - up to 2 years)	2,663,040	2,549,420

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	2010 \$	2009 \$
Hour-Glass Investment - Cash Facility	+1.0%	26,630	25,494
	-1.0%	(26,630)	(25,494)

(e) 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 Statement of Financial Position approximates the fair value, because of the short-term nature of many of the financial instruments.

(f) Fair Value Recognised in the Statement of Financial Position

The Authority uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique.

- Level 1 - Derived from quoted prices in active markets for identical assets/liabilities.
- Level 2 - Derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3 - Derived from valuation techniques that for the asset/liability not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2010 Total \$'000
TCorp Hour Glass Invest. Facility	-	2,663,040	-	2,663,040
	-	2,663,040	-	2,663,040

15. 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

This annual report has been prepared by the Department of Services, Technology & Administration for the purposes of *Annual Reports (Statutory Bodies) Act 1984* including tabling in Parliament and providing the public with access to copies.

Our annual report is available in electronic web-based format and can be downloaded from Fair Trading's website at http://www.fairtrading.nsw.gov.au/About_us/Publications/Annual_reports.html

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