Purpose of REINSW

To champion a better professional future for members so that the industry evolves, members prosper and the community benefits.

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It’s an honour being President of REINSW and I have thoroughly enjoyed my second year in the role.

The best thing about my position, is it enables me to meet so many wonderful people from all areas of real estate. Hearing your feedback and suggestions helps guide the organisation and that is truly invaluable to the betterment of the industry.

I recently read a statistic that 77% of people had more trust in an accountant who was a member of a professional body than one who was not, and I would think that’s likely to be true of agents as well. Being a member of REINSW means you’re committed to ensuring the integrity and credibility of our profession and this is something we must all continually strive for.

**TRAINING AND PROFESSIONALISM**

There has never been, and there never will be, any substitute for education and experience. Today, someone looking for a career in real estate can complete all the education required in less than a week – sometimes faster.

We have been fighting to change these training standards for the last 10 years and thankfully we now have a minister in New South Wales who is committed to implementing these vital reforms. Once in effect, the industry reforms will dramatically increase the training requirements for incoming and existing members of real estate. Not only will this ensure agents of the future are receiving the best training possible, it is a great step in our ongoing pursuit for professionalism.

Since 2016, REINSW has been working with the Professional Standards Authority for the establishment of a Property Services scheme. This will see Real Estate recognised as the 18th profession in Australia.

What we want is for agents to be considered professional advisors, and while there is still a long way to go, every day we are getting closer to our goal.

**TECH**

I was fortunate this year to again attend the Inman Connect conference in the United States where I had the opportunity to witness firsthand, the impact PropTech is having on the profession.

What is clear is that the traditional workflows of agency practice are rapidly changing, and we must change with it. While daunting, technology is only a threat if we sit still. We can either stick our heads in the sand and pretend nothing is going to change or welcome the disruption as a chance to improve the way we operate.

Technology may remove some of the traditional legwork of agents, but it will never replace us. A computer isn’t capable of human connection and relationships, and these are central to how we operate.

**PEOPLE**

At a recent event I was asked whether real estate agents need to work to improve their image and the short answer is yes. While increasing our professionalism will go a long way, we will only see lasting change if each and every one of us commits to putting the consumer first. Trustworthiness and sincerity are an agent’s greatest assets.

Not only must we be approaching clients with understanding, we must also be looking out for those within the industry. It’s been a challenging year and while the market is looking up, it’s important to recognise those who are struggling.

It’s everybody’s responsibility to shine a light on mental health and start a meaningful conversation about the issues facing agents today. Our Woodrow Weight recipient, Chris Hanley, is paving the way for greater discourse on this subject with his initiative RISE, and I believe this is something we should all get behind.

**CHANGE**

We are continuing to work hard with both the Government and Fair Trading to implement positive change within the industry.

While we have made significant progress in this space, we still have a way to go. A partnership between our regulatory authority and industry is paramount for consumer confidence.

The beacon that guides us is the belief that ‘what is good for the consumer, is good for the profession’. We should recognise what the consumer’s expectations of our services are and then exceed them.

**GOING FORWARD**

People are at the centre of what we do. Looking after not only our clients but our colleagues will help pave the way for a better future.

We are part of a fantastic industry, but there is always room for improvement. By embracing change and committing to do better, 2020 will no doubt be a successful year.

Leanne Pilkington
REINSW President
YEAR IN REVIEW

LOCATIONS OF THE REINSW Roadshow 2019

2588 individuals and 491 businesses tuned into webinars

29 WEBINARS HELD

21,385 raised for DVNSW in 2019 so far

1588 REI FORMS LIVE ACCOUNTS

$43,875 raised for R U OK? in 2018

561 ATTENDEES at the 2018 Awards for Excellence Gala Dinner

1152 ATTENDEES at the RTA Tour across NSW

Two Women in Real Estate conferences held totalling 579 attendees

8 submissions made to Government

3003 real estate agents signed our petition to Move Property Services Out of Fair Trading

$107 BILLION INDUSTRY ANNUALY

OVER 3000 people signed to address stamp duty

808 AGENCY MEMBERS

399,075 COMPLETED FORMS

About the Election Campaign

At the centre of the REINSW election campaign was the call for the appointment of a dedicated Commissioner for Property Services.

“We proposed that this commissioner would be responsible for regulating the broad spread of services that make up the property services industry, including real estate,” REINSW CEO Tim McKibbin explained.

“Our argument was that by taking a more holistic view of the property landscape, fundamental issues like consumer protection, agency service standards, housing affordability and supply, and licensing could be successfully addressed.”

Tim said the proposal was met with hostility by the incumbent Minister for Better Regulation and Innovation, Matt Kean.
Leanne Pilkington President
Laing+Simmons
Leanne has over three decades’ experience in the real estate industry, encompassing residential, retail and commercial. She is Managing Director of Laing+Simmons and a regular industry commentator and speaker.

Barry Johnston Deputy President
Balmorel Partners
Barry has approximately 30 years’ experience in the property industry. He is the Founder of Balmoral Partners and Director of Tenant Advisory Services. Barry has served on the REINSW Board of Directors for over four years.

Gary Adamson Director
Strata Management Services NSW
In addition to his current role on the REINSW Board of Directors, Gary is Chairman of the REINSW Strata Management Chapter Committee. He is also a former Chairman of the REINSW Finance and Audit Committee and former Vice Chairman of the Board of Directors.

Lynette Kimball Director
Fitzpatricks Real Estate
Lyn has over 30 years’ experience in human resources and property management. She is a licensed real estate agent, Justice of the Peace and holds a Certificate IV in Assessment and Workplace Training. She is also a member of the REINSW Property Management Chapter Committee.

Brett Hunter Deputy President
Raine&Horne Terrigal, Avoca Beach
Brett has served the REINSW board for over 10 years in many roles and is also a Director of RealCover. Brett’s experience across many industries makes him an asset for the next phase of the property services industry.

Peter Matthews Deputy President
Matthews & Co Pty Ltd
Peter started his real estate career at just 19 years old. Since then, he has led and owned three franchise agencies, won an REINSW Award for Excellence for auctioneering and founded a successful software platform for sales agents and property managers.

David Howe Director
DJOINES Real Estate
David is an accomplished agent. He holds an MBA and has over 42 years’ experience in the banking and sales sectors. In 2014, David was a finalist for the Residential Salesperson Award in the REINSW Awards for Excellence.

Ewan Morton Director
Morton Real Estate Agency
Ewan honed his commercial sales and property marketing skills overseas before opening Morton Real Estate in 1996. He now leads over 75 staff across six Sydney agencies. He and his agency are multiple finalists and winners of REINSW Awards for Excellence.

Andrew Palmer Director
The Property Shop Mudgee
Andrew has 12 years’ experience in the property services industry. He is a licensed real estate agent, registered stock and station agent, business salesperson and auctioneer. He is also the Vice President of the Mudgee Chamber of Commerce.

Sandy Warburton Director
Warburton Estate Agents
Sandy commenced his real estate career in 1996. Today he heads up the same agency with offices in two regional NSW locations. Recently re-branded to Warburton Estate Agents, Sandy and his team have been finalists and winners of REINSW Awards for Excellence on many occasions.

Michael Guest Director
Rural Property NSW
Michael's career in rural property began when he finished school and returned to the land in 1977. His success is based on his ability to work closely with clients, gaining a comprehensive understanding of the property to be sold and his client's expectations. He combines his insight into the rural marketplace with his vast knowledge of agriculture, particularly broadacre farming, irrigation and the livestock industry to ensure the best possible results.

Linda Rudd Director
Knight Frank
Linda is a Partner and the Head of Asset Management Services at Knight Frank Australia. She holds a Bachelor of Business (Property Economics) and an Executive MBA. She is also a member of the Property Council of Australia and Royal Institute of Chartered Surveyors.

Sarah Beater Director
Ray White Double Bay
Sarah has 25 years' experience in the real estate industry across Australia and the UK, with 18 years as General Manager of Ray White Double Bay. Legislation and compliance-focused, Sarah has a strong bias to action, impartiality and analytical research.

Braden Walters Director
Belle Property Byron Bay/Lennox Head
A fully licenced real estate agent, auctioneer, buyer’s agent and certified real estate trainer, Braden is a proven industry leader and a Board member of REINSW. A key player in the team at McGrath Ballina/Byron Bay, Braden is an exceptionally talented marketer and gifted communicator. Braden is also the chairperson for the Residential Sales Chapter Committee.
On 5 July 2019, the real estate industry lost one of its most recognised and respected professionals – Tim Anderson OAM. Tim was widely recognised and respected as a leader in the real estate industry.

His dedication and efforts over his 50 years in real estate helped establish property management as a career, and his commitment to sharing his intimate knowledge of real estate legislation supported thousands of property managers across NSW.

Tim had been a member of REINSW since 1966. He had been a member of the Property Management Chapter Committee for almost 20 years and more recently became a valued part-time member of the REINSW helpline team.

Tim’s knowledge and experience led him to represent REINSW in various capacities, including the Residential Tenancies Consultative Committee, the Residential Tenancies Operational Committee and as Liaison to the Chair of the Residential Tenancies Tribunal.

Beyond his active involvement at a grassroots level, Tim was a member of the REINSW Board between 1994 and 2000.

In 1999, Tim received the Woodrow Weight Award – REINSW’s highest honour – for a lifetime of outstanding service to real estate practice. Less than a decade later, in 2008, he was awarded a Life Fellowship.

In 2017, Tim was awarded a Medal of the Order of Australia for his service to the real estate industry and the community.

REINSW Committee Executive, Chris Carey, remembers Tim as an amazing man and industry stalwart.

“Tim was a kind and gentle man with a keen sense of humour” he says. “He always made time for his industry peers and was a tireless, passionate advocate for the real estate industry.

“Tim stood for professionalism and was, undoubtedly, a gentleman. He will be missed by many.”

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In memoriam

Gary Adamson

On 22 July 2019, Gary Adamson passed away peacefully at home surrounded by his family. Gary was called to the Bar as a solicitor by the Supreme Court of New South Wales on 17 October 1960.

Gary specialised in real estate law and for many years was a member of the REINSW Board. He was appointed as a life member of the Board in 1984 and was the first solicitor appointed to the REINSW Board. Gary was also the first solicitor appointed to the REINSW Helpline team.

Gary had a distinguished career in real estate law and was a valued member of the real estate industry. He will be greatly missed by those who knew and worked with him. Gary is survived by his wife Ailsa and their three children, Peter, Ann and David.
WHAT IT MEANS TO BE A MEMBER

WITH LYNETTE MALCOLM
PARTNER AT CHADWICK REAL ESTATE

A second-generation real estate agent, Lynette Malcolm always knew she would eventually find herself in the same industry as her father.

A partner at Chadwick Real Estate on Sydney’s Upper North Shore, Lynette has been recognised on the Top 50 Women in Real Estate list three times, is a long serving member of REINSW and is a current member of the REINSW Residential Sales Chapter Committee.

MORE THAN A DECADE WITH REINSW

After a big career change 11 years ago, Lynette discovered the benefits of REINSW, just as she was finding her feet in real estate.

“My company was a member of the REINSW when I joined with them and they introduced me to the prospect of individual membership”, says Lynette.

“It was amazing the amount of information I suddenly had access to and the instant support I felt.

“Being new to the industry it was reassuring to know there was someone to guide me besides my employer.

“There was always someone I could turn to; to answer my questions and give me the guidance I needed.”

THE BENEFITS OF BEING A MEMBER

Being a member of the REINSW offers a series of invaluable benefits says Lynette, among them is greater connectivity.

“Real estate is a lonely business and we often work at our desks and in silos. The Real Estate Institute really opens that networking ability.

“I’ve got great relationships with agents across New South Wales that I wouldn’t have known or met if it wasn’t for the REINSW.”

Lynette says access to exclusive resources and industry knowledge is also a major draw card.

“Agents have access to a myriad of resources, from articles, to the Journal and Webinars.”

“We’re also kept up to date with any legislative changes and best practice, which is critically important to how we operate.”

PAVING THE WAY FOR A BETTER FUTURE

Lynette says through REINSW, agents wanting to enact positive change within the industry can have their voices heard.

“I’m lucky to have been heavily involved in the Pathway to Professionalism movement and to feel like I’m contributing to the betterment of the industry with my position within the Residential Sales Chapter committee.

“One person alone can’t make a change, so if an agent is passionate about being involved in the journey of the industry, REINSW is the perfect platform to facilitate that.”
OBJECTIVES + STRATEGIES

The objects of the Constitution state that REINSW’s purpose is to:

a) promote the interests of members and the property sector on property related issues to government and the community;

b) promote and facilitate professional standards in Real Estate Practice;

c) assist members in the conduct of Real Estate Practice;

d) promote the benefits of Institute membership; and

e) promote the benefits of home ownership, property and business investment.

In order to achieve these objectives the REINSW has developed a five-year Strategic Plan – the top-level elements of this plan are reproduced below:

Value proposition
To champion a better professional future for members so that the industry evolves, members prosper and the community benefits.

Vision
To be recognised as the leading professional association for real estate professionals, and to be acknowledged as integral to the business and careers of members.

Mission
To provide an indispensable tool-kit for the professional growth of members and the betterment of their businesses.

By positioning the REINSW as the undisputed industry authority with government, media and consumers, ensure that consumers positively discriminate in favour of members.

Key to Success

1. Create a robust and effective Board and management framework for strategic planning and successful implementation.

2. Define targets and measures for the business that provide insight and visibility into the achievement of the strategic objectives of REINSW.

3. Maximise the engagement between REINSW and its members by providing the highest quality, value-adding services and products, and becoming the supplier of choice.

4. Reinovate the REINSW brand and increase brand visibility by becoming the most sought-after industry opinion for media and government.

5. Through awareness of current and emerging issues, be acknowledged as the leading entity for real estate-related policy development in NSW.

6. Through brand awareness, attributes and visibility, and by being the most respected source of real estate information, ensure that consumers positively discriminate in favour of member firms.

7. Develop and manage industry and professional standards for members and establish a meaningful differentiation in the eyes of consumers between member and non-member firms.

8. To excel at internal and external marketing and communications, continually reinforcing the benefits of membership to the profession, and the benefits to consumers of dealing with members.
During the year the Group made a surplus after tax of $1,024,306 (2018: surplus after tax of $974,722) and achieved total comprehensive income of $2,572,006 (2018: income of $974,722).

The past financial year has been difficult from an operational point of view. Like the real estate industry as a whole, the Group’s results have been adversely affected by the general downturn in the property market in New South Wales. We reported a good level of profit for the year in spite of difficult trading conditions. Lower property transaction volumes have meant that we have achieved lower than budgeted income from our traditional sources of income, commissions earned from the insurance distribution arrangement with Jardine Lloyd Thompson performed on budget again this year. Of our traditional sources of income, membership and forms live have performed on or close to budget. However, training, events, and the sale of forms and agreements have performed significantly below budget reflecting the market uncertainty caused by both State and Federal elections held in March and May 2019 as well as the general reduction in sales activity.

Other revenue for the year included a one-time writeback of deferred income of $882,000 in respect of the CGU one-time writeback of deferred income as free run-off covers to retiring agents. The delays to the introduction of the State government’s training reforms is continuing to cause uncertainty in the market and is impacting learner numbers. This is being exacerbated by the sustained reduction in activity and prices in the real estate market causing agents to respond by reducing their spending on all of the REINSW’s products and services.

As a result of the strategic review of Realcover Insurances Pty Limited’s (Realcover) insurance activities during the 2017 financial year Realcover was placed into run-off effective 1 July 2017. This means that Realcover is authorised to carry on insurance business for the purpose of discharging liabilities arising under policies issued before 1 July 2017. Realcover has prepared a run-off business plan which was last updated and reviewed by its appointed actuary on 30 June 2018. Based on the run-off business plan, Realcover currently has sufficient cash reserves to meet all projected future liabilities, however due to regulatory capital requirements there will be a need for Realcover to obtain additional capital from the parent entity during the year to 30 June 2021.

The plan has been prepared based on Realcover managing the run-off until approximately June 2023 when all liabilities are likely to be extinguished. Actuarial estimates of the outcomes of the run off between July 2019 and June 2025 indicate a range of possible capital contributions required from the parent entity from a base case of $888,000 to a worst case of $1,824,000. The plan includes another scenario whereby the insurance business of Realcover is transferred to another insurer. The directors of Realcover have been pursuing this second option with QBE Insurance Australia Limited (QBE) and have signed a Memorandum of Understanding in October 2017 to effect a transfer. Over the past year Realcover has been working on the legal process to facilitate the transfer which will as it will allow an earlier return of capital and minimise the risk of adverse claims development during the run-off period.

The capital contributions estimated to cover the transfer and managing Realcover until the expected completion date of the transfer are estimated at $180,000. Once the transfer of Realcover proceeds it is expected that capital will be returned to the Institute shortly after the completion date of the transfer. No additional capital has been paid by the parent entity to Realcover since 30 June 2018.

During the previous financial year all remaining Realcover policies which were in force as at 30 June 2017 had expired with the exception of 95 policies issued by the parent entity from a base case of $888,000 to a worst case of $1,824,000. The plan includes another scenario whereby the insurance business of Realcover is transferred to another insurer. The directors of Realcover have been pursuing this second option with QBE Insurance Australia Limited (QBE) and have signed a Memorandum of Understanding in October 2017 to effect a transfer. Over the past year Realcover has been working on the legal process to facilitate the transfer which will as it will allow an earlier return of capital and minimise the risk of adverse claims development during the run-off period.

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AUDITOR’S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF THE REAL ESTATE INSTITUTE OF NEW SOUTH WALES

As lead auditor of The Real Estate Institute of New South Wales for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

2. No contraventions of any applicable code of professional conduct in relation to the audit.

LNP Audit and Assurance Pty Ltd

Chin Khoo, Director

Dated this 3rd of October 2019 | Sydney
### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2019 ($)</th>
<th>2018 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>4,096,355</td>
<td>5,563,748</td>
</tr>
<tr>
<td>(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(344,131)</td>
<td>(325,137)</td>
</tr>
<tr>
<td>(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>3,752,224</td>
<td>5,238,611</td>
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<tr>
<td>(c)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of net profits of joint ventures accounted for using the equity method</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(f)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution expenses</td>
<td>(23,497)</td>
<td>(26,228)</td>
</tr>
<tr>
<td>(g)</td>
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<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td>(21,465)</td>
<td>(78,007)</td>
</tr>
<tr>
<td>(h)</td>
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<td></td>
</tr>
<tr>
<td>Insurance expenses</td>
<td>(257,194)</td>
<td>(942,284)</td>
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<tr>
<td>(i)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing and publication expenses</td>
<td>(979,999)</td>
<td>(727,073)</td>
</tr>
<tr>
<td>(j)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member services expenses</td>
<td>(694,022)</td>
<td>(630,234)</td>
</tr>
<tr>
<td>(k)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional and business development expenses</td>
<td>(1,388,591)</td>
<td>(1,459,261)</td>
</tr>
<tr>
<td>(l)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus before income tax</td>
<td>1,024,506</td>
<td>974,722</td>
</tr>
<tr>
<td>(m)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax (expense)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(n)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus for the year after tax</td>
<td>1,024,506</td>
<td>974,722</td>
</tr>
<tr>
<td>(o)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### OTHER COMPREHENSIVE INCOME

Items that will not be reclassified subsequently to profit or loss:

<table>
<thead>
<tr>
<th></th>
<th>2019 ($)</th>
<th>2018 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gains on revaluation of land and buildings, net of tax</td>
<td>1,547,500</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1,547,500</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>2,572,006</td>
<td>974,722</td>
</tr>
<tr>
<td>Surplus for the year, attributable to members of the parent entity</td>
<td>2,572,006</td>
<td>974,722</td>
</tr>
<tr>
<td>Total comprehensive income for the year, attributable to members of the parent entity</td>
<td>2,572,006</td>
<td>974,722</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these financial statements.
## Financial Position as at 30 June 2019

### Current assets
- Cash and cash equivalents: 9, 4,653,308, 6,441,196
- Trade and other receivables: 10, 75,206, 23,275
- Inventories: 54,419, 21,269
- Other assets: 11, 221,888, 275,494
- Financial assets: 14, 44,361, 48,000
- Total current assets: 5,049,182, 6,809,234

### Non-current assets
- Equity accounted investment: 12, 160,894, 223,115
- Property, plant and equipment: 15, 8,572,021, 6,952,348
- Intangible assets: 16, 283,327, 272,465
- Total non-current assets: 9,016,242, 7,447,928
- Total assets: 14,065,424, 14,257,162

## Current Liabilities
- Trade and other payables: 17, 1,599,535, 1,432,821
- Borrowings: 18, 340,000, -
- Outstanding insurance claims: 19, 460,000, 980,000
- Provisions: 20, 355,719, 352,467
- Deferred distribution income: 21, 27,725, 83,333
- Total current liabilities: 2,782,979, 2,848,621

## Non-current Liabilities
- Borrowings: 18, - 902,783
- Outstanding insurance claims: 19, 553,000, 1,410,000
- Provisions: 20, 3,238, 14,612
- Deferred distribution income: 21, 360,000, 1,286,945
- Total non-current liabilities: 916,238, 3,614,340
- Total liabilities: 3,699,217, 6,462,961
- Net assets: 10,366,207, 7,794,201

### Members’ Funds
- Reserves: 22, 7,462,294, 5,914,794
- Retained earnings: 2,003,913, 1,879,407
- Total members’ funds: 10,366,207, 7,794,201
- Total equity: 10,366,207, 7,794,201

## Changes in Equity
- Retained earnings: 2,454,186, 5,914,794, (1,549,501), 6,819,479
- Acquisition reserve: (1,549,501), -, -, (1,549,501)
- Total: 1,879,407, 5,914,794, -, 7,794,201
- Surplus attributable to members of the parent entity: 1,024,506, -, -, 1,024,506
- Total other comprehensive income for the year: -, 1,547,500, -, 1,547,500

The accompanying notes form part of these financial statements.
## CONSOLIDATED STATEMENT OF CASH FLOWS
### FOR THE YEAR ENDED 30 JUNE 2019

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>6,212,282</td>
<td>7,994,827</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(8,009,162)</td>
<td>(10,254,745)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>199,128</td>
<td>(78,007)</td>
</tr>
<tr>
<td>Interest received</td>
<td>(21,465)</td>
<td>144,582</td>
</tr>
<tr>
<td>Joint venture partnership distributions received</td>
<td>730,000</td>
<td>780,000</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(979,217)</td>
<td>(1,413,343)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment for investment</td>
<td>(29,452)</td>
<td>(48,000)</td>
</tr>
<tr>
<td>Proceeds from investment</td>
<td>32,000</td>
<td>-</td>
</tr>
<tr>
<td>Payments for property, plant and equipment and intangible assets</td>
<td>(248,436)</td>
<td>(157,250)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(245,888)</td>
<td>(205,250)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net repayment of loan</td>
<td>(562,783)</td>
<td>(847,216)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(562,783)</td>
<td>(847,216)</td>
</tr>
<tr>
<td>Net decrease in cash and cash equivalents</td>
<td>(1,787,888)</td>
<td>(2,665,809)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of financial year</td>
<td>6,441,196</td>
<td>8,907,005</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of financial year</strong></td>
<td>4,653,308</td>
<td>6,441,196</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these financial statements.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

CORPORATE INFORMATION

The Real Estate Institute of New South Wales (the "Institute") is a Public Company limited by guarantee, incorporated and domiciled in Australia.

The financial report includes the consolidated financial statements of the Institute and its controlled entities ("the Group").

BASES OF PREPARATION

These general-purpose financial statements – Reduced Disclosure Requirements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The Real Estate Institute of New South Wales is a not-for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions.

NOTE 1 : STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A) Principles of consolidation

Subsidiaries – Subsidiaries are all entities over which the Institute has control. The Institute controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Institute.

Joint ventures – Joint arrangements investments in joint ventures are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the Joint arrangement. The Institute has a joint venture arrangement with The Law Society of New South Wales.

Joint ventures – Interests in joint ventures are accounted for using the equity method (see below), after initially being recognised at cost in the consolidated balance sheet. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Institute’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Institute’s share of movements in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Institute’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Institute does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the Institute and joint ventures are eliminated to the extent of the Institute's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Material accounting policies adopted in the preparations of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

B) Change in Accounting Policy

Financial Instruments – Adoption of AASB 9

The Institute has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2018.

As part of the adoption of AASB 9, the Institute adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

• AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. In the comparative year, this information was presented as part of other expenses.

• AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year.

The key changes to the Institute’s accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except where the Institute has not restated any amounts relating to classification and measurement requirements including impairment which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of the Institute have been reclassified into one of the following categories on adoption of AASB 9 based on primarily the business model in which a financial asset is managed and its contractual cash flow characteristic.

• Measured at amortised cost

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost, contract assets and fair value through other comprehensive income. This has resulted in the earlier recognition of credit loss (bad debt provisions).

C) Income tax

The Institute prepares its income tax returns by reference to the application of the principle of mutuality to the revenue and expenses of the Institute. The principle of mutuality is a common law principle arising from the premise that a person cannot profit himself. Accordingly, receipts from members are deemed to be mutual income and not subject to income tax, and expenses in connection with mutual activities are also mutual and hence not deductible for taxation purposes. All other receipts and payments are classified for taxation purposes in accordance with taxation legislation.

The charge for current income tax expense is based on the Group’s profit from non-members for the year adjusted for any non-assessable or disallowed items, plus the applicable profits of taxable entities. It is calculated using the tax rates that have been enacted or are substantially enacted by the reporting period date.

Deferred tax is ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which the benefits of the deferred tax assets can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Institute and its subsidiary, will derive sufficient assessable future income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.
**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

### D) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

### E) Financial instruments

For current year

Financial instruments are recognised initially on the date that the Institute becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value, plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

#### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Classification**

On initial recognition, the Institute classifies its financial assets into those measured at amortised cost and financial assets measured at fair value.

Financial assets are not reclassified subsequent to their initial recognition unless the Institute changes its business model for managing financial assets.

**Amortised cost**

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Institute’s financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

### Impairment of financial assets

#### Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Institute considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Institute’s historical experience and forward-looking information.

The Institute uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Institute uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Institute in full, without recourse to the Institute to actions such as realising security (if any is held); or the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between cash flows due to the Institute in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

#### Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Institute has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectible then the gross carrying amount is written off against the associated allowance.

Where the Institute renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

#### Impairment of other financial assets

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

#### Financial liabilities

The Institute measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Institute comprise trade payables, bank and other loans and finance lease liabilities.

For comparative year

Financial instruments are recognised initially on the date that the Institute becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

#### Financial assets

Financial assets are categorised as loans and receivables or other financial instruments.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Institute’s trade and other receivables fall into this category of financial instruments.

In some circumstances, the Institute renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Institute does not necessarily consider the balance to be impaired, however assessment is made on a case by case basis.

#### Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. All premium and other debentures are recognised at the amounts receivable, as they are due for settlement no more than 90 days from the date of recognition.

Collectability of trade, premium and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible or impaired are written off by reducing the carrying amount directly. In the case of premiums, the entire premium will be cancelled if premium funds are not collected within 90 days. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of impairment allowance is the difference between the assets carrying value and the present value of estimated future cash flows.

In some circumstances, the Institute renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Institute does not necessarily consider the balance to be impaired, however assessment is made on a case by case basis.
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT
OF SIGNIFICANT
ACCOUNTING POLICIES
(continued)

flows, discounted at the original effective
interest rate. Cash flows relating to short-
term receivables are not discounted if the
effect of discounting is immaterial.
The amount of the impairment loss is
recognised in profit or loss within other
expenses. When a trade receivable for
which an impairment loss had been
recognised becomes uncollectible in a
subsequent period, it is written off against
the allowance amount. Subsequent
recoveries of amounts previously written
off are credited against other expenses in
profit or loss.

Financial liabilities
Financial liabilities are classified as
either financial liabilities ‘at fair value
through profit or loss’ or other financial
liabilities depending on the purpose for
which the liability was acquired. Although
the Institute uses derivative financial
instruments in economic hedges of
currency and interest rate risk, it does not
hedge account for these transactions.
The Institute’s financial liabilities include
borrowings, trade and other payables,
which are measured at amortised cost
using the effective interest rate method.

Impairment of financial assets
At the end of the reporting period the
Group assesses whether there is any
objective evidence that a financial asset or
group of financial assets is impaired.

Financial assets at amortised cost
If there is objective evidence that an
impairment loss on financial assets carried
at amortised cost has been incurred, the
amount of the loss is measured as the
difference between the asset’s carrying
amount and the present value of the
estimated future cash flows discounted
at the financial assets original effective
interest rate.

Impairment on loans and receivables is
reduced through the use of an allowance
account, all other impairment losses on
financial assets at amortised cost are
taken directly to the asset.

Subsequent recoveries of amounts
previously written off are credited against
other expenses in profit or loss.

F) Inventories

Inventories are measured at the lower of
cost and net realisable value.

(G) Property, Plant and Equipment

Land and buildings - Freehold Land
and buildings are measured at fair
value, valued (independent/director)
whenever there has been material
movement in the value of assets, less
subsequent depreciation for buildings. Any
accumulated depreciation at revaluation
data is eliminated against the gross
carrying amount of the asset and the
net amount is restated to the revalued
amount of the asset. Increases in the
carrying amount arising on revaluation
of land and buildings are credited to the
asset revaluation reserve included within
member’s fund’s unless it reverses a
revaluation decrease on the same class of
asset previously recognised in the
statement of comprehensive income. A
revaluation surplus is recognised in the
statement of comprehensive income
unless it directly offsets a previous
revaluation surplus on the same class of
asset in the asset revaluation reserve. On
disposal, any revaluation reserve relating
to sold assets is transferred to retained
earnings.

Plant and Equipment - All plant and
equipment is stated at historical cost,
less depreciation and any impairment.
Depreciation is provided on all property,
plant & equipment, including buildings
and property improvements but excluding
freehold land. Depreciation is calculated
on a straight-line basis over the estimated
useful life of the asset commencing from
the time the asset is first held ready for
use over their estimated useful lives as
follows:

- Buildings, estimated lives; 40 years
- Furniture and Fixtures; 5 to 9 years
- Office Equipment; 2.5 to 5 years

The residual values and useful lives are
reviewed at the end of each reporting
period. größes and losses on disposals are
determined by comparing proceeds with
the carrying amount. These gains or
losses are included in profit or loss.

H) Equity accounted investment

The Institute classifies its financial
assets as: Financial assets at fair value
through profit or loss, Held to maturity
investments, and Loan and receivables.
The classification depends on the purpose
for which the investments were acquired.
Management determines the classification of
its investments at initial recognition
and, in the case of assets classified
as held-to-maturity, re-evaluates this
designation at the end of each reporting
period.

Investments in subsidiaries are measured
at cost, less any impairment, in the
Institute’s financial statements. The Group
transacts with non-controlling interests
that do not result in a loss of
t control as transactions with equity owners
of the Group. Dividends received from
subsidiaries are recognised as other
revenue.

1) Intangible assets – software and
website development costs

Costs associated with maintaining software
programmes are recognised as an expense
as incurred. Costs incurred in developing
new systems and costs incurred in acquiring
software and licenses that will contribute
to future period financial benefits through
revenue generation and/or cost reduction
are capitalised. Costs capitalised include
direct costs of materials and services and
direct payroll and payroll related costs spent
on the project. Amortisation is calculated
on a straight-line basis over periods
generally ranging from 4 to 8 years.

Software development costs include
only those costs directly attributable to
development and are only recognised
following completion of technical feasibility
and where the entity has an intention
and ability to use the asset. Expenditure
that does not meet the criteria above are
recognised as an expense as incurred.

2) Impairment of assets

The Institute assesses at the end of each
reporting period whether there is objective
evidence that a financial asset or group
of financial assets is impaired.

If a loan or held-to-maturity investment
has a variable interest rate, the discount
rate for measuring any impairment loss
is the current effective interest rate
determined under the contract. As a
practical expedient, the Institute may
measure impairment on the basis of an
instrument’s fair value using an observable
market price. If, in a subsequent period,
the amount of the impairment loss
decreases, and the decrease can be
related objectively to an event occurring
after the impairment was recognised (such
as an improvement in the debtor’s credit
rating), the reversal of the previously
recognised impairment loss is recognised
in profit or loss.

K) Outwards reinsurance

Premium ceded to reinsurers is recognised
in profit or loss as outwards reinsurance
expense from the attachment date
over the period risk. It is recognised
in accordance with the pattern
of the reinsurance service received.
The proportion of reinsurance premiums paid
or payable not earned at the reporting
date is recognised as an unearned reinsurance
premium asset. Reinsurance recoveries
on claims incurred are recognised as
revenue, revenue recoveries receivable
are measured as the present value of
the expected future receipts, calculated on
the same basis as the liability for outstanding
claims.

L) Outstanding Claims Liability (OCL)

The OCL is measured as the central
estimate of the present value of expected
future payments against claims incurred.
M) Unexpired risk liability
At reporting date, the Group assessed whether the unearned premium liability is sufficient to cover all expected future cash flows relating to future claims against current insurance contracts. This assessment is referred to as the liability adequacy test. If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs, then the unearned premium liability is deemed to be deficient. The resulting deficiency is recognised immediately through profit or loss.

N) Assets backing general insurance liabilities
As part of its investment strategy the Group actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities. The Group holds these assets in the form of bank accounts and term deposits.

The net fair value of cash and cash equivalents and non-interest-bearing monetary assets and liabilities approximates their carrying value. Financial assets at fair value through profit or loss are valued by reference to the market price and accordingly are shown at fair value on the statement of financial position.

Gains or losses on financial assets at fair value are recognised in profit or loss.

O) Reinsurance and other recoveries receivable
Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, IBNR and unexpired risk liabilities are recognised as revenue when earned.

P) Deferred acquisition costs
A portion of acquisition costs relating to unearned premium revenue is deferred in recognition that it represents future benefits to the organisation. Deferred acquisition costs are measured at the lower of costs and recoverable amount. Deferred acquisition costs are amortised over the financial years expected to benefit from the expenditure. Commission expense in respect of general insurance business is deferred and amortised on the same basis as the premium to which it relates is earned.

Q) Trade and other payables
These amounts represent liabilities for goods and services provided to the Institute prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are recognised as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

R) Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loan. Interest costs on borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. All other borrowing costs are recognised as in profit or loss in the period in which they are incurred. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

S) Provisions
Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the item. Increases due to the passage of time are recognised as an expense.

T) Employee benefits
Short-term obligations – Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Other long-term employee benefit obligations – The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which they are incurred. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Other long-term employee benefit obligations are recognised when the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

U) Leases
Operating lease payments are recognised as an expense in profit and loss on a straight-line basis over the lease term.

V) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Institute recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Institute’s activities as described below.

Membership subscriptions – The Institute’s membership subscription year runs from 1 July to 30 June. Membership fees and subscriptions which are attributable to the current financial period are recognised as revenue. Membership subscriptions received in advance are carried forward as a liability at the end of the reporting period.

Sales – Revenue from trading activities are recognised when control of the goods has passed to the buyer.

Professional and Business Development income – Income from tuition fees is recognised over the period of the course.

Commissions – Commissions are recognised on an accruals basis when the Group gains the right to receive the consideration.

Interest Revenue – Interest revenue is recognised on the accruals basis.

Dividends – Dividend revenue is recognised when the right to receive payment is established.

Premium Revenue Recognition – Revenues comprise premiums charged to policyholders, excluding stamp duties, GST, and other amounts collected for third parties. Premium revenue is recognised from the attachment date, when it has been earned over the period of risk.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The proportion of premium received or receivable not earned at the statement date is recognised in the statement of financial position as an unearned premium liability.

W) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the GST is not recoverable. In these circumstances the GST is recognised as part of the cost of acquisition of an asset / expense. Receivables and payables are inclusive of GST. Cash flows include GST, except for the GST component of investing and financing activities, which are disclosed as operating cash flows. Commitments and contingencies are disclosed net of GST.

X) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars which is the parent entity’s functional and presentation currency.

NOTE 2: CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES (continued)

Y) Adoption of new and revised accounting standards

The Institute has adopted all standards which became effective for the first time at 30 June 2019, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group or refer to section 5 of this note for details of the changes due to standards adopted.

2) New accounting standards and interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Group where the standard is relevant:

<table>
<thead>
<tr>
<th>Standard Name</th>
<th>Effective date for entity</th>
<th>Requirements</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 15 Revenue from contracts with customers and amendments to AASB 15-5</td>
<td>30 June 2020</td>
<td>AASB 15 introduces a five-step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.</td>
<td>The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.</td>
</tr>
<tr>
<td>AASB 16 Leases</td>
<td>30 June 2020</td>
<td>AASB 16 will cause the majority of leases held by an entity to be brought onto the statement of financial position. There are limited exceptions relating to short term leases and low value assets which may remain off balance sheet. The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and monies in lease payments. A corresponding right to use asset will be recognised which will be amortised over the term of the lease. Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges.</td>
<td>The Institute assessed that the new standard has no impact to the financials since there are no existing lease agreements as at 30 June 2019.</td>
</tr>
</tbody>
</table>

A) Outstanding Claims Liability (OCL) and related reinsurance recoveries

The Group utilises valuations performed by its Actuary to estimate the OCL and related reinsurance recoveries. Provision is made for the estimated cost of claims incurred but not settled at the end of the reporting period, including the cost of claims incurred but not reported to the Group. The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of any recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will be different from the original OCL. Details of specific assumptions used in deriving the OCL at year-end are detailed in Note 3. Assets arising from reinsurance contracts are Actuarially assessed. Their recoverability is assessed to ensure that the balance is reflective of the amounts that will ultimately be received. Impairment is recognised where there is objective evidence that the Group may not receive amounts due to it and these amounts can be reliably measured.

B) Commitments

The Institute has agreed to manage the run-off of the residual portfolio. The run-off strategy will be calculated taking into account expected loss development in the run-off portfolio. The funds required to settle claims, including expenses, will be considered in the calculation of the requirements.

C) Liquidity

The Group has sufficient cash reserves to meet all obligations, and the Group is not dependent on the receipt of unusual transactions, other than transactions with its related parties, for its liquidity needs. The Group’s cash flows from operating activities are adequate to meet its obligations.

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The Group’s obligations will be met in the normal course of business, as they are satisfied according to the Group’s ability to generate adequate liquidity from the Group’s ongoing financing and operating activities. The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should this not be the case, as this is considered to be highly unlikely.
NOTE 3: ACTUARIAL ASSUMPTIONS AND METHODS

Until 30 June 2017 Group wrote professional indemnity insurance, which is long tail in nature, meaning that claims are typically settled more than one year after being reported. The OCL is estimated as follows.

The OCL is the central estimate of the present value of expected future payments against claims incurred, plus a risk margin to allow for the inherent uncertainty in the central estimate. The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNR) and anticipated claims handling costs. Liabilities are assessed by reviewing individual claim files and estimating claims not notified and settlement costs using statistics based on past experience and trends.

Claims handling expenses include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration. Expected future payments are discounted to present value using a risk-free rate. A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. Reinsurance recoveries recoverable are assessed in a manner similar to the assessment of outstanding claims. Reinsurance recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

The Group conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables. As at 30 June 2019 and onwards, the sensitivities have been calculated on two bases:

- First, the normal scenario of a 25% risk margin on the central estimate of the outstanding claims liability.
- Second, a worst-case scenario where all claims are projected to deteriorate to an extent where all claims will commence to be met by reinsurance coverage, that is the outstanding claims liability is the greatest that could be expected to be met by the Group before re-insurance recoveries cover any excess over this.

The insurance operations of the Group are affected by key risks including insurance risk, interest rate risk, currency risk, credit risk, market risk, liquidity risk, financial risk, compliance risk, fiscal risk and operational risk.

The Group has an objective to manage insurance risk thus reducing the variability of operating profits. In addition to the inherent uncertainty of insurance, which can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly competition and movements in asset values.

The Group has developed and maintains a sound and prudent Risk Management Strategy (RMS). The RMS identifies the Group’s policies and procedures, processes and controls that manage risk. The RMS addresses all material risks likely to be faced by the Group. Key aspects of the processes established in the RMS to mitigate risks include:

- The maintenance and use of sophisticated management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- Actuarial models, using information from the management information systems, are used to monitor claims patterns. Past experience and statistical methods are used as part of the process.
- Reinsurance is used to limit the Group’s exposure. When selecting a reinsurer only those companies that provide high security are considered. In order to assess this rating, information from the public domain is used.

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the Group. The majority of direct insurance contracts written are entered into on a standard form basis. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.

The Group only underwrites professional indemnity risks in Australia. No new risks have been undertaken since 1 July 2017.

NOTE 4: INSURANCE CONTRACTS – RISK MANAGEMENT POLICIES AND PROCEDURES

<table>
<thead>
<tr>
<th>Gross outstanding claims liability at 30 June 2019</th>
<th>$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undiscounted central estimate including claims handling expenses</td>
<td>1,025</td>
</tr>
<tr>
<td>Undiscounted risk margin on claims and claims handling expenses</td>
<td>252</td>
</tr>
<tr>
<td>Less: Estimated non-reinsurance recoveries</td>
<td>-</td>
</tr>
<tr>
<td>Less: Discount to present value</td>
<td>(15)</td>
</tr>
<tr>
<td>Gross outstanding claims liability</td>
<td>1,262</td>
</tr>
<tr>
<td>Current</td>
<td>568</td>
</tr>
<tr>
<td>Non-current</td>
<td>694</td>
</tr>
<tr>
<td>Total gross outstanding claims liability</td>
<td>1,262</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net outstanding claims liability at 30 June 2019</th>
<th>$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net outstanding claims</td>
<td>738</td>
</tr>
<tr>
<td>Discount on net outstanding claims</td>
<td>(15)</td>
</tr>
<tr>
<td>Claims handling expenses on net outstanding claims</td>
<td>38</td>
</tr>
<tr>
<td>APRA risk margin on net outstanding claims</td>
<td>252</td>
</tr>
<tr>
<td>Total net outstanding claims liability</td>
<td>1,013</td>
</tr>
<tr>
<td>Current</td>
<td>460</td>
</tr>
<tr>
<td>Non-current</td>
<td>553</td>
</tr>
<tr>
<td>Total gross outstanding claims liability</td>
<td>1,013</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk Margins</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net outstanding claims</td>
<td>75%</td>
</tr>
<tr>
<td>Discount on net outstanding claims</td>
<td>25%</td>
</tr>
</tbody>
</table>
NOTE 5: REVENUE AND OTHER INCOME

REVENUES FROM OPERATING ACTIVITIES

(a) Sales revenue
Sales from trading activities 951,881 971,812
Membership subscriptions 3,144,474 2,978,462

Premium revenue
Gross premium refunded - (16,424)
Transfer from unearned premiums - 1,620,898
Gross premium earned 5(c) 1,613,474
4,096,355 5,563,748

(b) Other revenue
Professional and business development courses 1,309,232 1,638,646
Publications 29,546 24,698
Sponsorship 607,253 508,361
Interest income 109,128 154,407
Conferences and award dinner 264,460 213,286
Other revenue 1,063,999 312,834
3,383,618 2,852,232
Total revenue 7,479,973 8,415,980

(c) Net Surplus From Insurance Underwriting Activities
Gross premium earned 5(a) 1,613,474
Outward reinsurance expense - (271,575)
Net insurance premium revenue - (1,341,899)
Acquisition costs - (164,714)
Net claims income / (expense) 6(b)(i) 257,194 (506,005)
Net insurance underwriting surplus 257,194 671,180

NOTE 6: EXPENSES

EXPENSES INCLUDE THE FOLLOWING ITEMS:

(a) Employee benefits expense
- Wages and salaries 3,223,562 3,064,137
- Post-employment benefit 275,141 252,778
Total employee benefit expense 3,498,703 3,316,915

(b) Insurance expenses
- Outward reinsurance expense - 271,575
- Acquisition costs incurred - 164,714
- Net claims (income) / expense (257,194) 506,005

(i) Claims paid
- Movement in outstanding claims liability 1,213,306 2,096,005
- Gross claims incurred (1,570,500) (1,590,000)
Net claims (surplus) / incurred 19 (257,194) 506,005

(c) Depreciation and amortisation 171,620 169,685

NOTE 7: INCOME TAX

THE COMPONENTS OF TAX EXPENSE COMprise:

Current tax - -
Deferred tax - -

THE PRIMA FACIE TAX EXPENSE ON PROFIT/(LOSS) BEFORE TAX IS RECONCILED TO THE INCOME TAX EXPENSE AS FOLLOWS:

Prima facie tax expense (benefit) on pre-accounting profit / (loss) at 27.5% (2018: 27.5%)
300,978 268,049

(Add) / deduct tax effect of:
Net non-deductible and (mutual income) / expense (294,765) (167,660)
Tax losses and temporary differences not brought to account (8,213) (100,389)

The potential benefit for unused tax losses for which no deferred tax asset has been recognised is $1,14,661 (2018 $1,120,874).

Under the concept of mutuality, the Institute is only assessed for income tax on the proportion of income derived from non-members. The Institute is a company limited by guarantee and under its Constitution is prohibited from paying dividends to its members and therefore there is no franking account balance. The Group has not entered into tax consolidation arrangements.
NOTE 8: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation of directors and key management personnel of the Group

<table>
<thead>
<tr>
<th></th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>752,214</td>
<td>705,334</td>
</tr>
</tbody>
</table>

NOTE 9: CASH AND CASH EQUIVALENCES

<table>
<thead>
<tr>
<th></th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank and in hand</td>
<td>204,342</td>
<td>493,103</td>
</tr>
<tr>
<td>Restricted cash*</td>
<td>4,448,966</td>
<td>5,948,093</td>
</tr>
<tr>
<td>These figures agree to the cash shown in the statement of cash flows</td>
<td>4,653,308</td>
<td>6,441,196</td>
</tr>
</tbody>
</table>

*Cash and cash equivalents above and in the statement of cash flows include $4,448,966 which are held by Realcover Insurances Pty Limited. This is restricted to being used to meet Realcover’s obligations and is not available for general use by the Group.

NOTE 10: TRADE AND OTHER RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other receivables</td>
<td>75,206</td>
<td>23,275</td>
</tr>
</tbody>
</table>

NOTE 11: OTHER ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayments</td>
<td>221,888</td>
<td>275,494</td>
</tr>
</tbody>
</table>

The Institute has a Joint Operation, being a 50% interest in the Joint Committee of The Law Society of New South Wales and the Real Estate Institute of New South Wales Partnership, (Partnership) which is resident in Australia and the principal activity of which is the sale of conveyancing forms.

The Partnership has a reporting date of 30 June. The Group’s interest is accounted for using the equity method of accounting and is carried at cost, less any impairment, by the parent entity.

NOTE 12: EQUITY ACCOUNTED INVESTMENT

CARRYING AMOUNT OF INVESTMENT IN PARTNERSHIP

<table>
<thead>
<tr>
<th></th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the financial year</td>
<td>223,115</td>
<td>192,384</td>
</tr>
<tr>
<td>Share of operating profit before tax</td>
<td>667,779</td>
<td>810,731</td>
</tr>
<tr>
<td>Distributions received</td>
<td>(730,000)</td>
<td>(780,000)</td>
</tr>
<tr>
<td>Balance at the end of the financial year</td>
<td>160,894</td>
<td>223,115</td>
</tr>
</tbody>
</table>

NOTE 13: INTEREST IN OTHER ENTITIES

The Group’s principal subsidiary at 30 June 2019 is Realcover Insurances Pty Ltd, which is incorporated in Australia, is 100% owned by the Group, and whose principal activity is general insurance.

NOTE 14: FINANCIAL ASSETS

The Group acquired a 1% interest in CommercialView, an on-line based business, during the financial year. The investment was valued at fair value of $14,909 as at 30 June 2019.

The Group has partnered with Collins Biggers & Paisley to invest in Quicontract Pty Ltd. This company is developing an application to allow Real Estate Agents to create a Sales Agreement almost immediately and order online all of the necessary search documents required to facilitate this process. Quicontract will be launched in October 2019. The investment was valued at fair value of $29,452 as at 30 June 2019.

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land valued at fair value</td>
<td>(a) 5,432,150</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Building valued at fair value</td>
<td>(a) 2,840,000</td>
<td>8,726,500</td>
</tr>
<tr>
<td>Total land and building</td>
<td>8,272,150</td>
<td>6,726,500</td>
</tr>
<tr>
<td>Furniture and fittings</td>
<td>560,775</td>
<td>2,038,980</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(511,516)</td>
<td>(506,083)</td>
</tr>
<tr>
<td>Total furniture and fittings</td>
<td>49,259</td>
<td>54,073</td>
</tr>
<tr>
<td>Office equipment</td>
<td>2,257,260</td>
<td>2,038,980</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(2,006,648)</td>
<td>(1,927,725)</td>
</tr>
<tr>
<td>Total furniture and fittings</td>
<td>250,612</td>
<td>111,255</td>
</tr>
<tr>
<td>Work-in-progress</td>
<td>-</td>
<td>60,520</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total property, plant and equipment</td>
<td>8,572,021</td>
<td>6,952,348</td>
</tr>
</tbody>
</table>
NOTE 15: PROPERTY, PLANT AND EQUIPMENT (continued)

(a) The basis of valuation of land and buildings is fair value being the amount for which the assets could be exchanged between willing parties in an arm’s length transaction. The valuation was based on a valuation of $8,274,000 carried out as at 4 June 2019 by a Certified Professional Valuer.

The basis of the valuation was on vacant possession, calculated by direct comparison with comparable properties on a rate per square metre floor area. The property was acquired before 20 September 1985 and there is no unrealised capital gains tax liability.

NOTE 16: INTANGIBLE ASSETS (continued)

### MOVEMENT RECONCILIATION

<table>
<thead>
<tr>
<th></th>
<th>LAND AND BUILDINGS $</th>
<th>FURNITURE AND FITTINGS $</th>
<th>OFFICE EQUIPMENT $</th>
<th>WORK-IN PROGRESS $</th>
<th>TOTAL $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount brought forward</td>
<td>6,736,500</td>
<td>54,075</td>
<td>111,255</td>
<td>60,520</td>
<td>6,952,348</td>
</tr>
<tr>
<td>Revaluation</td>
<td>1,547,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,547,500</td>
</tr>
<tr>
<td>Additions</td>
<td>22,150</td>
<td>617</td>
<td>157,760</td>
<td>-</td>
<td>180,527</td>
</tr>
<tr>
<td>Completion of work in progress</td>
<td>-</td>
<td>-</td>
<td>60,520</td>
<td>(60,520)</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(24,000)</td>
<td>(5,431)</td>
<td>(78,023)</td>
<td>-</td>
<td>(108,354)</td>
</tr>
<tr>
<td>Carrying amount at 30 June 2019</td>
<td>8,272,150</td>
<td>49,259</td>
<td>250,612</td>
<td>-</td>
<td>8,572,021</td>
</tr>
</tbody>
</table>

NOTE 16: INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training courses – at cost</td>
<td>147,282</td>
<td>147,282</td>
</tr>
<tr>
<td>Accumulated amortisation</td>
<td>(82,654)</td>
<td>(82,654)</td>
</tr>
<tr>
<td>Net carrying amount</td>
<td>64,628</td>
<td>64,628</td>
</tr>
<tr>
<td>E-learning Platform – at cost</td>
<td>208,574</td>
<td>202,354</td>
</tr>
<tr>
<td>Accumulated amortisation</td>
<td>(135,205)</td>
<td>(96,335)</td>
</tr>
<tr>
<td>Net carrying amount</td>
<td>73,369</td>
<td>106,019</td>
</tr>
<tr>
<td>iMIS development – at cost</td>
<td>369,875</td>
<td>291,967</td>
</tr>
<tr>
<td>Accumulated amortisation</td>
<td>(291,967)</td>
<td>(200,149)</td>
</tr>
<tr>
<td>Net carrying amount</td>
<td>77,908</td>
<td>91,818</td>
</tr>
<tr>
<td>Work in Progress – at cost</td>
<td>145,330</td>
<td>145,330</td>
</tr>
<tr>
<td>Net carrying amount</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total intangible assets</td>
<td>283,327</td>
<td>272,465</td>
</tr>
</tbody>
</table>

NOTE 17: TRADE AND OTHER PAYABLES

### MOVEMENT RECONCILIATION

<table>
<thead>
<tr>
<th></th>
<th>CERTIFICATE OF REGISTRATION COURSE $</th>
<th>E-LEARNING PLATFORM $</th>
<th>WEBSITE $</th>
<th>WORK IN PROGRESS $</th>
<th>TOTAL $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>64,628</td>
<td>106,019</td>
<td>91,818</td>
<td>10,000</td>
<td>272,465</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>6,220</td>
<td>67,908</td>
<td>-</td>
<td>74,128</td>
</tr>
<tr>
<td>Transfer from property, plant and equipment</td>
<td>-</td>
<td>-</td>
<td>10,000</td>
<td>(10,000)</td>
<td>-</td>
</tr>
<tr>
<td>Amortisation expense</td>
<td>-</td>
<td>(38,870)</td>
<td>(24,396)</td>
<td>-</td>
<td>(63,266)</td>
</tr>
<tr>
<td>Balance at 30 June 2019</td>
<td>64,628</td>
<td>73,369</td>
<td>145,330</td>
<td>-</td>
<td>283,327</td>
</tr>
</tbody>
</table>

NOTE 18: BORROWINGS

<table>
<thead>
<tr>
<th></th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secured bank loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>340,000</td>
<td>-</td>
</tr>
<tr>
<td>Non-current</td>
<td>902,783</td>
<td>902,783</td>
</tr>
</tbody>
</table>

On 12 December 2017, the Institute entered into the loan facility agreement with the Macquarie Bank. The loan facility limit is $3,000,000 and the term of the facility is for a maximum term of 2 years with interest only, payable monthly on the outstanding balance plus a fixed line fee. The interest rate is at a variable commercial rate. The loan is secured over REINSW House and outstanding balance must not exceed 43% of the secured property value.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 19: OUTSTANDING INSURANCE CLAIMS

<table>
<thead>
<tr>
<th></th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central estimate</td>
<td>775,500</td>
<td>1,908,000</td>
</tr>
<tr>
<td>Discount to present value</td>
<td>(14,500)</td>
<td>(106,000)</td>
</tr>
<tr>
<td>Risk margin</td>
<td>253,000</td>
<td>588,000</td>
</tr>
<tr>
<td>Net outstanding claims liability</td>
<td>1,013,000</td>
<td>2,390,000</td>
</tr>
</tbody>
</table>

Represented by:
- Current liability: 460,000, 980,000
- Non-current liability: 553,000, 1,410,000

Gross outstanding claims liability: 1,013,000, 2,390,000

Less: Reinsurance recoveries on outstanding claims - -

Net outstanding claims liability: 1,013,000, 2,390,000

Assumptions regarding uncertainty are applied to the net central estimates in order to arrive at an overall provision which is intended to have a 75% (2018: 75%) probability of adequacy. The risk margin applied was 25% (2018: 25%).

NOTE 20: PROVISIONS

<table>
<thead>
<tr>
<th></th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
- Annual leave           | 150,371  | 142,148  |
- Long service leave     | 159,164  | 127,481  |
- Redundancy             | 46,184   | 82,838   |
| Employee benefits      | 355,719  | 352,467  |
| Non-current            |          |          |
| Employee benefits      | 3,238    | 14,612   |

NOTE 21: DEFERRED DISTRIBUTION INCOME

<table>
<thead>
<tr>
<th></th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>27,725</td>
<td>83,333</td>
</tr>
<tr>
<td>Non-current</td>
<td>360,000</td>
<td>1,286,945</td>
</tr>
</tbody>
</table>

The Institute has established relationships to support and promote the distribution of insurance products through members and members of industry associations. This income is received at the start of the arrangements and is amortised to revenue over the term of the arrangements, currently between 10 and 15 years on a straight-line basis. The amounts above will be fully amortised to revenue before January 2030.

NOTE 22: RESERVES

<table>
<thead>
<tr>
<th></th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>5,914,794</td>
<td>5,914,794</td>
</tr>
<tr>
<td>Total other comprehensive income for the year</td>
<td>1,547,500</td>
<td>-</td>
</tr>
<tr>
<td>Balance at 30 June</td>
<td>7,462,294</td>
<td>5,914,794</td>
</tr>
</tbody>
</table>

The asset revaluation reserve is used to record changes in the revaluation of land and buildings.

NOTE 23: RELATED PARTY TRANSACTIONS

Details of transactions with directors, director related entities and other related parties are set out below.

<table>
<thead>
<tr>
<th></th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Director Related Entities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Balances and transactions with subsidiary – Realcover Insurances Pty Ltd</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Amounts owing by subsidiary</td>
<td>12,061</td>
<td>37,259</td>
</tr>
<tr>
<td>ii) Revenue from subsidiary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Sponsorship fee</td>
<td>-</td>
<td>529</td>
</tr>
<tr>
<td>- Rent</td>
<td>-</td>
<td>42,480</td>
</tr>
<tr>
<td></td>
<td>12,061</td>
<td>43,009</td>
</tr>
<tr>
<td>c) Joint Committee of the Law Society of New South Wales and the Real Estate Institute of New South Wales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of net profits</td>
<td>667,769</td>
<td>810,731</td>
</tr>
<tr>
<td>Distributions received</td>
<td>730,000</td>
<td>780,000</td>
</tr>
</tbody>
</table>
NOTE 24: FINANCIAL RISK MANAGEMENT

The Group’s overall risk management program seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies include credit risk policies and future cash flow requirements which are approved by the Board of Directors.

The Group’s principal financial instruments consist mainly of cash and deposits with banks, trade and other receivables and trade and other payables. The main purpose of these non-derivative financial instruments is to finance the Group’s operations. The Group does not have any derivative financial instruments.

The Group’s risk management and policy procedure in respect of its insurance contracts is set out at Note 4.

The loan facility is a variable commercial rate loan with a maximum term of 2 years from the facility establishment date, being 12 December 2017.

Refer Note 2 in relation to restricted cash and related commitments.

As at 30 June 2019, The Group has commitments of $90,780 which relates to the upgrading of the lift in the REINSW House. About $60,520 has been recognised in 2018 in the books (Note 15).

There were no other contingent liabilities as at 30 June 2019 (2018: nil). The Parent entity may be required to capitalise Realcover Insurances Pty Limited in accordance with the run off plan, refer to the Directors report for further details.

NOTE 25: CONTINGENT LIABILITIES AND COMMITMENTS

NOTE 26: EVENTS AFTER THE REPORTING PERIOD

Apart from Note 25 above, there are no events after reporting period.

NOTE 27: CAPITAL ADEQUACY

The Group’s risk management program seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies include credit risk policies and future cash flow requirements which are approved by the Board of Directors.

The Group’s principal financial instruments consist mainly of cash and deposits with banks, trade and other receivables and trade and other payables. The main purpose of these non-derivative financial instruments is to finance the Group’s operations. The Group does not have any derivative financial instruments.

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There were no other contingent liabilities as at 30 June 2019 (2018: nil). The Parent entity may be required to capitalise Realcover Insurances Pty Limited in accordance with the run off plan, refer to the Directors report for further details.

NOTE 28: PARENT ENTITY FINANCIAL INFORMATION AS A STAND-ALONE ENTITY

<table>
<thead>
<tr>
<th>Balance sheet</th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>561,498</td>
<td>836,254</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>11,456,050</td>
<td>12,017,548</td>
</tr>
<tr>
<td>Total assets</td>
<td>12,917,548</td>
<td>10,771,992</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>2,112,846</td>
<td>1,667,952</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>363,238</td>
<td>-</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2,476,084</td>
<td>1,667,952</td>
</tr>
<tr>
<td>Members’ funds</td>
<td>7,462,294</td>
<td>5,914,794</td>
</tr>
<tr>
<td>Reserves</td>
<td>2,079,370</td>
<td>984,906</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>9,541,664</td>
<td>6,899,700</td>
</tr>
<tr>
<td>Surplus for the period</td>
<td>1,094,467</td>
<td>971,236</td>
</tr>
<tr>
<td>Total Comprehensive income for the period</td>
<td>2,641,967</td>
<td>971,236</td>
</tr>
</tbody>
</table>

Tier 1 Capital

<table>
<thead>
<tr>
<th></th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid up ordinary shares</td>
<td>4,886,308</td>
<td>4,886,308</td>
</tr>
<tr>
<td>Retained profits at beginning of reporting period</td>
<td>1,552,130</td>
<td>1,553,771</td>
</tr>
<tr>
<td>Current year’s earnings net of tax expense</td>
<td>(69,837)</td>
<td>1,641</td>
</tr>
<tr>
<td>Total fundamental Tier 1 capital</td>
<td>3,264,341</td>
<td>3,334,178</td>
</tr>
<tr>
<td>Total capital base</td>
<td>3,264,341</td>
<td>3,334,178</td>
</tr>
<tr>
<td>Prudential capital amount</td>
<td>2,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Capital adequacy multiple</td>
<td>1.63</td>
<td>1.67</td>
</tr>
</tbody>
</table>
DIRECTORS’ DECLARATION

THE DIRECTORS OF THE COMPANY DECLARE THAT:

1. The financial statements and notes, as set out on pages 26 to 49, are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards – Reduced Disclosure Requirements; and
   (b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date for the Institute and the consolidated Group.

2. In the Directors’ opinion there are reasonable grounds to believe that the Institute will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Leanne Pilkington, President

Peter Matthews, Deputy President

Dated this 3rd day of October 2019
INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF THE REAL ESTATE INSTITUTE OF NEW SOUTH WALES LIMITED

OPINION

We have audited the financial report of The Real Estate Institute of New South Wales Limited and its controlled entity (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors’ Declaration of the Group.

In our opinion: The financial report of the Group has been prepared in accordance with the Corporations Act 2001, including:

1. Giving a true and fair view of the Group’s financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and the auditor’s report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS’ RESPONSIBILITIES

The Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

Evaluator: Chin Khoo, Director

Dated this 3rd day of October 2019 / Sydney

LNP Audit and Assurance
REINSW PAST PRESIDENTS

- A W S Gregg (1910–1915)
- Henry Gorman (1916–1920)
- James Gregg (1921)
- Richard Stanton (1922–1923)
- W Mack Walker (1924–1925)
- H M Hawkins (1926–1928)
- J A Somerville (1929)
- W F Goyder (1930)
- C B Byrne (1931)
- A A Beatty (1932–1934)
- R T Forsyth (1935–1936)
- H A O Gorman (1945–1949)
- L H Moore CBE (1945–1949)
- H Thompson (1937–1938)
- G Clubb (1941)
- A Gorman (1942)
- D O’Brien (1944–1945)
- C S Dyson (1966–1967)
- M B Sewell (1972–1973)
- C W Thomas (1955–1956)
- S B Dawson (1957–1959)
- C Castle (2005–2007)
- W Stewart (2009–2011)

REINSW MAJOR PARTNERS

Realcover provides professional indemnity insurance and other relevant insurances to protect and support real estate agents.

For more information, call 1800 990 312 or visit realcover.com.au

realestate.com.au is Australia’s leading property website for real estate, featuring comprehensive property listings as well as property news and market data for property consumers.

For more information, call 1300 134 174 or visit realestate.com.au

OUR TEAM AT REINSW

EXECUTIVE
Chief Executive Officer
Tim McKibbin
General Manager
Peter Griffin

SENIOR MANAGEMENT
Financial Controller
Carl Edwards
Education and Training Manager
Nerida Wood
Membership Manager
Jessica Donati
Marketing Manager
Darshan Parmar
General Counsel, Legal
Nicole Unger