

Retail Shop Leases Fund

Financial report
for the year ended
30 June 2019



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

To the Small Business Commissioner

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 72(2) of the *Retail and Commercial Leases Act 1995*, I have audited the financial report of the Retail Shop Leases Fund for the financial year ended 30 June 2019.

Opinion

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

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Small Business Commissioner and the Acting Manager, Business Services.

Basis for opinion

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

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

Responsibilities of the Small Business Commissioner for the financial report

The Small Business Commissioner is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

Andrew Richardson

Auditor-General

27 September 2019

Retail Shop Leases Fund
Certification of the Financial Statements
for the year ended 30 June 2019

We certify that the attached general purpose financial statements for the Retail Shop Leases Fund:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Retail Shop Leases Fund; and
- present a true and fair view of the financial position of the Retail Shop Leases Fund as at 30 June 2019 and the results of its operations and cash flows for the financial year.

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



John Chapman
Small Business Commissioner
26th September 2019



Rosanne Davies
A/Manager, Business Services
26 September 2019

Retail Shop Leases Fund
Statement of Comprehensive Income
for the year ended 30 June 2019

| | Note | 2019 \$'000 | 2018 \$'000 |
|---|------|----------------|----------------|
| <u>Expenses</u> | | | |
| Administration | 2.1 | 194 | 239 |
| Total expenses | | 194 | 239 |
| <u>Income</u> | | | |
| Interest and investment | 3.1 | 366 | 418 |
| Total income | | 366 | 418 |
| Net result | | 172 | 179 |
| <u>Other comprehensive income</u> | | | |
| <i>Items that will be reclassified subsequently to net result when specific conditions are met</i> | | | |
| Items that will be reclassified subsequently to net result when specific conditions are met: | | | |
| Gain on revaluation of investments recognised directly in equity | 3.2 | - | 59 |
| Total other comprehensive income | | - | 59 |
| Total comprehensive result | | 172 | 238 |

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

Retail Shop Leases Fund
Statement of Financial Position
for the year ended 30 June 2019

| | Note | 2019 \$'000 | 2018 \$'000 |
|---------------------------------------|------|----------------|----------------|
| <u>Current assets</u> | | | |
| Cash and cash equivalents | 4.1 | 245 | 339 |
| Receivables | 4.2 | 167 | 306 |
| Investments | 4.3 | 865 | 992 |
| Total current assets | | 1 277 | 1 637 |
| <u>Non-current assets</u> | | | |
| Investments | 4.3 | 9 461 | 8 702 |
| Total non-current assets | | 9 461 | 8 702 |
| Total assets | | 10 738 | 10 339 |
| <u>Current liabilities</u> | | | |
| Security bonds lodged | 5.1 | 991 | 967 |
| Payables | 5.2 | 1 | 5 |
| Total current liabilities | | 992 | 972 |
| <u>Non-current liabilities</u> | | | |
| Security bonds lodged | 5.1 | 7 138 | 6 931 |
| Total non-current liabilities | | 7 138 | 6 931 |
| Total liabilities | | 8 130 | 7 903 |
| Net assets | | 2 608 | 2 436 |
| <u>Equity</u> | | | |
| Investments market value reserve | | - | 161 |
| Retained earnings | | 2 608 | 2 275 |
| Total equity | | 2 608 | 2 436 |

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

Retail Shop Leases Fund
Statement of Changes in Equity
for the year ended 30 June 2019

| | Note | Investments market value reserve \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|---|------|---|--------------------------------|------------------------|
| Balance at 1 July 2017 | | 102 | 2 096 | 2 198 |
| <u>Net result for 2017-18</u> | | - | 179 | 179 |
| Loss taken to equity | | 59 | - | 59 |
| Total comprehensive result for 2017-18 | | 59 | 179 | 238 |
| Balance at 30 June 2018 | | 161 | 2 275 | 2 436 |
| Adjustments on initial adoption of AASB 9 | | (161) | 161 | - |
| Adjusted balance at 1 July 2018 | | - | 2 436 | 2 436 |
| <u>Net result for 2018-19</u> | | - | 172 | 172 |
| Gain taken to equity | | - | 172 | 172 |
| Total comprehensive result for 2018-19 | | - | 172 | 172 |
| Balance at 30 June 2019 | | - | 2 608 | 2 608 |

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

Retail Shop Leases Fund
Statement of Cash Flows
for the year ended 30 June 2019

| | | 2019 | 2018 |
|---|------|----------------|----------------|
| | | (Outflows) | (Outflows) |
| | | Inflows | Inflows |
| | Note | \$'000 | \$'000 |
| <u>Cash flows from operating activities</u> | | | |
| <i>Cash outflows</i> | | | |
| Administration | | (194) | (239) |
| Bond refunds | | (961) | (896) |
| Cash used in operations | | (1 155) | (1 135) |
| <i>Cash inflows</i> | | | |
| Interest received | | 495 | 435 |
| Bonds lodged | | 1 188 | 1 267 |
| Cash generated from operations | | 1 683 | 1 702 |
| Net cash provided by operating activities | | 528 | 567 |
| <u>Cash flows from investing activities</u> | | | |
| <i>Cash outflows</i> | | | |
| Purchase of investments | | (622) | (794) |
| Cash used in investing activities | | (622) | (794) |
| Net cash used in investing activities | | (622) | (794) |
| Net (decrease) in cash and cash equivalents | | (94) | (227) |
| Cash and cash equivalents at the beginning of the period | | 339 | 566 |
| Cash and cash equivalents at the end of the period | 4.1 | 245 | 339 |

The accompanying notes form part of these financial statements.

Retail Shop Leases Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS

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Retail Shop Leases Fund

Notes to and forming part of the financial statements

for the year ended 30 June 2019

1. About the Retail Shop Leases Fund

The Retail Shop Leases Fund (the Fund) is established under the *Retail and Commercial Leases Act 1995* (the Act). The financial statements are required by section 72(1) of the Act and include income, expenses, assets and liabilities which the Small Business Commissioner manages on behalf of the SA Government.

The Fund does not control any other entity and has no interest in unconsolidated structured entities.

As disclosed in the *State Budget 2019-20, Agency Statement, Budget Paper 4, Volume 1*, the Commissioner will become Program 15 of the Attorney-General's Department as of 1 July 2019.

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards with reduced disclosure requirements.

For the 2018-19 financial statements the Fund adopted AASB 9 – *Financial Instruments* and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

1.2. Objectives and activities

The Fund consists of amounts received by the Small Business Commissioner (the Commissioner) by way of security bonds, and other amounts paid into the Fund under the *Retail and Commercial Leases Act 1995* (the Act). Income derived from the investment of the Fund may be applied towards the costs of administering the Act, enforcing the Act and education of lessors and lessees about their statutory and contractual rights and obligations as approved by the responsible Minister.

The Fund's main source of income is interest derived and distributions from the investment of Fund assets in accordance with subsection 100(4) of the Act. Fund assets mainly represent the investment of security bonds received in accordance with subsection 19(5)(b) of the Act.

Retail Shop Leases Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2. Expenses

2.1. Administration

| | 2019 | 2018 |
|--------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Administration | 194 | 239 |
| Total administration expenses | 194 | 239 |

Reimbursements to the Small Business Commissioner, for part of the cost of administering Part 10 of the *Retail and Commercial Leases Act 1995*.

3. Income

3.1. Interest and investment

| | 2019 | 2018 |
|--------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Interest and investment | 356 | 418 |
| Gain on revaluation of Investments | 10 | - |
| Total interest and investment | 366 | 418 |

Interest and investment income includes interest earned, distributions and the change in market fair value of the Fund's bank accounts and investments held with the Public Trustee.

The fund adopted *AASB 9 Financial Instruments* as of 1 July 2018. Per AASB 9, changes to fair value of investments which were previously disclosed under Other Comprehensive Income are now disclosed under Interest and investments in the Statement of Comprehensive Income.

3.2. Other comprehensive income

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Gain on revaluation from investments | - | 59 |
| Total other comprehensive income | - | 59 |

Gain on revaluation of investments recognised directly in equity relates to investments held with the Public Trustee. Prior to 1 July 2018 these investments were classified as available for sale financial assets. See note 3.1.

Retail Shop Leases Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

4. Financial assets

4.1. Cash and cash equivalents

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Cash at bank | 245 | 339 |
| Total cash and cash equivalents | 245 | 339 |

The Commissioner has a deposit account with the Treasurer.

4.2. Receivables

| | 2019 | 2018 |
|--------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| <u>Current</u> | | |
| Accrued interest | 167 | 306 |
| Total receivables | 167 | 306 |

Accrued revenues are non-interest bearing.

The adoption of AASB 9 Financial Instruments had no impact on the fund's receivables.

4.3. Investments

| | 2019 | 2018 |
|--------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| <u>Current</u> | | |
| Investments | 865 | 992 |
| Total current investments | 865 | 992 |
| <u>Non-current</u> | | |
| Investments | 9 461 | 8 702 |
| Total non-current investments | 9 461 | 8 702 |
| Total investments | 10 326 | 9 694 |

Investments represent funds deposited with the Public Trustee. These investments have been designated as fair value through the statement of comprehensive income as they are held with the intention to dispose of the asset if required to ensure sufficient cash flow to meet bond repayments. Investments are made by way of unit holdings in a selection of common funds managed by the Public Trustee. The proportion of unit holdings is dependent upon the investment strategy adopted.

Retail Shop Leases Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

4.3. Investments (continued)

As at 30 June 2019 the Fund held investments in common funds in the following proportions:

| | |
|-------------------------------|--------|
| Capital Stable | 8.25% |
| Net Liabilities / Receivables | 1.58% |
| Balanced | 23.99% |
| Cash Common Fund | 66.18% |

Investments are measured at fair value in accordance with unit prices at balance date as advised by the applicable fund manager.

Investments are classified as either current or non-current. Those to be rolled over within 12 months are classified as current investments.

The fund adopted *AASB 9 Financial Instruments* as of 1 July 2018. Per AASB 9, changes to fair value of investments which were previously disclosed under Other Comprehensive Income are now disclosed under Interest and investments in the Statement of Comprehensive Income. The balance of the "Investments market value reserve" (2018: \$161 000) was transferred to retained earnings on transition.

Retail Shop Leases Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

5. Liabilities

5.1. Security bonds lodged

| | 2019 \$'000 | 2018 \$'000 |
|--|----------------|----------------|
| <u>Current</u> | | |
| Bonds lodged | 991 | 967 |
| Total current security bonds lodged | 991 | 967 |
| <u>Non-current</u> | | |
| Bonds lodged | 7 138 | 6 931 |
| Total non-current security bonds lodged | 7 138 | 6 931 |
| Total security bonds lodged | 8 129 | 7 898 |

Security bonds are received to ensure a lessee on cessation of a retail shop lease complies with all statutory compliance under the Act. Bonds lodged are recognised as a liability on receipt.

5.2. Payables

| | 2019 \$'000 | 2018 \$'000 |
|-------------------------------|----------------|----------------|
| <u>Current</u> | | |
| Unclaimed bonds | 1 | 5 |
| Total current payables | 1 | 5 |

Unclaimed security bonds consist of bonds that have been refunded to the bond holder and remain unrepresented for greater than three months. Security bonds which are unclaimed for longer than 6 years are transferred to the Department of Treasury and Finance Unclaimed Monies account.

6. Other disclosures

6.1. Equity

Investments market value reserve

Comparative year – the reserve was used to record changes in fair value of the investments classified as available for sale except where an impairment had occurred.

Current year – the reserve was transferred to retained earning as the investments are recognised as fair value through the statement of comprehensive income following the funds adoption of *AASB 9 Financial Instruments* as of 1 July 2019.

6.2. Cash flow

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

Retail Shop Leases Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

7. Changes in accounting policy

7.1. Treasurer's Instructions (Accounting Policy Statement)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the Public Finance and Audit Act 1987. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report transactions with the SA Government
- removal of the additional requirement to report a statement of equity for administered items

These changes, however, do not impact on the amounts reported in the financial statements.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective.

Retail Shop Leases Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

7.2. AASB 9 Financial Instrument

Investments with the Public Trustee

Funds held with the Public Trustee that were previously classified as available for sale are now classified as fair value through the statement of comprehensive income.

The total impact on the Fund's retained earnings as at 1 July 2018 is as follows:

| | 2018 |
|--|---------------|
| | \$'000 |
| Closing retained earnings 30 June 2018 – AASB 139 | 2 275 |
| Adjustment to retained earnings from adoption of AASB 9 | 161 |
| Opening retained earnings 1 July 2018 – AASB 9 | 2 436 |

On 1 July 2018, the Fund has assessed and reclassified its financial assets into the appropriate AASB 9 categories depending on the business model and contractual cash flow characteristics applying to the asset. AASB 9 eliminates the AASB 139 categories of held to maturity, loans and receivables and available for sale.

On the date of initial application, the Fund's financial instruments were as follows, with any reclassifications noted.

| | Measurement category | | AASB 139 at | AASB 9 at 1 July |
|--|----------------------------------|------------------------------------|---------------------|-------------------------|
| | AASB 139 | AASB 9 | 30 June 2018 | 2018 |
| | | | \$'000 | \$'000 |
| <u>Current financial assets</u> | | | | |
| | Available for Sale at Fair Value | Fair Value through Profit and Loss | 992 | 992 |
| Investments with the Public Trustee | | | | |
| <u>Non-current financial assets</u> | | | | |
| | Available for Sale at Fair Value | Fair Value through Profit and Loss | 8 702 | 8 702 |
| Investments with the Public Trustee | | | | |

Retail Shop Leases Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

8. Outlook

8.1. Unrecognised contractual commitments

The Fund has no commitments contracted for at the reporting date but not recognised as liabilities.

8.2. Contingent assets and liabilities

The Fund is not aware of any contingent assets or liabilities at reporting date.

8.3. Events after the reporting period

The Fund is not aware of any events occurring after the balance date that would affect these financial statements.

Retail Shop Leases Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

9. Measurement and risk

9.1. Financial instruments

Financial risk management

Risk management is managed by the commissioner and the Fund's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

All cash balances and cash common funds held with the Public Trustee are available at call. Investments held with the Public Trustee are classified as 'fair value through the profit and loss' financial assets. Net gains or losses resulting from movements in fair value of investments are recognised through the profit and loss.

Investments represent funds held with the Public Trustee. The Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and international equities. The managers of such vehicles have invested in a variety of financial instruments which expose the fund to investment risks including market, credit, interest and currency risks. At reporting date funds totalling 10.3 million were invested with the public trustee. Pooled investment funds are not rated for credit risk. The Public Trustee considers the credit risk for individual fund managers prior to investing funds and reviews these assessments quarterly.

Impairment of financial assets

The fund considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counter parties and therefore the expected credit risk is nil.

Measurement of financial assets

The fund adopted *AASB 9 Financial Instruments* as of 1 July 2018. Per AASB 9, changes to fair value of investments which were previously disclosed under Other Comprehensive Income are now disclosed under Interest and investments in the Statement of Comprehensive Income.

Receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).