

Retail Shop Leases Fund

Financial report
for the year ended
30 June 2021



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To the Small Business Commissioner

Opinion

I have audited the financial report of the Retail Shop Leases Fund for the financial year ended 30 June 2021.

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 2021, its financial performance and its cash flows for the year then ended in accordance with relevant 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 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Small Business Commissioner and 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 (including Independence Standards)* have been met.

I believe that the audit evidence I have 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 relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and 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 that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Commissioner is responsible for assessing the Fund's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Commissioner is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of Retail Shop Leases Fund for the financial year ended 30 June 2021.

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 Commissioner

- conclude on the appropriateness of the Commissioner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's 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 financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

I communicate with the Commissioner 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.



Andrew Richardson

Auditor-General

24 September 2021

Retail Shop Lease Fund

Financial Statements

For the year ended 30 June 2021

Retail Shop Lease Fund
Certification of the Financial Statements
for the year ended 30 June 2021

We certify that the:

- financial statements of the Retail Shop Lease Fund:
 - are in accordance with the accounts and records of the Retail Shop Lease Fund;
 - comply with relevant Treasurer's Instructions;
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the Retail Shop Lease Fund at the end of the financial year and the result of its operation and cash flows for the financial year.

- internal controls employed by the Retail Shop Lease Fund for the financial year over its financial reporting and its preparation of financial statements have been effective.



John Chapman
Small Business Commissioner
24 September 2021



Rosanne Davies
Manager, Business Services
24 September 2021

Retail Shop Lease Fund
Statement of Comprehensive Income
for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Income			
Interest and investment income	2.1	504	202
Investment Revaluation		329	(196)
Total income		833	6
Expenses			
Administration	3.1	186	187
Other expenses	3.2	8	9
Total expenses		194	196
Net result		639	(190)
Total comprehensive result		639	(190)

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 Lease Fund
Statement of Financial Position
for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
<u>Current assets</u>			
Cash and cash equivalents	4.1	409	155
Receivables	4.2	331	102
Investments	4.3	1 421	1 130
Total current assets		2 161	1 387
<u>Non-current assets</u>			
Investments	4.3	12 588	9 265
Total non-current assets		12 588	9 265
Total assets		14 749	10 652
<u>Current liabilities</u>			
Security bonds lodged	5.1	1 385	896
Payables	5.2	2	2
Total current liabilities		1 387	898
<u>Non-current liabilities</u>			
Security bonds lodged	5.1	10 305	7 336
Total non-current liabilities		10 305	7 336
Total liabilities		11 692	8 234
Net assets		3 057	2 418
<u>Equity</u>			
Retained earnings		3 057	2 418
Total equity		3 057	2 418

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

Retail Shop Lease Fund
Statement of Changes in Equity
for the year ended 30 June 2021

	Retained earnings \$'000
Balance at 1 July 2019	2 608
<u>Net result for 2019-20</u>	<u>(190)</u>
Total comprehensive result for 2019-20	<u>(190)</u>
Balance at 30 June 2020	<u>2 418</u>
<u>Net result for 2020-21</u>	<u>639</u>
Total comprehensive result for 2020-21	<u>639</u>
Balance at 30 June 2021	<u><u>3 057</u></u>

Retail Shop Lease Fund
Statement of Cash Flows
for the year ended 30 June 2021

	2021	2020
	Inflows (Outflows)	Inflows (Outflows)
Note	\$'000	\$'000
Cash flows from operating activities		
Cash inflows		
Interest received	-	2
Bonds lodged	4 300	1 083
Cash generated from operating activities	4 300	1 085
Cash outflows		
Administration	(186)	(187)
Bond refunds	(842)	(979)
Other expenses	(8)	(9)
Cash used in operating activities	(1 036)	(1 175)
Net cash provided by (used in) operating activities	3 264	(90)
Cash flows from investing activities		
Cash outflows		
Purchase of investments	(3 010)	-
Cash used in investing activities	(3 010)	-
Net cash used in investing activities	(3 010)	-
Net increase / (decrease) in cash and cash equivalents	254	(90)
Cash and cash equivalents at the beginning of the reporting period	155	245
Cash and cash equivalents at the end of the reporting period	409	155
	4.1	

The accompanying notes form part of these financial statements.

Retail Shop Lease Fund

Notes to and forming part of the financial statements

for the year ended 30 June 2021

1. About the Retail Shop Lease Fund

The Retail Shop Leases Fund (RSLF) 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 (the Commissioner) manages on behalf of the SA Government.

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

Legislative changes to the *Retail and Commercial Leasing Act 1995* which came into effect on 1 July 2020, increasing the maximum bond amount from 4 weeks to up to 3 months. This has increased the amount of bonds lodged with the RSLF.

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 2020-21 purpose of preparing the financial statements, the RSLF is a not-for-profit entity. 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 goods and services tax (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 to be 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 RSLF consists of amounts received by the Commissioner by way of security bonds, and other amounts paid into the RSLF under the *Retail and Commercial Leases Act 1995* (the Act). Income derived from the investment of the RSLF 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 RSLF's main source of income is interest derived and distributions from the investment of RSLF assets in accordance with subsection 100(4) of the Act. RSLF assets mainly represent the investment of security bonds received in accordance with subsection 19(5)(b) of the Act.

Retail Shop Lease Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2021

1.3. Impact of COVID-19 pandemic on the Fund

The COVID-19 pandemic and its effects on the global economy continued into 2020-21. The first quarter of 2020-21 saw a rebound in global financial markets, with stronger economic growth experienced in the June quarter. A number of significant government stimulus measures continued to help restore confidence. The key impacts in 2020-21 were:

- Higher investment returns coupled with corresponding higher portfolio growth, due to the rebound in global shares
- Low returns available on cash, with the official RBA cash rate remaining at a record low of 0.25%
- Of the total fund of \$14.4 million, as at 30 June 2021, \$14.3 million was under the management of the Public Trustee and is invested as follows:

		Proportion	Investment Income
Cash	\$1,420,638.27	9.91%	-0.86%
Net Liabilities / Receivables	\$329,133.26	2.30%	1.35%
Balanced SIS	\$3,343,026.08	23.32%	0.16%
Capital Stable SIS	\$9,244,502.19	64.48%	-0.65%
Total Funds Held	\$14,337,299.81	100.00%	

Retail Shop Lease Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2021

2. Income

2.1. Interest and investment

	2021	2020
	\$'000	\$'000
Interest and investment	504	202
Total interest and investment	504	202

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

3. Expenses

3.1. Administration

	2021	2020
	\$'000	\$'000
Administration	186	187
Total administration	186	187

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

3.2. Other expenses

	2021	2020
	\$'000	\$'000
Bank charges	-	2
Audit fee*	8	7
Total other expenses	8	9

*Audit fees paid / payable to the Auditor-General's Department relating to work performed under the Public Finance and Audit Act 1987. No other services were provided by the Auditor-General's Department.

Retail Shop Lease Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2021

4. Financial assets

4.1. Cash and cash equivalents

	2021	2020
	\$'000	\$'000
Cash at bank	409	155
Total cash and cash equivalents	409	155

4.2. Receivables

	2021	2020
	\$'000	\$'000
Accrued interest	331	102
Total receivables	331	102

Accrued revenues are non-interest bearing.

4.3. Investments

	2021	2020
	\$'000	\$'000
Current		
Investments	1 421	1 130
Total current investments	1 421	1 130
Non-current		
investments	12 588	9 265
Total non-current investments	12 588	9 265
Total investments	14 009	10 395

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.

As at 30 June 2021 the RSLF held investments in common funds in the following proportions:

Capital Stable	9.91% (2020:10.77%)
Net Liabilities / Receivables	2.30% (2020: 0.95%)
Balanced	23.32% (2020: 23.16%)
Cash Common Fund	64.48% (2020: 65.13%)

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 investment

Retail Shop Lease Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2021

5. Liabilities

5.1. Security bonds lodged

	2021 \$'000	2020 \$'000
Current		
Bonds lodged	1 385	896
Total current security bonds lodged	<u>1 385</u>	<u>896</u>
Non-current		
Bonds lodged	10 305	7 336
Total non-current security bonds lodged	<u>10 305</u>	<u>7 336</u>
Total security bonds lodged	<u>11 690</u>	<u>8 232</u>

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. The increase in bonds lodgements is mainly due to the amendments to the Retail and Commercial Leasing Act 1995 which came into effect 1 July 2020 which allows for a bond of up to 3 months to be taken (previously 4 weeks).

5.2. Payables

	2021 \$'000	2020 \$'000
Unclaimed bonds	2	2
Total payables	<u>2</u>	<u>2</u>

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. In 2020-21 the Commissioner transferred \$1,741 in unclaimed monies to the Department of Treasury and Finance Unclaimed Monies account.

Retail Shop Lease Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2021

6. Outlook

6.1. Unrecognised contractual commitments

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

6.2. Contingent assets and liabilities

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

6.3. COVID-19 pandemic outlook for the Fund

The COVID-19 pandemic will continue to impact Retail Shop Leases Fund in 2021-22.

The key expected impacts on the RSLF are:

- An increase in lodgement funds, contingent on the current economic conditions continuing to be positive
- Monetary policy settings continue to be accommodative to support the Australian economy through COVID-19. The RBA has publicly stated that official interest rates are likely to be on hold for some time. This is beneficial for growth assets like shares but means the returns available for cash are likely to remain low.

6.4. 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 Lease Fund
Notes to and forming part of the financial statements
For the year ended 30 June 2021

7. Measurement and risk

7.1. Financial instruments

Financial risk management

Risk management is managed by the Commissioner and the Fund's risk management policies are in accordance with the SA Government Risk Management Guide 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 \$14.3 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

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.

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

Classification of financial instruments

The Fund measures all financial instruments at amortised cost. All current financial instruments have a contract maturity of within one year and all non-current financial instruments have a contract maturity of more than one year but less than five years.

Receivables and payables

The receivable and payable amounts disclosed for financial instruments 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 amortised cost.