

# Adelaide Festival Centre Trust

Financial report  
for the year ended  
30 June 2020



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## To the Chairman and Presiding Officer Adelaide Festival Centre Trust

### Opinion

I have audited the financial report of Adelaide Festival Centre Trust for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Adelaide Festival Centre Trust as at 30 June 2020, 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 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chairman and Presiding Officer, the Chief Executive Officer and Artistic Director, and the Chief Financial Officer/Chief Operating Officer.

### 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 Adelaide Festival Centre Trust. 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 Chief Executive Officer and members of the Trust for the financial report**

The Chief Executive Officer 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.

The members of the Trust are responsible for overseeing the entity's financial reporting process.

## **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* and section 24(3) of the *Adelaide Festival Centre Trust Act 1971*, I have audited the financial report of Adelaide Festival Centre Trust for the financial year ended 30 June 2020.

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 Adelaide Festival Centre Trust's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- 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 Chief Executive Officer and members of the Trust 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 flourish extending to the right.

Andrew Richardson

**Auditor-General**

25 September 2020

# Adelaide Festival Centre Trust

## Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Adelaide Festival Centre Trust:

- 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 trust; and
- present a true and fair view of the financial position of the trust as at 30 June 2020 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Adelaide Festival Centre Trust for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



.....  
Douglas Gautier AM  
Chief Executive Officer and Artistic Director  
18 September 2020



.....  
Carlo D'Ortenzio  
Chief Financial Officer/Chief Operating Officer  
18 September 2020



.....  
Jim Hazel  
Chairman and Presiding Officer  
18 September 2020

**Adelaide Festival Centre Trust**  
**Statement of Comprehensive Income**  
*for the year ended 30 June 2020*

	Note	2020 \$'000	2019 \$'000
<b>Income</b>			
Revenues from SA Government	4.1	20,388	24,301
Sales of goods and services	4.2	15,991	27,702
Interest	4.3	154	287
Other income	4.4	5,886	2,200
<b>Total income</b>		42,419	54,490
<b>Expenses</b>			
Employee benefits expenses	2.3	17,222	20,230
Supplies and services	3.1	14,598	29,795
Depreciation and amortisation expense	3.2	6,279	1,050
Borrowing costs	3.3	3,966	374
Net loss from the disposal of non-current assets	3.4	217	1
<b>Total expenses</b>		42,282	51,450
<b>Net result</b>		137	3,040
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to net result</b>			
Changes in property, plant and equipment asset		571	-
<b>Total comprehensive result</b>		708	3,040

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

**Adelaide Festival Centre Trust**  
**Statement of Financial Position**  
*As at 30 June 2020*

	Note	2020 \$'000	2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	5.1	10,047	23,653
Receivables	5.2	5,160	3,073
Inventories	6.6	189	416
<b>Total current assets</b>		<b>15,396</b>	<b>27,142</b>
<b>Non-current assets</b>			
Property, plant and equipment	6.1	160,328	44,120
Works of art	6.4	9,589	8,828
Intangible assets	6.5	408	628
<b>Total non-current assets</b>		<b>170,325</b>	<b>53,576</b>
<b>Total assets</b>		<b>185,721</b>	<b>80,718</b>
<b>Current liabilities</b>			
Payables	7.1	5,188	26,128
Employee benefits	2.4	1,627	1,633
Provisions	7.3	46	38
Financial liabilities	7.2	2,815	-
Other current liabilities	7.4	963	2,101
<b>Total current liabilities</b>		<b>10,639</b>	<b>29,900</b>
<b>Non-current liabilities</b>			
Payables	7.1	244	287
Employee benefits	2.4	2,591	3,084
Provisions	7.3	89	59
Financial liabilities	7.2	150,057	25,995
<b>Total non-current liabilities</b>		<b>152,981</b>	<b>29,425</b>
<b>Total liabilities</b>		<b>163,620</b>	<b>59,325</b>
<b>Net assets</b>		<b>22,101</b>	<b>21,393</b>
Asset revaluation surplus		13,337	12,766
Contributed capital		8,222	8,222
Retained earnings		542	405
<b>Total Equity</b>		<b>22,101</b>	<b>21,393</b>

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

**Adelaide Festival Centre Trust**  
**Statement of Changes in Equity**  
*for the year ended 30 June 2020*

	Contributed capital \$ '000	Asset revaluation \$ '000	Retained Earnings \$ '000	Total Equity \$ '000
Balance at 1 July 2018	8,222	12,766	(2,635)	18,353
<b>Net result for 2018-2019</b>	-	-	3,040	3,040
<b>Total comprehensive result for 2018-2019</b>	-	-	3,040	3,040
<b>Balance at 30 June 2019</b>	<b>8,222</b>	<b>12,766</b>	<b>405</b>	<b>21,393</b>
<b>Net result for 2019-2020</b>	-	-	137	137
Gain on revaluation of assets	-	571	-	571
<b>Total comprehensive result for 2019-2020</b>	-	571	137	708
<b>Balance at 30 June 2020</b>	<b>8,222</b>	<b>13,337</b>	<b>542</b>	<b>22,101</b>

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

**Adelaide Festival Centre Trust**  
**Statement of Cashflows**  
*for the year ended 30 June 2020*

	Note	Inflows/ (Outflows) \$'000	Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
<b>Cash outflows</b>			
Staff benefit payments		(17,356)	(20,210)
Payments for supplies and services		(25,653)	(24,761)
Interest paid		(4,203)	(367)
Decrease in funds held on behalf of promoters		(8,610)	-
<b>Cash used in operations</b>		<u>(55,822)</u>	<u>(45,338)</u>
<b>Cash inflows</b>			
Receipts from SA Government		20,385	24,298
Receipts from patrons and customers		19,238	32,696
Increase in funds held on behalf of promoters		-	2,441
Interest received		153	267
GST recovered from the ATO		3,660	748
<b>Cash generated from operations</b>		<u>43,436</u>	<u>60,450</u>
<b>Net cash provided by/(used in) operating activities</b>		<u>(12,386)</u>	15,112
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Purchase of property, plant and equipment and works of art		(34,458)	(29,478)
<b>Net cash provided by investing activities</b>		<u>(34,458)</u>	<u>(29,478)</u>
<b>Cash flows from financing activities</b>			
<b>Cash inflows</b>			
Proceeds from borrowings		35,603	20,495
<b>Cash outflows</b>			
Repayment of lease liability		(2,365)	-
<b>Net cash provided by financing activities</b>		<u>33,238</u>	<u>20,495</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(13,606)	6,129
Cash and cash equivalents at the beginning of the period		23,653	17,524
<b>Cash and cash equivalents at the end of the period</b>	5.1	<u>10,047</u>	<u>23,653</u>

*The accompanying notes form part of these financial statements.*

## Notes to the Financial Statements

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## 1. About the Adelaide Festival Centre Trust

The Adelaide Festival Centre Trust (the trust) is a not-for-profit South Australian Government Statutory Authority established under the Adelaide Festival Centre trust Act 1971.

On 21 October 1999 the Adelaide Festival Centre Foundation (the foundation) was incorporated under the Associations Incorporation Act 1985, and is controlled by the trust by virtue of clauses in the foundation's constitution which requires its Board appointments to be approved by the trust and also require the foundation to act in accordance with directions from the trust.

The financial statements and accompanying notes include the activities of the trust and the foundation. The activities of the foundation are not material and therefore a full consolidated presentation has not been adopted. Consistent accounting policies have been applied and all inter-entity balances and transactions arising with the foundation have been eliminated in full. The financial results of the foundation are summarised in Note 8.3.

### 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 2019-20 financial statements the trust adopted AASB 15 – Revenue from Contracts with Customers, AASB 16 – Leases and AASB 1058 – Income of Not-for-Profit Entities. Further information is provided in note 9.

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 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.

The trust provides services on behalf of event promoters under exclusive agency arrangements. The trust charges a fee for these services that is recognised as revenue. The trust does not control the revenue (net of fees charged) generated from promoter events and as such only recognises the changes in cash held in trust on behalf of promoters (shown at Note 5.1) and the requisite amount payable to those promoters (shown at Note 7.1) together with the net change in cash held in the Statement of Cash Flows as at 30 June.

### 1.2 Objectives and programs

The objectives of the trust are to:

- a) encourage and facilitate artistic, cultural and performing arts activities throughout the State;
- b) be responsible for the care, control, management, maintenance and improvement of the Adelaide Festival Centre and its facilities;
- c) provide expert advisory, consultative, managerial or support services to persons associated with artistic, cultural or performing arts activities; and
- d) promote the involvement of young people and their families and extend activities into the school sector.

### 1.3 Impact of COVID-19 pandemic

The COVID-19 pandemic required the closure of the trust's theatres under a public health directive on 19 March 2020. As at 30 June 2020, the theatres had not reopened. The impact of the closure was a loss of revenue offset by a reduction in expenses and resulting in an insurance claim for \$2.9m under the trust's business disruption insurance policy. The pandemic has also had an impact on the trusts scenery build workshops as theatre closures across the world have reduced the demand for set builds and automation hires. However, the losses of the workshop are not covered by the business disruption insurance.

**2. Boards, committees and employees**

**2.1 Key management personnel**

Key management personnel of the trust include the trustees, the Chief Executive Officer/Artistic Director and the three members of the Executive Team.

Total compensation for the trust's key management personnel was \$1.17m (\$1.08m).

**Transactions with key management personnel and other related parties**

Related parties of the trust include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government. There were no transactions with key management personnel or other related parties reported in 2019-20.

As a part of the duties of office, from time to time, trustees receive complimentary tickets to shows and events conducted by or through the trust. These benefits serve to involve the trustees in the product and business that is being managed and/or involve the execution of office in liaison with external parties.

**2.2 Board and committees**

Members during the 2019 financial year were:

Mr Michael Abbott (Chairperson) (Resigned 29.6.20)	Mr Anthony Smith
Mr James Hazel (Chairperson - from 29.6.20)	Ms Christine Zeitz
Ms Sandra Verschoor	Ms Maggie Zhou
Mr Philip Hoffmann AM (Resigned 26.10.19)	Ms Julia Dnistrianski (Appointed 27.10.19)
Ms Mary Hamilton	Mr Mitchell Butel* (Appointed 29.6.20)

**Board and committees remuneration**

The number of trustees whose remuneration received or receivable falls within the following bands:

	2020	2019
\$0 - \$19,999	10	10
<b>Total</b>	<b>10</b>	<b>10</b>

The total remuneration received or receivable by members was \$26,000 (\$29,000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

\* In accordance with Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

**2.3 Employee benefits expenses**

	2020	2019
	\$'000	\$'000
Salaries and wages	13,609	16,128
Long service leave	125	680
Annual Leave	904	984
Employment on-costs - superannuation*	1,327	1,538
Employment on-costs - other	1,046	642
Board fees	24	27
Other employee related expenses	187	231
<b>Total employee benefits expenses</b>	<b>17,222</b>	<b>20,230</b>

\*The superannuation employment on-cost charge represents the trust's contributions to superannuation plans in respect of current services of current employees.

**(a) Executive remuneration**

The number of staff who's remuneration received or receivable falls within the following bands:

	2020	2019
	Number	Number
\$154,001 to \$174,000	1	-
\$174,001 to \$194,000	1	-
\$194,001 to \$214,000	2	2
\$274,001 to \$294,000	1	-
\$294,001 to \$314,000	-	1
\$394,001 to \$414,000	-	1
\$474,001 to \$494,000	1	-
<b>Total</b>	<b>6</b>	<b>4</b>

**(b) Performance bonus remuneration of staff**

The number of staff who received performance bonus remuneration within the following bands are:

	2020	2019
	Number	Number
\$54,001 to \$74,000	1	-
<b>Total</b>	<b>1</b>	<b>-</b>

Table (a) includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. Total remuneration received for the year, included in Table (a) and (b) was \$1.5m (\$1.12m).

## 2.4 Employee Benefits Liability

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Annual leave	1,149	1,346
Long service leave	370	132
Accrued salaries and wages	30	53
Skills and experience retention leave	78	102
<b>Total current staff benefits</b>	<b>1,627</b>	<b>1,633</b>
<b>Non-current</b>		
Long service leave	2,524	3,017
Accrued salaries and wages	67	67
<b>Total non-current staff benefits</b>	<b>2,591</b>	<b>3,084</b>
<b>Total staff benefits</b>	<b>4,218</b>	<b>4,717</b>

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

**Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave**

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

**Long service leave**

The liability for long service leave is measured as 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. Details about the measurement of long service leave liability is provided as note 11.1.

## 3. Expenses

Employee benefits expenses are disclosed in note 2.3.

Accommodation costs are principally made up of the costs of utilities, cleaning and maintenance and repairs. In previous financial years, it has included rent for the Adelaide Festival Centre Complex (\$5.1m). However, applying AASB 16 Leases, has resulted in operating lease payments being recognised as depreciation rather than accommodation charges. Further details of this reclassification are set out in note 9.1.

Advertising and Marketing and Artistic production relate to the costs involved in the direct provision of performances, festivals and other artistic offerings presented by the trust.

Supplies include cost of goods sold including food and beverage sold at functions and through the centres bars and the cost of materials used in set builds that are produced and on sold by the trust's scenery build workshop.

## 3.1 Supplies and services

	2020	2019
	\$'000	\$'000
Accommodation	4,280	10,237
Artistic production	3,566	8,530
Advertising and marketing	969	1,742
Supplies	1,673	2,553
Communications and IT	1,500	1,574
Professional expenses	1,286	2,901
Repairs and maintenance	202	274
Travel and entertainment	337	412
Sponsorship	33	172
Bank and credit charges	229	339
Other	523	1,061
<b>Total supplies and services</b>	<b>14,598</b>	<b>29,795</b>

**Consultants**

The number of consultancies and the dollar amount paid/payable (included in supplies and services expense) to consultants that fell within the following bands:

	2020		2019	
	No.	\$'000	No.	\$'000
Up to \$10,000	10	48	-	-
Above \$10,000	1	16	2	48
<b>Total paid / payable to consultants engaged</b>	<b>11</b>	<b>64</b>	<b>2</b>	<b>48</b>

**3.2 Depreciation and amortisation expense**

	2020	2019
	\$'000	\$'000
Plant and equipment	788	724
Right-of-use plant and equipment	5,204	-
Accommodation and leasehold improvements	11	11
Furniture and Fittings	19	18
Intangible assets	257	297
<b>Total depreciation and amortisation</b>	<b>6,279</b>	<b>1,050</b>

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

The trust holds works of art on which depreciation is not applied because these items are considered to have an indeterminable useful life.

The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

**Review of accounting estimates**

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

**Useful life**

Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Buildings	80
Leasehold improvements	5-15
Plant and equipment	5-25
Right-of-use assets	Lease term
Furniture and fittings	15
Intangibles	5-10

**3.3 Borrowing Costs**

	2020	2019
	\$'000	\$'000
Interest paid/payable on financial liabilities measured at amortised cost	1,017	374
Interest expense on lease liabilities	2,949	-
<b>Total borrowing costs</b>	<b>3,966</b>	<b>374</b>

The trust does not capitalise borrowing costs.

**3.4 Net loss from the disposal of non-current assets**

	2020	2019
	\$'000	\$'000
Plant and equipment		
Proceeds from disposal	-	-
Less net book value of assets disposed	217	1
<b>Total net loss from disposal of assets</b>	<b>(217)</b>	<b>(1)</b>

**4. Income**

The trust's income is derived principally from fees and charges for rental of its theatres, production recoveries for theatre staff, revenue from ticket sales and for ticketing services, sponsorship and income from bar sales and functions.

4.1 Revenues from SA Government	2020	2019
	\$'000	\$'000
Grants received:		
Operating base grant	14,986	17,138
HMT redevelopment funding	3,046	3,293
AFC redevelopment supplementation	1,351	1,114
Capital grants	-	2,247
Other SA Government revenue	1,005	509
<b>Total revenues from SA Government</b>	<b>20,388</b>	<b>24,301</b>

Revenue from SA Government is received in the form of grants. The operating base, redevelopment funding and capital grants are granted through a memorandum of administrative arrangement between Arts SA and the trust. Other SA Government revenue is received through individual grant agreements with various SA Government agencies. Where money is appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the trust and the appropriation is recorded as contributed equity. Refer to the Statement of Changes in Equity.

In 2018/19 the trust received additional SA Government funding to account part year closure of the Festival Theatre and Her Majesty's Theatre and cessation of its carpark operation. In 2019/20, grant funding for closure of the carpark and Her Majesty's Theatre continued.

4.2 Sales of goods and services	2020	2019
	\$'000	\$'000
Theatre services	8,606	8,622
Ticketing	3,107	5,892
Box office	742	7,722
Sponsorship	744	1,445
Catering and functions	2,792	4,021
<b>Total fees and charges</b>	<b>15,991</b>	<b>27,702</b>

Her Majesty's Theatre (HMT) closed from March 2018 which impacted significantly on revenues. The HMT remained closed throughout 2018-19 and 2019-20. HMT was due to reopen in May 2020, however Covid-19 has delayed the reopening. In addition, the Adelaide Festival Centre closed on 19 March 2020 due to Covid-19 restrictions.

4.3 Interest	2020	2019
	\$'000	\$'000
Cash and cash equivalents	154	287
<b>Total interest revenues</b>	<b>154</b>	<b>287</b>

4.4 Other income	2020	2019
	\$'000	\$'000
Insurance recoveries	2,906	-
Donations	2,193	883
Fundraising income	319	457
Grants - Non SA Government	340	726
Sub lease rent	115	93
Sundry income	13	41
<b>Total other income</b>	<b>5,886</b>	<b>2,200</b>

Insurance recoveries relates to a claim for business interruption due to the closure of the theatres in response to a Federal Government directive relating to the Covid-19 pandemic.

Fundraising income relate to activities undertaken by the foundation. Funds raised through raffles and events are used to support the redevelopment of Her Majesty's theatre and to make the performing arts more accessible for the public of South Australia.

Cash donations to support the redevelopment of Her Majesty's Theatre, children's and education programs, prizes and internships is received from the public through the Adelaide Festival Centre Foundation.

Sub lease rent relates to income received from rental of retail spaces in the Adelaide Festival Centre to external parties.

**5. Financial assets**

<b>5.1 Cash and cash equivalents</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	4,018	10,898
Cash held in trust for promoters	1,589	10,199
Cash held in donations from foundation	4,440	2,556
<b>Total cash and cash equivalents</b>	<b>10,047</b>	<b>23,653</b>

The trust operates a trust account where box office sales on behalf of promoters is held until the shows have been completed. As an incorporated association and deductible gift recipient, the foundation operates its own bank accounts. Cash is measured at nominal amounts and all bank deposits are interest bearing.

<b>5.2 Receivables</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
<b>Trade receivables</b>		
From SA government entities	3,806	105
From non-SA government entities	253	1,002
Less allowance for doubtful debts	(35)	(35)
<b>Total trade receivables</b>	<b>4,024</b>	<b>1,072</b>
Prepayments	446	576
Accrued revenues	1	20
GST input tax recoverable	689	1,405
<b>Total current receivables</b>	<b>5,160</b>	<b>3,073</b>

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are generally settled within 14 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and are measured at amortised cost.

The net amount of GST receivable from the ATO is included as part of receivables.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the trust will not be able to collect the debt. Bad debts are written off when identified.

**6. Non-financial assets**

The non-financial assets of the trust consist primarily of:

- right of use assets relating to the lease of the Adelaide Festival Centre, other commercial properties and motor vehicles
- land related to Her Majesty's Theatre
- theatre related equipment (sound, lighting, staging)
- set building workshop equipment
- standard office fitouts and equipment
- a collection of artworks including paintings, sculptures and tapestries.

**6.1 Property, plant and equipment by asset class**

Property plant and equipment comprises owned and right of use (leased) tangible assets that do not meet the definition of investment property.

	2020 \$'000	2019 \$'000
<b>Land and buildings</b>		
Land at cost (deemed fair value)	3,240	3,240
<b>Capital works in progress</b>		
Capital works in progress at cost (deemed fair value)	64,562	36,308
<b>Leasehold improvements</b>		
Accommodation and leasehold improvements at cost (deemed fair value)	90	165
Accumulated depreciation at the end of the period	-	(45)
<b>Total leasehold improvements</b>	90	120
<b>Plant and equipment</b>		
Plant and equipment at fair value	3,050	1,730
Accumulated depreciation at the end of the period	-	(880)
Plant and equipment at cost (deemed fair value)	462	4,999
Accumulated depreciation at the end of the period	(1)	(1,596)
<b>Total plant and equipment</b>	3,511	4,253
<b>Right-of-use assets</b>		
Right-of-use assets at cost	93,962	-
Accumulated depreciation at the end of the period	(5,201)	-
<b>Total right-of-use assets</b>	88,761	-
<b>Furniture and fittings</b>		
Furniture and fittings at cost (deemed fair value)	164	290
Accumulated depreciation at the end of the period	-	(91)
<b>Total furniture and fittings</b>	164	199
<b>Total property, plant and equipment</b>	160,328	44,120

Valuation of plant and equipment was carried out for 30 June 2020 by Knight Frank Valuation & Advisory South Australia. The valuer arrived at the fair value of the assets by using the market approach under AASB 13 and also considering the 'highest and best use' of each item. The market approach requires the valuer to observe the market for similar or identical assets to reach an opinion of value.

**6.2 Property, plant and equipment owned by the trust**

Property, plant and equipment with a value greater than or equal to \$10 000 is capitalised, otherwise it is expensed.

Property, plant and equipment is recorded at fair value. Detail about the approach to fair value adopted is set out in note 11.2.

**Impairment**

Property, plant and equipment have been assessed for impairment as part of the stocktake and revaluation process.

**Reconciliation 2019-20**

	Land \$'000	Capital works in progress \$'000	Plant and equipment \$'000	Furniture and fittings \$'000	Leasehold improvements \$'000	Total \$'000
Carrying amount at 1 July 2019	3,240	36,308	4,253	199	120	44,120
Acquisitions	-	28,752	-	-	-	28,752
Disposals e.g. sales, write off	-	-	(217)	-	-	(217)
Revaluation increment/(Decrement)	-	-	(155)	(16)	(19)	(190)
Impairment losses	-	-	(43)	-	-	(43)
Depreciation	-	-	(788)	(19)	(11)	(818)
Transfers between asset classes	-	(498)	461	-	-	(37)
<b>Carrying amount at 30 June 2020</b>	3,240	64,562	3,511	164	90	71,567

Capital works in progress includes \$37,000 in intangible assets.

**6.3 Property, plant and equipment leased by the trust**

Property, plant and equipment leased by the trust is recorded at cost. Additions to leased property, plant and equipment during 2019-20 were \$nil (\$nil).

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and disclosed in note 3.1.

The trust has a limited number of leases:

- 5 motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from 3 years (60,000 km) up to 5 years (100,000 km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.

- Lease of the Adelaide Festival Centre complex encompassing the Festival, Dunstan Playhouse and Space theatres, banquet room, function spaces and bars. The lessor is Minister for the Arts and the term of the lease is 20 years concluding 30 June 2028 with a right of renewal for a further 10 years to 30 June 2038. Rental is indexed annually at 2.5% and the rent for 2019-20 was \$5.25m.

- 2 commercial leases with private landlords for a storage facility at Kilburn with a term of 5 years and annual lease payment of \$181,000 and a set building workshop at Regency Park with a term of 2 years and annual lease payment of \$173,000.

The lease liabilities related to the right-of-use assets are disclosed in note 7.2. The trust's maturity analysis of its lease liabilities is disclosed in note 11.3. Expenses related to leases, including depreciation and interest expenses, are disclosed in note 3. Cash outflows related to leases are disclosed in note 8.2.

**Impairment**

Property, plant and equipment leased by the trust has been assessed for impairment and no indication of impairment was found. No impairment loss or reversal of impairment loss has been recognised.

**6.4 Works of art**

	2020 \$'000	2019 \$'000
Works of art at fair value	9,589	8,793
Works of art at cost (deemed fair value)	-	35
<b>Total works of art</b>	<b>9,589</b>	<b>8,828</b>

A valuation of works of art was carried out by Theodore Bruce Auctions Pty Ltd as at 30 June 2020, estimating fair value of the pieces in the collection by using the market approach under AASB 13 and also considering the 'highest and best use' of each item. This approach required observation of the market for identical or similar assets to reach an opinion of value.

**Reconciliation 2019-20**

	\$'000
Carrying amount at 1 July 2019	8,828
Acquisitions	1
Revaluation increment/(Decrement)	760
<b>Carrying amount at 30 June 2020</b>	<b>9,589</b>

**6.5 Intangible assets**

	2020 \$'000	2019 \$'000
<b>Computer software</b>		
Internally developed computer software	293	293
Accumulated amortisation	(293)	(249)
Purchased computer software	2,172	2,136
Accumulated amortisation	(1,764)	(1,552)
<b>Total computer software</b>	<b>408</b>	<b>628</b>

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000.

The internally developed computer software relates to the development of the AFC website which has been fully depreciated.

	Internally developed computer software \$'000	Other computer software \$'000	Total \$'000
Carrying amount at 1 July 2019	44	584	628
Transfers in from works in progress	-	37	37
Amortisation	(44)	(213)	(257)
<b>Carrying amount at 30 June 2020</b>	<b>-</b>	<b>408</b>	<b>408</b>

## 6.6 Inventories

	2020	2019
	\$'000	\$'000
Theatre set construction work in progress at cost and expected to be recovered not more than 12 months after reporting date	53	194
Materials at cost	136	222
<b>Total inventories</b>	<b>189</b>	<b>416</b>

*Cost of inventories*

Inventories held for distribution at no or nominal consideration are measured at cost and adjusted when applicable for any loss of service potential. Inventories held for sale are measured at the lower of cost or their net realisable value.

The costs recognised as an expense for raw materials and consumables is \$1.41m (\$2.13m).

## 7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

## 7.1 Payables

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Trade payables	8	12,487
Accrued expenses	3,147	3,191
Amounts payable to promoters	1,589	10,199
Employment on-costs	444	251
<b>Total current payables</b>	<b>5,188</b>	<b>26,128</b>
<b>Non-current</b>		
Employment on-costs	244	287
Total non-current payables	244	287
<b>Total payables</b>	<b>5,432</b>	<b>26,415</b>

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

*Employment on-costs*

Employment on-costs include payroll tax, ReturnToWork levies and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

The trust makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from the 2019 rate (41%) to 42% and the average factor for the calculation of employer superannuation cost on-costs has remained unchanged from the 2019 rate (9.8%) to 9.8%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is not material. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

## 7.2 Financial liabilities

	Note	2020 \$'000	2019 \$'000
<b>Current</b>			
Lease Liabilities		2,815	-
<b>Total current borrowings</b>		<b>2,815</b>	<b>-</b>
<b>Non-current</b>			
Borrowings from SA Government		61,598	25,995
Lease Liabilities		88,459	-
<b>Total non-current borrowings</b>		<b>150,057</b>	<b>25,995</b>
<b>Total borrowings</b>		<b>152,872</b>	<b>25,995</b>

The trust measures financial liabilities, including borrowings, at amortised cost.

**Borrowings**

In 2017/18 the trust entered into a funding agreement to finance the redevelopment of HMT. Funds are drawn down as required and the term of the agreement is 10 years. The interest rate is determined by the Treasurer and was 0.59% in 2020 (1.65% in 2019).

## 7.3 Provisions

	2020 \$'000	2019 \$'000
<b>Current</b>		
Provision for workers compensation	46	38
<b>Total current provisions</b>	<b>46</b>	<b>38</b>
<b>Non-current</b>		
Provision for workers compensation	89	59
<b>Total non-current current provisions</b>	<b>89</b>	<b>59</b>
<b>Total provisions</b>	<b>135</b>	<b>97</b>
<b>Movement in provisions</b>		
	2020 \$'000	
<b>Carrying amount at the beginning of the period</b>	<b>97</b>	
Additional provisions recognised	38	
Reductions arising from payments	-	
<b>Carrying amount at the end of the period</b>	<b>135</b>	

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The trust is responsible for the payment of workers compensation claims.

## 7.4 Other liabilities

	2020 \$'000	2019 \$'000
<b>Current</b>		
Venue hire deposits	461	367
Other deposits	8	9
Income in advance	487	1,718
Unclaimed monies	7	7
<b>Total other liabilities</b>	<b>963</b>	<b>2,101</b>

**Income in advance**

Income received for the programming, marketing and sponsorship of performances and deposits on functions, taking place after the balance date is deferred until the performances and functions occur.

## 8. Other disclosures

### 8.1 Equity

The asset revaluation surplus is used to record increments and decrements in the fair value of property and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

For information about equity contributions see 4.1.

### 8.2 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.

#### Leases

	2020	2019
	\$'000	\$'000
Property, plant and equipment	5,640	-
<b>Total cash outflow for leases</b>	<b>5,640</b>	<b>-</b>

### 8.3 Controlled entity

The consolidated financial statements at 30 June 2020 include the following controlled entity:

The Adelaide Festival Centre Foundation Incorporated

Significant items in the financial report of the Foundation are:

	2020	2019
	\$'000	\$'000
Revenue	2,870	1,373
Expenses	657	425
<b>Surplus</b>	<b>2,213</b>	<b>948</b>
<b>Cash at bank</b>	<b>4,440</b>	<b>2,556</b>

All gifts and money received by the Adelaide Festival Centre Foundation Incorporated (the foundation) are used to undertake special projects on behalf of the trust including Her Majesty's Theatre Renewal Project, subsidising tickets for disadvantaged children, providing funding for children's programs Something on Saturday and DreamBIG and providing scholarship and internship opportunities in the performing arts.

## 9. Changes in accounting policy

### 9.1 AASB 16 Leases

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 *Leases* replaces AASB 117 *Leases* and related interpretations.

The adoption of AASB 16 *Leases* from 1 July 2019 resulted adjustments to the amounts recognised from a lessee perspective in the financial statements:

- AASB 117 *Leases* only required the recognition of an asset and lease liability in relation to finance leases. AASB 16 *Leases* applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position
- AASB 117 *Leases* resulted in operating lease payments being recognised as an expense under Supplies and services. AASB 16 *Leases* largely replaces this with depreciation expenses that represents the use of the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

#### Impact on retained earnings

The total impact on the trust's retained earnings as at 1 July 2019 is as follows:

	\$'000
<b>Closing retained earnings 30 June 2019 - AASB 117</b>	<b>405</b>
<b>Assets</b>	
Property, Plant and Equipment	93,961
<b>Liabilities</b>	
Financial Liabilities	93,961
<b>Opening retained earnings 1 July 2019 - AASB 16</b>	<b>405</b>

The trust disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$95.1 million under AASB 117.

The Adelaide Festival Centre is leased from the Minister of Arts under a Memoranda of Administrative Arrangement (MOAA). In addition, the trust holds several commercial property leases including the scenery build workshop. The trust disclosed in its 2018-19 financial report total undiscounted operating lease commitments \$95.1m under AASB 117. There is no material difference between the revised operating lease commitments when discounted and the financial liabilities recognised as at 1 July 2019.

### ***Accounting policies on transition***

AASB 16 sets out accounting policies on transition in its transitional provisions. The Treasurer's Instructions (Accounting Policy Statements) requires certain choices in those transitional provisions to be taken. The trust has adopted the following accounting policies:

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated.

- At 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.

Y the initial measurement of lease liability was the present value of the remaining lease payments discounted using the relevant incremental borrowing published by the Department of Treasury and Finance rate as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 3.35%.

- the initial measurement right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.

- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.

### ***Ongoing Accounting Policies***

The Treasurer's Instructions (Accounting Policy Statements) specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in the trust's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets.

- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15 000 or less, nor short-term leases, being those with a lease term of 12 months or less.

- the trust, in the capacity of a lessee, does not include non-lease components in lease amounts.

- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable the public authority to further its objectives.

- right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relate to the application of AASB 16 are disclosed under relevant notes and are referenced at note 6.3.

## **9.2 AASB 15 Revenue from Contracts with Customers**

AASB 15 *Revenue from Contracts with Customers* establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 supersedes AASB 111 Construction contracts, AASB 118 Revenue and related interpretations and applies to all revenue arising from contracts with customers.

### ***Impact on retained earnings***

The total impact on the trust's retained earnings as at 1 July 2019 is nil.

### ***Accounting policies on transition***

The trust has adopted AASB 15 on 1 July 2019. The Treasurer's Instructions (Accounting Policy Statements) require certain choices in those transitional provisions to be taken. The trust has on transition:

- recognised the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of retained earnings as at 1 July 2019. Therefore, the comparative information has not been restated.

- not adopted the completed contract expedient, and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former revenue and income accounting standards

- elected not to restate retrospectively contracts for modifications that occurred before 1 July 2019. Such contract modifications were minor so this is expected to have little impact on the financial statements.

Impacts on the financial statements are explained below together with impacts from adoption of AASB 1058 Income of Not-for-Profit

### ***Ongoing accounting policies***

The Treasurer's Instructions (Accounting Policy Statements) specify requirements for public authorities in applying AASB 15. These requirements are reflected in the trust's accounting policies as follows:

- there is no adjustment to the promised amount of consideration for the effects of a significant financing component if the period between the transfer of goods/services and the payment date is one year or less.
- the incremental costs of obtaining a contract are expensed when incurred when the amortisation period of the asset that the trust would have recognised is one year or less.
- for measuring progress towards satisfaction of performance obligations when the output method is applied, revenue is recognised in the amount to which there is a right to invoice corresponding directly to the value to the customers of the trust's performance completed to date.

Significant accounting policies relate to the application of AASB 15 are disclosed under relevant notes.

### **9.3 AASB 1058 Income of Not-for-Profit Entities**

AASB 1058 Income of Not-for-Profit Entities establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. AASB 1058 supersedes income recognition requirements in AASB 1004 Contributions, AASB 118 Revenue and AASB 111 Construction Contracts. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

#### ***Accounting policies on transition***

On transition, there was no impact on retained earnings.

### **9.4 Effects on financial statements from AASB 15 and AASB 1058**

Adopting AASB 15 and AASB 1058 has had no material impact on the timing of recognition of revenue by the trust.

Revenue earned in prior periods but not yet receivable is recorded as a contract asset in the Statement of Financial Position. Revenue received in prior periods but not yet recognised is recorded as a contract liability in the Statement of Financial Position. The estimated impact on the Statement of Financial Position of adopting AASB 15 and AASB 1058 is not material.

### **9.5 Presentation of Financial Statements**

Treasurer's Instructions (Accounting Policy Statements) issued on 22 March 2019 previous requirement for financial statements to be prepared using the net cost of services format. The net cost of services is the total cost of services less any revenue retained by public authorities involved in the provision of services but does not include items classified as revenues from and payments to the South Australian Government.

Presentation of the Statement of Comprehensive Income on an 'income and expense' basis allows information to be presented in such a way that eliminates potential confusion as to the source of funding for the trust. As well as changes to the format of the Statement of Comprehensive Income, there are presentational changes to remove the net cost of services format from the Statement of Cash Flows. These statements now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

10. Outlook

10.1 Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

*Capital commitments*

	2020 \$'000	2019 \$'000
Within one year	1,591	31,397
<b>Total capital commitments</b>	<b>1,591</b>	<b>31,397</b>

The trust's capital commitments relate to the redevelopment of Her Majesty's Theatre.

*Expenditure commitments*

	2020 \$'000	2019 \$'000
Within one year	1,583	1,946
Later than one year but not longer than five years	914	1,543
<b>Total expenditure commitments</b>	<b>2,497</b>	<b>3,489</b>

Amounts disclosed include contracts for rental of office equipment, maintenance of computer systems, provision of artistic services and provision of accommodation related services.

*Operating lease commitments payable*

	2020 \$'000	2019 \$'000
<b>Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:</b>		
Within one year	-	5,681
Later than one year but not longer than five years	-	22,820
Later than five years	-	66,613
<b>Total operating lease commitments payable</b>	<b>-</b>	<b>95,114</b>

Operating lease commitments is provided for the comparative year only as AASB 16 *Leases* does not distinguish between operating and finance leases for the lessee.

*Operating lease commitments receivable*

	2020 \$'000	2019 \$'000
<b>Commitments in relation to operating leases contracted for at the reporting date but not recognised as assets are receivable as follows:</b>		
Within one year	328	321
Later than one year but not longer than five years	1,378	1,351
Later than five years	1,299	1,654
<b>Total operating lease commitments receivable</b>	<b>3,005</b>	<b>3,326</b>

The trust has a 10 year agreement that commenced 1 January 2018 to sub-lease retail spaces in the Adelaide Festival Centre. The rent receivable is determined by the annual rent charged including any set levies, and subject to an annual rent increase of 2% commencing 1 July 2018.

## 10.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. The trust is not aware of any contingent assets or liabilities.

## 10.3 COVID-19 pandemic outlook for the trust

The COVID-19 pandemic will continue to impact the operations of the trust in 2020-21. The key expected impacts are:

- a reduction in sales of goods and services relating to theatre operations as social distancing requirements in theatres may make shows financially unviable for promoters. In addition, with the exception of local product, many promoters will bring shows to Adelaide as part of a national tour which is not possible with border closures and restrictions on travel.
- a reduction in supplies and services and employment expenditure corresponding with the reduction in sales of goods and services. In addition, inhouse events such as the Adelaide Guitar Festival 2020 and OzAsia Festival 2020 will have reduced expenditure as product will be delivered online.

The net impact of reduced revenue and expenditure relating to theatre operations will be received by the trust as an insurance claim under its business disruption insurance with SAICORP. However, COVID-19 has had a negative impact on the revenues of the trust's scenery build workshops which is not covered by the insurance claim. The net impact on the workshops is a budgeted deficit for 2020-21 of \$772,000.

## 10.4 Events after the reporting period

There were no events between 30 June 2020 and the date the financial statements are authorised for issue where the events may have a material impact on the results of subsequent years.

## 11. Measurement and Risk

### 11.1 Long service leave liability – measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2019 (1.25%) to 2020 (0.75%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$242,000 and employee benefits expense of \$242,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 2.5% for long service leave liability.

The trust classifies a portion of long service leave as current, based on the past 12 months history of settlements.

## 11.2 Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

### *Initial recognition*

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

### *Revaluation*

Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when the fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years.

At least every 6 years, AFCT re-values its non-current assets via a Certified Practising Valuer or internal estimates based on indices or recent transactions. However, if at any time, management considers the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

### *Land and buildings*

Land is measured at cost and is deemed to be fair value. The land and buildings relate to Her Majesty's theatre, purchased in 2017-18 and the site adjacent purchased in 2016-17. The buildings were impaired in 2017-18 and demolished in 2018-19 as part of the construction of a new theatre.

### *Plant and equipment*

An independent valuation of plant and equipment was carried out at 30 June 2020 by using the market approach under AASB 13 and also considering the 'highest and best use' of each item. The market approach requires the valuer to observe the market for similar or identical assets to reach an opinion of value.

### *Works of Art*

The trust owns a collection of artworks established in 1970 when over-subscribed funds from the public appeal to build the Festival Theatre were used to commission and purchase works of art by leading artists of the time including Fred Williams and Sydney Ball. In 2001-2003 an indigenous art collection was established through a donation of funds. An independent valuation of the Works of Art collection was carried out as at 30 June 2020 using market approach under AASB13 and also considering the 'highest and best use' of each item, observing the market for similar items.

### *Heritage assets*

The trust holds a collection of costumes, costume renderings, set models, theatre furniture and décor referred to as the Performing Arts Collection, which are unique and not capable of being reliably measured. This is due to the type and life of the assets and lack of a market for them.

### 11.3 Financial instruments

#### *Financial risk management*

Risk management is managed by the trust's corporate services section. Risk management policies of the trust 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.

The trust's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

#### *Impairment of financial assets*

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The trust uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances. Receivables were grouped based on shared risk characteristics and the days past due. Credit losses were estimated using historical experience and informed credit assessment. The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the department is exposed to credit risk.

Loss rates are calculated based on the probability of a receivable progressing through stages to write-off based on the common risk characteristics of the transaction and debtor and giving consideration to differences between previous and current economic conditions and the trust's view of the forecast economic conditions over the expected life of the receivables.

	Debtor gross carrying amount \$'000	Loss %	Lifetime expected losses \$'000
Current (not past due)	118.4	0.3	0.3
1 – 30 days past due	69.9	1.2	0.8
31 – 60 days past due	1.0	8.9	0.1
61 – 90 days past due	3.0	17.9	0.5
More than 90 days past due	129.6	25.9	33.6
<b>Loss allowance</b>			<b>35.3</b>

Impairment losses are presented as net impairment losses within net result, subsequent recoveries of amounts previously written off are credited against the same line. Receivables are written off when there is no reasonable expectation of recovery such as the failure of the debtor to enter into a payment plan and a failure to make contractual payments for a period greater than 180 days past due.

#### *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 trust measures all financial instruments at amortised cost.

Category of financial asset and financial liability	Note	2020 Carrying amount / Fair value (\$'000)	2020 Contractual maturities		
			Within 1 year (\$'000)	1-5 years (\$'000)	More than 5 years (\$'000)
<b>Financial assets</b>					
<b>Cash and equivalent</b>					
Cash and cash equivalent		10,047	n/a	n/a	n/a
<b>Financial assets at amortised cost</b>					
Receivables		4,025	n/a	n/a	n/a
<b>Total financial assets</b>		<b>14,072</b>			
<b>Financial liabilities</b>					
<b>Financial liabilities at amortised cost</b>					
Payables		3,814	n/a	n/a	n/a
Borrowings		61,598	-	-	61,598
Lease liabilities		91,274	2,815	13,068	75,391
<b>Total financial liabilities</b>		<b>156,686</b>	<b>2,815</b>	<b>13,068</b>	<b>136,989</b>

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Category of financial asset and financial liability	2020 Carrying amount/ fair value \$'000	2019 Carrying amount/ fair value \$'000
<b>Current financial assets</b>		
Trade receivables	4,025	1,092
Cash and cash equivalents	10,047	23,653
<b>Total financial assets</b>	<b>14,072</b>	<b>24,745</b>
<b>Current financial liabilities</b>		
Trade payables	3,814	24,956
Lease Liabilities	2,815	
<b>Non-Current financial liabilities</b>		
Borrowings	61,598	25,995
Lease Liabilities	88,459	-
<b>Total financial liabilities</b>	<b>156,686</b>	<b>50,951</b>

**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).

The receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 5.2