

# South Australian Film Corporation

Financial report  
for the year ended  
30 June 2020



Level 9  
State Administration Centre  
200 Victoria Square  
Adelaide SA 5000  
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 Chairman South Australian Film Corporation

### Opinion

I have audited the financial report of the South Australian Film Corporation 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 South Australian Film Corporation 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 Chair, Chief Executive Officer and the 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 the South Australian Film Corporation. 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 and members of the South Australian Film Corporation Board for the financial report**

The Chief Executive 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 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.

The members of the South Australian Film Corporation Board 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 13(3) of the *South Australian Film Corporation Act 1972*, I have audited the financial report of the South Australian Film Corporation 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.

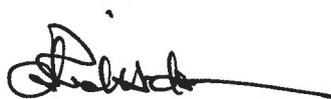
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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 {the entity's} internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive

- 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 and members of the South Australian Film Corporation Board 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**

23 September 2020

**Certification of Financial Statements**

We certify that the attached general purpose financial statements for the South Australian Film Corporation:

- comply with relevant Treasurer' 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 South Australian Film Corporation; and
- present a true and fair view of the financial position of the South Australian Film Corporation 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 South Australian Film Corporation for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Peter Hanlon  
Chair  
21 September 2020



Kate Croser  
Chief Executive Officer  
21 September 2020



Mark Thorley  
Chief Operating Officer  
21 September 2020

**SOUTH AUSTRALIAN FILM CORPORATION**

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2020

	Note No.	2020 \$'000	2019 \$'000
<b>OPERATIONS</b>			
<b>Income</b>			
Revenue from SA Government	4.1	2 068	1 751
Adelaide Studio Income	4.2	1 141	1 131
Film distribution returns		472	254
Interest revenues	4.3	186	139
Other revenues	4.4	60	24
<b>Total operations income</b>		<b>3 927</b>	<b>3 299</b>
<b>Expenses</b>			
Employee benefits expenses	2.3	2 061	1 960
Supplies and services	3.3	1 175	1 387
Depreciation	3.4	139	129
Impairment loss on receivables	6.2	-	3
Net loss from disposal of equipment	3.5	-	2
<b>Total operations expenses</b>		<b>3 375</b>	<b>3 481</b>
<b>Net result from Operations</b>		<b>552</b>	<b>(182)</b>
<b>SCREEN INDUSTRY PROGRAMS</b>			
<b>Income</b>			
Revenue from SA Government	4.1	1 287	1 682
Partner income		-	56
<b>Total Screen Industry income</b>		<b>1 287</b>	<b>1 738</b>
<b>Expenses</b>			
Screen Industry programs	3.1	1 614	1 617
<b>Total Screen Industry expenses</b>		<b>1 614</b>	<b>1 617</b>
<b>Net result from Screen Industry programs</b>		<b>(327)</b>	<b>121</b>
<b>PRODUCTION FUNDING</b>			
<b>Income</b>			
Revenue from SA Government	4.1	4 502	13 591
<b>Total Production Funding Income</b>		<b>4 502</b>	<b>13 591</b>
<b>Expenses</b>			
Production Funding	3.2	8 519	13 121
<b>Total Production Funding expenses</b>		<b>8 519</b>	<b>13 121</b>
<b>Net result from Production Funding</b>		<b>(4 017)</b>	<b>470</b>
<b>Total Comprehensive Result</b>		<b>(3 792)</b>	<b>409</b>

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

**SOUTH AUSTRALIAN FILM CORPORATION**

**STATEMENT OF FINANCIAL POSITION**

As at 30 June 2020

	Note No.	2020 \$'000	2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6.1	15 354	17 197
Receivables	6.2	311	344
Revolving Film Fund Loans	6.3	965	-
<b>Total current assets</b>		<b>16 630</b>	<b>17 541</b>
<b>Non-current assets</b>			
Equipment	5.1	443	495
Revolving Film Fund Loans	6.3	270	50
<b>Total non-current assets</b>		<b>713</b>	<b>545</b>
<b>Total assets</b>		<b>17 343</b>	<b>18 086</b>
<b>Current liabilities</b>			
Payables	7.1	16 066	10 634
Employee benefits	2.4	132	127
Revenue in advance		1	9
<b>Total current liabilities</b>		<b>16 199</b>	<b>10 770</b>
<b>Non-current liabilities</b>			
Payables	7.1	12	2,336
Employee benefits	2.4	201	259
Provisions	7.2	9	7
<b>Total non-current liabilities</b>		<b>222</b>	<b>2 602</b>
<b>Total liabilities</b>		<b>16 421</b>	<b>13 372</b>
<b>Net Assets</b>		<b>922</b>	<b>4 714</b>
<b>Equity</b>			
Contributed capital		8 460	8 460
Retained earnings		(7 538)	(3 746)
<b>Total Equity</b>		<b>922</b>	<b>4 714</b>

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

**SOUTH AUSTRALIAN FILM CORPORATION**

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2020

	Note No.	Contributed capital \$'000	Retained earnings \$'000	Total Equity \$'000
<b>Balance at 30 June 2018</b>		<b>8 460</b>	<b>(4 155)</b>	<b>4 305</b>
Net result for 2018-19		-	409	409
<b>Balance at 30 June 2019</b>		<b>8 460</b>	<b>(3 746)</b>	<b>4 714</b>
Net result for 2019-20		-	(3 792)	(3,792)
<b>Balance at 30 June 2020</b>		<b>8 460</b>	<b>(7,538)</b>	<b>922</b>

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

**SOUTH AUSTRALIAN FILM CORPORATION**

**STATEMENT OF CASH FLOWS**

For the year ended 30 June 2020

	Note No.	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
<b>Cash inflows</b>			
Receipts from SA Government		7 857	17 024
Adelaide Studios and other income		1 798	1 524
Revolving Film Fund Loan repayments		-	1 132
GST received from the ATO		664	481
Interest received		187	143
<b>Cash generated from operations</b>		<b>10 506</b>	<b>20 304</b>
<b>Cash outflows</b>			
Production funding		(6 037)	(3 972)
Employee benefits payments		(2 114)	(1 777)
Screen Industry Programs		(1 690)	(1 774)
Payments for supplies and services		(1 263)	(1 455)
Revolving Film Fund Loan advances		(1 185)	-
<b>Cash used in operations</b>		<b>(12,289)</b>	<b>(8 978)</b>
<b>Net cash provided by/(used in) operating activities</b>		<b>(1 783)</b>	<b>11 326</b>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Purchase of property, plant and equipment		(60)	(140)
<b>Cash used in investing activities</b>		<b>(60)</b>	<b>(140)</b>
<b>Net cash provided by/(used in) investing activities</b>		<b>(60)</b>	<b>(140)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1 843)</b>	<b>11 186</b>
Cash and cash equivalents at the beginning of the period		17 197	6 011
<b>Cash and cash equivalents at the end of the period</b>	6.1	<b>15 354</b>	<b>17 197</b>

The accompanying notes form part of these financial statements.

## SOUTH AUSTRALIAN FILM CORPORATION

### NOTE INDEX

About The South Australian Film Corporation	Note 1
Basis Of Preparation	Note 1.1
Objectives	Note 1.2
Impact of COVID-19 Pandemic	Note 1.3
Board, Committees And Employees	Note 2
Key Management Personnel	Note 2.1
Board Members	Note 2.2
Employee Benefit Expenses	Note 2.3
Employee Benefit Liability	Note 2.4
Expenses	Note 3
Screen Industry Programs	Note 3.1
Production Funding	Note 3.2
Supplies And Services	Note 3.3
Depreciation	Note 3.4
Net Loss from Disposal of Equipment	Note 3.5
Income	Note 4
Revenue From SA Government	Note 4.1
Adelaide Studios Income	Note 4.2
Interest Revenue	Note 4.3
Other Revenue	Note 4.4
Non-Financial Assets	Note 5
Equipment	Note 5.1
Property Leased by the SAFC	Note 5.2
Financial Assets	Note 6
Cash And Cash Equivalents	Note 6.1
Receivables	Note 6.2
Revolving Film Fund Loans	Note 6.3
Liabilities	Note 7
Payables	Note 7.1
Provisions	Note 7.2
Other Disclosures	Note 8
Cash Flow	Note 8.1
Changes In Accounting Policy	Note 9
AASB 16 Leases	Note 9.1
AASB 15 Revenue from Contracts with Customers	Note 9.2
AASB 1058 Income of Not-for-Profit Entities	Note 9.3
Effects on Financial Statements From AASB 15 and AASB 1058	Note 9.4
Presentation of Financial Statements	Note 9.5
Outlook	Note 10
Unrecognised Contractual Commitments	Note 10.1
Contingent Assets And Liabilities	Note 10.2
COVID-19 Pandemic Outlook	Note 10.3
Events After The Reporting Period	Note 10.4
Measurement And Risk	Note 11
Long Service Leave Liability – Measurement	Note 11.1
Fair Value	Note 11.2
Financial Instruments	Note 11.3
Administered Items	Note 12

## **1. ABOUT THE SOUTH AUSTRALIAN FILM CORPORATION**

The South Australian Film Corporation (SAFC) is a Board, established pursuant to the *South Australian Film Corporation Act 1972*. The responsible Minister is the Minister for Innovation and Skills. The SAFC is a not-for-profit entity.

The SAFC does not control any other entity and has no interests in unconsolidated structured entities. The financial statements and accompanying notes include all the controlled activities of the SAFC.

Administered items are insignificant in relation to the SAFC's overall financial performance and position and are disclosed in Note 12.

### **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 SAFC 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 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 (ATO), 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**

The core functions of the SAFC are:

- to foster the creation and delivery of critically acclaimed and commercially successful ideas, moving images and sound for any viewing medium;
- to support the SA screen industry in a dynamic and responsive manner; and
- to optimise opportunities for production and post-production in South Australia.

The SAFC provides financial assistance by way of grants, loans and equity investments across 2 key programs of Screen Industry Programs and Production Funding. The activities within these programs include funding for screen project attraction, development and production and access to professional development opportunities to screen industry practitioners via workshops, seminars and information.

The SAFC operates the Adelaide Studios which includes production and post-sound facilities and long-term tenancies for screen practitioners.

The SAFC's principal sources of funds are State Government grants and revenue from the Adelaide Studios operations.

The ongoing activities of the SAFC are dependent on the annual provision of grants from the State Government.

### **1.3 IMPACT OF COVID-19 PANDEMIC**

The key impact in 2019-20 were

- Work from home arrangements were supported for staff members
- Reduction in studio hire income for delayed productions
- Small increase in cleaning and sanitisation costs

## **2. BOARD, COMMITTEES AND EMPLOYEES**

The Chief Executive Officer is appointed by the Chief Executive Officer of the Department for Innovation and Skills as the Employing Authority under Section 9(1) of the *South Australian Film Corporation Act 1972*. SAFC employees are appointed by the Chief Executive Officer SAFC under a sub-delegation provided by the Employing Authority under Section 9A(7) of the *South Australian Film Corporation Act 1972*.

The Executive Team comprises the Chief Executive Officer, Head of Production and Development, Studio Manager, and Chief Operating Officer.

### **2.1 KEY MANAGEMENT PERSONNEL**

Key management personnel of the SAFC include the Minister, Board members and the Chief Executive Officer who have responsibility for the strategic direction and management of the SAFC.

Total compensation for key management personnel was \$371,000 (\$301,000).

The compensation disclosed in this note excludes salaries and other benefits the Minister receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

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

The Board is comprised largely of individuals who work within both the local and national screen industry. This is a longstanding historical practice and is consistent with Board composition in similar agencies across Australia. There is a clear and industry accepted benefit for this practice, as practitioners provide important expertise and understanding about financing and production, and strategic insights about the future directions for the SAFC. The SAFC has policies and procedures in place to ensure that potential and perceived conflicts of interest are managed in a robust and transparent manner. Related party disclosures are recognised at the time of Board approval. Relevant Board members do not participate in the approval process relating to that commitment.

During 2019 and 2020 there were no payments by the SAFC to Key Management Personnel or organisations/individuals who the personnel have associations with.

## SOUTH AUSTRALIAN FILM CORPORATION

### 2.2 BOARD MEMBERS

Members during the 2020 financial year were:

- Mr Peter Hanlon (Chair)
- Ms Kate Croser
- Ms Ann-Maree Davies
- Mr Des Monaghan (retired 19 March 2020)
- Ms Miriam Silva
- Ms Rebecca Summerton (appointed 12 December 2019)
- Mr Tony Ayres (appointed 20 March 2020)

#### **Board remuneration**

The number of members whose remuneration received or receivable falls within the following bands:	2020 No	2019 No
\$0 - \$ 19 999	6	9
<b>Total</b>	<b>6</b>	<b>9</b>

The total remuneration received or receivable by members was \$15,000 (\$22,000). Remuneration of members include sitting fees, superannuation contributions and salary sacrifice benefits.

### 2.3 EMPLOYEE BENEFITS EXPENSE

	2020 \$'000	2019 \$'000
Salaries	1 684	1 497
Employment on-costs – superannuation	161	157
Annual leave	130	106
Employment on-costs – other	77	68
Board fees	15	22
Workers compensation	2	1
LSL	(8)	109
<b>Total employee benefits expenses</b>	<b>2 061</b>	<b>1 960</b>

#### **Employment on-cost superannuation**

The superannuation employment on-cost charge represents the SAFC's contribution to superannuation plans in respect of current services of current employees.

#### **Executive Remuneration**

The number of employees whose remuneration received or receivable falls within the following bands.	2020 No	2019 No
\$174,000 to \$194,000	-	1
<b>Total</b>	<b>-</b>	<b>1</b>

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all

## SOUTH AUSTRALIAN FILM CORPORATION

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. Due to the change in Chief Executive Officer during the 2019-20 year no individual received remuneration greater than the base executive remuneration level.

The total remuneration received during the 2018-2019 year was \$187,000.

### 2.4 EMPLOYEE BENEFITS LIABILITY

	2020 \$'000	2019 \$'000
<b>Current</b>		
Annual leave	86	93
Accrued salaries and wages	46	34
<b>Total current employee benefits</b>	132	127
<b>Non-current</b>		
Long service leave	201	259
<b>Total non-current employee benefits</b>	201	259
<b>Total employee benefits</b>	333	386

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 and sick leave***

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

The annual leave liability 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 of the measurement of long service leave liability is provided as note 11.1.

## SOUTH AUSTRALIAN FILM CORPORATION

### 3. EXPENSES

Employee benefit expenses are disclosed in note 2.3.

The SAFC's key expenditure items relate to:

- screen industry programs;
- production funding; and
- management of the Adelaide Studios facilities.

#### 3.1 SCREEN INDUSTRY PROGRAMS

	2020 \$'000	2019 \$'000
Industry development	709	704
Project development	577	508
Company support	205	253
Production attraction	95	96
Professional development	28	59
<b>Total screen industry programs</b>	<b>1 614</b>	<b>1 617</b>

Screen industry programs are undertaken by the SAFC to support the skills and capabilities of screen industry practitioners and company viability. These programs are recognised as an expense upon approval given the applicant is advised of the approval and there is sufficient certainty of the obligation to pay.

Where the funding is for a specific financial year the expense is recognised in that financial year. Prior to that year the obligation is recognised as an unrecognised contractual commitment where a contract has been executed.

#### 3.2 PRODUCTION FUNDING

	2020 \$'000	2019 \$'000
Production funding	3 559	9 403
PDV Rebate	4 960	3 718
<b>Total production funding</b>	<b>8 519</b>	<b>13 121</b>

Production Funding relates to the SAFC contribution towards the production of digital content including drama and documentary screen content. In particular, projects that are creative and original, possess overall appeal to diverse audiences, display good market prospects and have significant economic benefits to the South Australian production and post-production screen sector. Funding to the production is by way of investment or grant and the SAFC is one of a number of funding partners.

Post Production, Digital and Visual Effects (PDV) Rebate supports post production, and digital and visual effect work undertaken in South Australia and is designed to complement the Australian Federal Government's Australian Screen Production Incentive Producer Offset and PDV Offset. Eligible projects may seek a rebate equivalent to 10% of expenditure on post production, digital and visual effects where the South Australian expenditure is greater than \$250,000.

At the point of approval there is always a degree of uncertainty in relation to the projects proceeding given the number of parties to the agreements. As a result, production funding is only recognised as an expense when there is sufficient certainty the project will proceed. Prior to that point the obligation is recognised as a contingent liability.

## SOUTH AUSTRALIAN FILM CORPORATION

### 3.3 SUPPLIES AND SERVICES

	2020 \$'000	2019 \$'000
Utility and communication expenses	250	214
General administrative expenses	166	123
Computer and related expenses	156	206
Tenant and production recovered charges	137	244
Facility expenses	120	98
Industry promotion and participations	109	157
Audit and legal fees	70	82
Consultants	62	97
Travel	41	90
Staff related expenses	39	25
Minor asset purchase and maintenance	25	51
<b>Total supplies and services</b>	<b>1 175</b>	<b>1 387</b>

#### **Consultants**

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

	No	2020 \$'000	No	2019 \$'000
Below \$10 000	6	26	1	3
Above \$10 000	3	36	4	94
<b>Total</b>	<b>9</b>	<b>62</b>	<b>5</b>	<b>97</b>

### 3.4 DEPRECIATION

	2020 \$'000	2019 \$'000
Office equipment	86	68
Production equipment	53	61
<b>Total depreciation</b>	<b>139</b>	<b>129</b>

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

#### **Review of accounting estimates**

Asset's residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the assets are account for prospectively by changing the time period or method, as appropriate.

## SOUTH AUSTRALIAN FILM CORPORATION

### **Useful life**

Depreciation 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)
Production equipment	3-25
Office equipment	3-20

### **3.5 NET LOSS FROM DISPOSAL OF EQUIPMENT**

	2020 \$'000	2019 \$'000
<b>Office Equipment</b>		
Proceeds from disposal	-	-
Less carrying amount of assets disposed	-	(2)
<b>Net loss from disposal of office equipment</b>	-	(2)
<b>Total Net loss from disposal of equipment</b>	-	(2)

## **4. INCOME**

The majority of the SAFC's income is sourced from the State Government as a grant from the Department for Innovation and Skills under a 3 year Memorandum of Administrative Arrangement. This funding is supplemented for specific projects during the year where the SAFC annual budget has been exhausted. The SAFC also generates income sourced from the private sector for long term office rentals, the short term hire of production and post sound facilities and from distributions from previous film investments.

### **4.1 REVENUE FROM SA GOVERNMENT**

	2020 \$'000	2019 \$'000
Production Funding	4 502	13 591
Operations	2 068	1 751
Screen Industry Programs	1 287	1 682
<b>Total revenue from SA Government</b>	<b>7 857</b>	<b>17 024</b>

Revenue from SA Government is recognised on receipt.

Where money has been received in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the SAFC and the appropriation is recorded as contributed equity. Refer to the Statement of Changes in Equity.

The SAFC is funded via the Department for Innovation and Skills for activities undertaken. The SAFC is required to seek approval from the Minister for the annual budget allocation against various activities. That approval delineates the funding allocation to the three areas of the SAFC's activities of Operations, Screen Industry Programs and Production funding. The allocation of funding against these areas of activities is not amended during the year unless supplemented by additional funding approved for specific purposes.

The SAFC receives funding for the South Australian Post Production, Digital and Visual Effects (SA PDV) Rebate directly from the Department of Treasury and Finance following approval of individual projects by the SAFC delegate.

## SOUTH AUSTRALIAN FILM CORPORATION

In addition, the SAFC may secure grant funding from other parts of the South Australian Government such as the Department for Premier and Cabinet for specific programs. This income is recognised in the relevant activity dependent on the purpose of the program.

### 4.2 ADELAIDE STUDIOS INCOME

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Studio Hire	627	636
Tenant Rental	363	285
Other	151	210
<b>Total Adelaide Studios income</b>	<b>1 141</b>	<b>1,131</b>

### 4.3 INTEREST REVENUE

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Deposits with the SA Government Financing Authority	160	136
Revolving Film Fund Loans	22	(3)
Deposits with non-SA Government financial institutions	4	6
<b>Total interest revenues</b>	<b>186</b>	<b>139</b>

### 4.4 OTHER REVENUE

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Asset acquired at no cost	26	5
Sundry Income	19	19
Revolving Film loan administration fees	15	-
<b>Total other income</b>	<b>60</b>	<b>24</b>

## 5. NON-FINANCIAL ASSETS

The SAFC's assets comprise production equipment and office equipment. Production equipment is used to undertake sound mixing and recording services and is income generating for the SAFC. Office equipment includes the provision of the IT and phone network for the Adelaide Studios site in addition to traditional office equipment such as desks and chairs. Where this equipment is deployed in the production and office tenancies it contributes to the generation of income for the SAFC.

**SOUTH AUSTRALIAN FILM CORPORATION**

**5.1 EQUIPMENT**

	2020 \$'000	2019 \$'000
<b>Production Equipment</b>		
Production equipment at cost (deemed fair value)	1 185	1 204
Accumulated depreciation at the end of the period	(1 017)	(993)
<b>Total production equipment</b>	<b>168</b>	<b>211</b>
<b>Office Equipment</b>		
Office equipment at cost (deemed fair value)	1 120	1 043
Accumulated depreciation at the end of the period	(845)	(759)
<b>Total office equipment</b>	<b>275</b>	<b>284</b>
<b>Total equipment</b>	<b>443</b>	<b>495</b>

Equipment with a value equal to or in excess of \$1,000 is capitalised, otherwise it is expensed.

***Resources received free of charge***

During the year the SAFC received IT equipment to the value of \$26 400 from the Department for Innovation and Skills under the IT Services Service Level Agreement.

***Impairment***

Equipment has not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continued use of their service capacity and are subject to regular stocktake and visual inspection.

***Reconciliation 2019-20***

	Production equipment \$'000	Office equipment \$'000	Total \$'000
<b>Carrying amount at the beginning of the period</b>	211	284	495
Acquisitions	10	77	87
Depreciation	(53)	(86)	(139)
<b>Carrying amount at the end of the period</b>	<b>168</b>	<b>275</b>	<b>443</b>

**5.2 PROPERTY LEASED BY THE SAFC**

Property leased by the SAFC is recorded at cost.

A concessionary lease is held with the Premier for the Adelaide Studio precinct located at Glenside. The building is used to enable the operation of the Adelaide Studios and to support, encourage and facilitate creative industries including but not limited to film, television, audio-visual and multi-media production, investment and development and ancillary purposes. The building may not be used for any other purpose. Without the supply of this lease at concessionary terms, the SAFC would incur costs for an alternative property to deliver its objectives.

The lease commenced on 1 July 2011 and expires on 30 June 2036. Rent of \$1 for the term of the loan is payable if demanded.

**SOUTH AUSTRALIAN FILM CORPORATION**

**6. FINANCIAL ASSETS**

**6.1 CASH AND CASH EQUIVALENTS**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Short-term deposits with SAFA	15 142	17 107
Cash at bank and on hand	212	90
<b>Total cash and cash equivalents</b>	<b>15 354</b>	<b>17 197</b>

***Short-term deposits***

Short-term deposits are made for varying periods of between one day and three months. The deposits are lodged with SAFA and earn interest at the respective short-term deposit rates.

**6.2 RECEIVABLES**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>Current</b>		
Receivables	220	236
Less allowance for doubtful debts	-	(2)
Prepayments	45	49
GST input tax recoverable	39	49
Accrued revenues	7	12
<b>Total current receivables</b>	<b>311</b>	<b>344</b>

Receivables arise in the normal course of providing services to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenue are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

The net amount of GST payable to the ATO is included as part of receivables.

***Impairment of receivables***

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>Carrying amount at the beginning of the period</b>	<b>2</b>	<b>-</b>
Amounts written off	-	(1)
Amounts recovered during the year	-	-
Increase/(Decrease) in the allowance recognised in profit or loss	(2)	3
<b>Carrying amount at the end of the period</b>	<b>-</b>	<b>2</b>

**SOUTH AUSTRALIAN FILM CORPORATION**

**6.3 REVOLVING FILM FUND LOANS**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Current	965	-
Non –Current	270	50
<b>Total Revolving Film Fund Loans</b>	<b>1 235</b>	<b>50</b>

The SAFC provides Revolving Film Fund secured loans to film and television producers.

As at 30 June 2020 loans provided were either interest bearing or non-interest bearing basis and secured, with due regard to the credit worthiness of the producer and its track record for delivery, by a combination of:

- (a) a first ranking security over guarantees provided by either
  - film distributors and/or sales agents: or
  - the federal Government through its Producer Offset Scheme;
- (b) a further security interest over the producer's company entitlement to gross proceeds from exploitation of the film;
- (c) where the borrower is a special purpose vehicle (SPV) created solely for the production of the film, surety provided by the parent company in the form of a Deed of Guarantee; and
- (d) in exceptional circumstances, a bank guarantee may be required.

There were no impaired loans in 2020 or 2019.

**7. LIABILITIES**

Employee benefit liabilities are disclosed in note 2.4.

**7.1 PAYABLES**

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>Current</b>		
Production funding	15 124	9 785
Screen Industry programs	668	595
Accrued expenses	138	235
Creditors	116	-
Employment on-costs	20	19
<b>Total current payables</b>	<b>16 066</b>	<b>10 634</b>
<b>Non-current</b>		
Production funding	-	2 320
Employment on-costs	12	16
<b>Total non-current payables</b>	<b>12</b>	<b>2 336</b>
<b>Total payables</b>	<b>16 078</b>	<b>12 970</b>

Creditors and accrued expenses are raised for all amounts owing but unpaid. Creditors 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.

## SOUTH AUSTRALIAN FILM CORPORATION

### **Employment on-costs**

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

The SAFC makes contribution to several externally managed and State Government 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 report date relates to any contributions due but not yet paid to those schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave in has changed from the 2019 rate 41% to 42% in 2020. The estimate impact of this change is immaterial.

### **7.2 PROVISIONS**

<b>Non-current</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Provision for workers compensation	9	7
<b>Total non-current provisions</b>	<b>9</b>	<b>7</b>
<b>Total provisions</b>	<b>9</b>	<b>7</b>

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b><i>Movement in provisions</i></b>		
<b>Carrying amount at the beginning of the period</b>	7	6
Additional provisions	2	1
Amounts used	-	-
<b>Carrying amount at the end of the period</b>	<b>9</b>	<b>7</b>

The SAFC has no open workers compensation claims.

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on 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 congoing payments to employees as required under current legislation.

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

## **8. OTHER DISCLOSURES**

### **8.1 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.

## **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

## SOUTH AUSTRALIAN FILM CORPORATION

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 financed leases. AASB 16 *Leases* applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating lease 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 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.

### **Accounting policies on transition**

AASB 16 *Leases* had no impact on transition on the SAFC as it only had a lease which was significantly below market value and there are current relief provisions in place for these arrangements under AASB 16 and APS 16.E.

Refer to note 5.2 for further information on the SAFC lease.

## **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.

### **Accounting policies on transition**

On transition, there was no impact on retained earnings.

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 STATEMENT FROM AASB 15 AND AASB 1058**

There was no impact of adopting AASB 15 and AASB 1058 on the SAFC's financial statements for the year ending 30 June 2020.

## SOUTH AUSTRALIAN FILM CORPORATION

### 9.5 PRESENTATION OF FINANCIAL STATEMENTS

Treasurer's Instructions (Accounting Policy Statements) issued on 1 June 2020 removed the 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 SAFC. 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 Screen Industry projects for funding for a future financial year that have been contractually committed and are disclosed at their nominal value.

	2020 \$'000	2019 \$'000
<b>Screen Industry programs</b>		
Within one year	75	230
Later than one year but not longer than 5 years	-	75
<b>Total unrecognised contractual commitments</b>	<b>75</b>	<b>305</b>

#### 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 SAFC is not aware of any contingent assets.

Where production funding has been approved and the applicant has been advised and there remains a degree of uncertainty that the projects will proceed, the approval is recognised as a contingent liability.

	2020 \$'000	2019 \$'000
<b>Liabilities</b>		
Production funding	550	217
<b>Total contingent liabilities</b>	<b>550</b>	<b>217</b>

#### 10.3 COVID-19 PANDEMIC OUTLOOK

The COVID-19 pandemic may continue to impact the operations of the SAFC in 2020-21. The extent of the impact is currently unknown, however studio hire income could be impacted if productions are unable to proceed due to COVID-19.

#### 10.4 EVENTS AFTER THE REPORTING PERIOD

There are no events occurring after the end of the reporting period.

## **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 (1.5%) 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 actuarial assessment performed by the Department of Treasury and Finance decreased the salary inflation rate from 4% in 2019 to 2.5% in 2020 for long service leave liability. The decrease in the inflation rate results in a decrease 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 and employee benefits expense of \$19 889. 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 SAFC is not expecting any payment for long service leave in the next 12 months. As a result the full quantum of long service leave has been classified as non-current.

### **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***

Non-current tangible assets are subsequently measured at fair value after allowing for accumulated depreciation. 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 \$1.5M or estimated useful life is greater than three years.

Equipment has not been revalued in accordance with APS 116.D. The carrying amount of these items are deemed to be approximate fair value.

## SOUTH AUSTRALIAN FILM CORPORATION

### 11.3 FINANCIAL INSTRUMENTS

#### *Financial Risk Management*

Risk management is managed by the SAFC's Executive Team. SAFC 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.

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

#### *Liquidity risk*

The SAFC is funded principally from the Department for Innovation and Skills under a 3 year Memorandum of Administrative Arrangement. The SAFC works with the Department to determine the cash flows associated with its approved program of work and to ensure funding is provided to meet the expected cash flows.

Refer to note 7.1 for further information.

#### *Categorisation of financial instruments*

Details of the significant accounting policies and methods adopted include 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 and financial liability are disclosed in the respective financial asset/liability note.

#### *Classification of financial instruments*

The SAFC measures all financial instruments, except equity investments, at amortised cost.

Category of financial asset and financial liability	Notes	2020 Carrying amount (\$'000)	2019 Carrying amount (\$'000)
<b>Financial assets</b>			
Cash and equivalent	6.1	15 354	17 197
Financial assets at amortised cost			
- Receivables	6.2	227	246
- Revolving Film Fund Loans	6.3	1 235	50
<b>Total financial assets</b>		<b>16 816</b>	<b>17 493</b>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost			
- Production funding	7.1	15 124	12 105
- Screen Industry Programs	7.1	668	595
- Payables	7.1	176	156
<b>Total financial liabilities</b>		<b>15 968</b>	<b>12 856</b>

#### *Receivables and payables*

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (eg Commonwealth, State and Local Govt 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 etc they would be excluded from the disclosure. The standard defines

<b>SOUTH AUSTRALIAN FILM CORPORATION</b>
--

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 6.2.

## 12. ADMINISTERED ITEMS

The SAFC previously provided a service to producers for disbursing investment returns to investors (non-S AFC titles) in addition to managing the disbursement of investment returns for SAFC titles. The SAFC has acquitted all disbursement of non SAFC titles and the balances below reflect the funds held in relation to SAFC titles only.

The SAFC does not have control of, or discretion to apply these investment returns towards achieving the SAFC's objectives unless the SAFC is contractually entitled to a proportion of these funds, generally as the original producer of these titles. Therefore, prior to reconciliation, disbursement returns are not recognised in the financial statements but are reflected below.

Once the SAFC has determined the quantum that may be attributable to the SAFC as producer of these titles these funds are transferred to the SAFC controlled accounts and reflected as Investment Returns in the Statement of Comprehensive Income. Funds that are due to other investors of SAFC titles are disbursed directly from the accounts below.

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Disbursement Returns Account</b>		
Balance at 1 July	48	118
Add:		
Royalties and distribution advances	134	1
Less:		
Disbursements to investors	(10)	(71)
<b>Balance at 30 June</b>	<b>172</b>	<b>48</b>

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Unclaimed Investor Returns Accounts</b>		
Balance at 1 July	55	55
<b>Balance at 30 June</b>	<b>55</b>	<b>55</b>