

# State Opera of South Australia

Financial report  
for the year ended  
30 June 2020



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## To the Chair State Opera of South Australia

### Opinion

I have audited the financial report of the State Opera of South Australia 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 State Opera of South Australia 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, Board of Management, Executive Director and Head of Finance.

### 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 State Opera of South Australia. 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 Executive Director and the Board for the financial report**

The Executive Director 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 Board is 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 18(3) of the *State Opera of South Australia Act 1976*, I have audited the financial report of the West Beach 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.

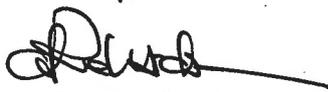
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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 State Opera of South Australia's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Director

- 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.

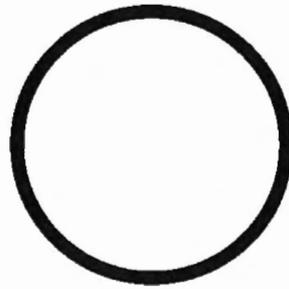
I communicate with the Executive Director and the Chair, Board of Management about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

**Auditor-General**

23 September 2020



**STATE OPERA**  
**SOUTH AUSTRALIA**

ABN 31 382 679 566

# State Opera of South Australia

Financial Statements  
For the year ended  
30 June 2020

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# State Opera of South Australia

## Certification of the Financial Statements

For the year ended 30 June 2020

We certify that the attached general purpose financial statements for the State Opera of South Australia:

- 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 State Opera of South Australia; and
- present a true and fair view of the financial position of the State Opera of South Australia 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 State Opera of South Australia for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



John Irving  
Chair Board of Management



Yarmila Alfonzetti  
Executive Director



Lisa Mulvaney  
Head of Finance

Date: 11/9/2020

# State Opera of South Australia

## Statement of Comprehensive Income

For the year ended 30 June 2020

|  | Note | 2020<br>\$'000 | 2019<br>\$'000 |
|--|------|----------------|----------------|
| <b>Expenses</b>                                    |      |                |                |
| Employee benefit expenses                          | 2.3  | 1,646          | 1,989          |
| Supplies and services                              | 3.1  | 2,898          | 3,943          |
| Depreciation and amortisation                      | 3.2  | 29             | 27             |
| Grants and subsidies                               | 3.3  | 296            | 289            |
| <b>Total expenses</b>                              |      | <b>4,869</b>   | <b>6,248</b>   |
| <b>Income</b>                                      |      |                |                |
| Fees and charges                                   | 4.2  | 989            | 1,744          |
| Commonwealth grants and payments                   | 4.3  | 1,582          | 1,557          |
| Interest and dividends                             | 4.4  | 44             | 64             |
| Net change in the market value of investments      |      | (60)           | 22             |
| Resources received free of charge                  | 4.6  | 39             | -              |
| Other income                                       | 4.5  | 401            | 344            |
| <b>Total income</b>                                |      | <b>2,995</b>   | <b>3,731</b>   |
| <b>Net cost of providing services</b>              |      | <b>(1,874)</b> | <b>(2,517)</b> |
| <b>Revenues from / (payments to) SA Government</b> |      |                |                |
| Revenues from SA Government                        | 4.1  | 1,553          | 1,559          |
| <b>Net result</b>                                  |      | <b>(321)</b>   | <b>(958)</b>   |
| <b>Total comprehensive result</b>                  |      | <b>(321)</b>   | <b>(958)</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.

# State Opera of South Australia

## Statement of Financial Position

As at 30 June 2020

|                                      | Note | 30 Jun 2020<br>\$'000 | 30 Jun 2019<br>\$'000 |
|--------------------------------------|------|-----------------------|-----------------------|
| <b>Assets</b>                        |      |                       |                       |
| <b>Current assets</b>                |      |                       |                       |
| Cash and cash equivalents            | 6.1  | 2,248                 | 3,259                 |
| Receivables                          | 6.2  | 273                   | 185                   |
| <b>Total current assets</b>          |      | <b>2,521</b>          | <b>3,444</b>          |
| <b>Non-current assets</b>            |      |                       |                       |
| Other financial assets               | 6.3  | 356                   | 416                   |
| Plant and equipment                  | 5.1  | 68                    | 85                    |
| Intangible assets                    | 5.2  | 32                    | 42                    |
| <b>Total non-current assets</b>      |      | <b>456</b>            | <b>543</b>            |
| <b>Total assets</b>                  |      | <b>2,977</b>          | <b>3,987</b>          |
| <b>Liabilities</b>                   |      |                       |                       |
| <b>Current liabilities</b>           |      |                       |                       |
| Payables                             | 7.1  | 111                   | 628                   |
| Employee benefits                    | 2.4  | 71                    | 66                    |
| Provisions                           | 7.2  | -                     | 60                    |
| Other current liabilities            | 7.3  | 1,218                 | 1,285                 |
| <b>Total current liabilities</b>     |      | <b>1,400</b>          | <b>2,039</b>          |
| <b>Non-current liabilities</b>       |      |                       |                       |
| Employee benefits                    | 2.4  | -                     | 4                     |
| Other non-current liabilities        | 7.3  | -                     | 46                    |
| <b>Total non-current liabilities</b> |      | <b>-</b>              | <b>50</b>             |
| <b>Total liabilities</b>             |      | <b>1,400</b>          | <b>2,089</b>          |
| <b>Net assets</b>                    |      | <b>1,577</b>          | <b>1,898</b>          |
| <b>Equity</b>                        |      |                       |                       |
| Reserves                             |      | 1,239                 | 2,079                 |
| Retained earnings                    |      | 338                   | (181)                 |
| <b>Total equity</b>                  |      | <b>1,577</b>          | <b>1,898</b>          |

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

# State Opera of South Australia

## Statement of Changes in Equity

For the year ended 30 June 2020

|  | FUTURE<br>PRODUCTIONS<br>RESERVE<br>\$'000 | RESERVE<br>INCENTIVE<br>SCHEME<br>FUNDS<br>RESERVE<br>\$'000 | TRUST<br>FUNDS<br>RESERVES<br>\$'000 | ACCUMULATED<br>SURPLUS<br>\$'000 | TOTAL<br>EQUITY<br>\$'000 |
|--|--|--|--------------------------------------|----------------------------------|---------------------------|
| <b>Equity</b>                          |  |  |                                      |                                  |                           |
| Balance at 30 June 2018                | 808  | 237  | 990                                  | 821                              | 2856                      |
| Total comprehensive result for 2018-19 | -  | -  | -                                    | (958)                            | (958)                     |
| Transfer between equity components     | -  | -  | 44                                   | (44)                             | -                         |
| <b>Balance at 30 June 2019</b>         | <b>808</b>                                 | <b>237</b>   | <b>1,034</b>                         | <b>(181)</b>                     | <b>1,898</b>              |
| Total comprehensive result for 2019-20 | -  | -  | -                                    | (321)                            | (321)                     |
| Transfer between equity components     | (808)                                      | -  | (32)                                 | 840                              | -                         |
| <b>Balance at 30 June 2020</b>         | <b>-</b>                                   | <b>237</b>   | <b>1,002</b>                         | <b>338</b>                       | <b>1,577</b>              |

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

# State Opera of South Australia

## Statement of Cash Flows

For the year ended 30 June 2020

|   | Note | 2020<br>\$'000 | 2019<br>\$'000 |
|---|------|----------------|----------------|
| <b>Cash flows from operating activities</b>                     |      |                |                |
| <i>Cash outflows</i>  |      |                |                |
| Employee benefits payments                                      |      | (1,727)        | (2,060)        |
| Payments for supplies and services                              |      | (3,706)        | (4,395)        |
| Payments of grants and subsidies                                |      | (296)          | (289)          |
| <b>Cash used in operations</b>                                  |      | <b>(5,729)</b> | <b>(6,744)</b> |
| <i>Cash inflows</i>   |      |                |                |
| Receipts from Commonwealth                                      |      | 1,727          | 2,686          |
| Box office and production                                       |      | 948            | 1,769          |
| Sponsorship and donations                                       |      | 284            | 310            |
| Interest received   |      | 21             | 51             |
| Dividend received   |      | 23             | 13             |
| GST recovered from the ATO                                      | 8.3  | 8              | 143            |
| Other receipts  |      | 156            | 2              |
| <b>Cash generated from operations</b>                           |      | <b>3,167</b>   | <b>4,974</b>   |
| <i>Cash flows from SA Government</i>                            |      |                |                |
| Receipts from SA Government                                     |      | 1,553          | 1,562          |
| <b>Cash generated from SA Government</b>                        |      | <b>1,553</b>   | <b>1,562</b>   |
| <b>Net cash provided by/(used in) operating activities</b>      |      | <b>(1,009)</b> | <b>(208)</b>   |
| <b>Cash flows from investing activities</b>                     |      |                |                |
| <i>Cash outflows</i>  |      |                |                |
| Purchase of plant and equipment                                 |      | (2)            | (14)           |
| Purchase of intangibles   |      | -              | (56)           |
| <b>Cash used in investing activities</b>                        |      | <b>(2)</b>     | <b>(70)</b>    |
| <b>Net cash provided by/(used in) investing activities</b>      |      | <b>(2)</b>     | <b>(70)</b>    |
| <b>Net increase/(decrease) in cash and cash equivalents</b>     |      | <b>(1,011)</b> | <b>(278)</b>   |
| <b>Cash and cash equivalents at the beginning of the period</b> |      | <b>3,259</b>   | <b>3,537</b>   |
| <b>Cash and cash equivalents at the end of the period</b>       | 6.1  | <b>2,248</b>   | <b>3,259</b>   |

The accompanying notes form part of these financial statements.

## 1. About the State of Opera of South Australia

The State Opera of South Australia (the Company) is a not-for-profit entity in the State of South Australia. The Company is a statutory authority established pursuant to the *State Opera of South Australia Act 1976* and acts on behalf of the Crown.

The Company 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 Company.

### 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 2019-2020 financial statements the Company 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.

### 1.2 Objectives

The objective of the Company is to serve the Government and the people of South Australia by achieving excellence in the provision of operatic productions to the general public. The Company's main objectives are to:

- Present, produce, manage and conduct theatrical and operatic performances of any kind as may in its opinion tend to promote the art of the opera and related theatrical arts;
- Promote or commission the scoring and writing of operas and other theatrical works for operatic or theatrical performance;
- Promote the training of all persons concerned in the production, presentation or performance of operatic or other related theatrical presentations;
- Assist financially or otherwise in the presentation, production, management or conduct of any theatrical or operatic production in this State;
- Promote public interest and participation in the art of the opera and related theatrical arts; and
- Establish and conduct schools, courses, lectures, seminars and discussions on the art of the opera and related theatrical arts.

### 1.3 Impact of COVID-19 pandemic on the company

The COVID-19 pandemic has impacted on the operations of the company and the impacts are included under the relevant disclosure notes. The key impacts in 2019-20 were:

- All Company live performance activity was ceased from Monday 23 March 2020. This included cancellation of the following mainstage productions already on sale since Oct 2019 – *Carmina Burana*, *Barber of Seville*, *Sweeney Todd*, and *Macbeth*. Significant ancillary activity, including recitals, community engagement and education activity was also cancelled.
- In line with all other major performing arts companies across the country, the Company will continue to be impacted by a significant reduction in box office income and activity while reduced venue capacities remain in place as directed by SA Health.
- In addition, restrictions on travel, social distancing rules and the ongoing economic impact to individual patrons mean that the viability of the Company to deliver successful product to the market remains at risk throughout 2020.

## 2. Board, committees and employees

### 2.1. Key management personnel

Key management personnel of the Company include the Premier, the Executive Director, the Artistic Director, the Chief Operating Officer and the Board.

Total compensation for key management personnel was \$454,000 in 2019-20 and \$442,000 in 2018-19.

The compensation disclosed in this note excludes salaries and other benefits the Premier receives. The Premier'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 the *Parliamentary Remuneration Act 1990*.

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

Other than the remuneration paid in 2019-2020, there were no other transactions with key management personnel and other related parties during the year.

### 2.2. Board and committee members

Members during the 2020 financial year were:

#### **The State Opera of South Australia Board**

Mr John Irving (Chair)  
Master Elizabeth Olsson  
Mr Peter Michell  
Dr Christine Rothauser  
Dr Beata Byok (joined Nov 2019)

Professor Brenda Wilson  
Ms Imelda Alexopoulos  
Dr Thomas Millhouse  
Mrs Robina Weir (dep. Oct 2019)

#### **Risk and Performance Committee**

Mr John Irving (Chair) ( dep. March 2020)  
Mr Peter Michell  
Ms Imelda Alexopoulos (joined March 2020)

Master Elizabeth Olsson (Chair from March 2020)  
Professor Brenda Wilson (joined March 2020)

#### **Fundraising Committee**

Professor Brenda Wilson (Chair)  
Mr John Irving  
Ms Imelda Alexopoulos

Dr Thomas Millhouse  
Dr Christine Rothauser  
Mrs Robina Weir

#### **Board and committee remuneration**

The board and committee members stated they would not accept a stipend for sitting on the Company's board.

### 2.3. Employee benefits expenses

|                                      | 2020<br>\$'000 | 2019<br>\$'000 |
|--------------------------------------|----------------|----------------|
| Salaries and wages                   | 1,332          | 1,525          |
| Long service leave                   | (3)            | 80             |
| Annual leave                         | 2              | 70             |
| Employment on-costs - superannuation | 196            | 193            |
| Employment on-costs - other          | 48             | 65             |
| Workers compensation                 | 71             | 23             |
| Other employee related expenses      | -              | 33             |
| <b>Total</b>                         | <b>1,646</b>   | <b>1,989</b>   |

The annual leave expense has been reduced significantly as a result of proactive leave management during the extended downtime from COVID.

No employee is currently entitled to long service leave.

The accompanying notes form part of these financial statements.

**Employment on-costs - superannuation**

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

**Executive remuneration**

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| <b>The number of employees whose remuneration received or receivable falls within the following bands:</b> |                |                |
| \$154 001 to \$174 000   | 1              | 2              |
| \$174 001 to \$194 000   | 1              | -              |
| <b>Total</b>   | <b>2</b>       | <b>2</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 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. The total remuneration received by those employees for the year was \$350,000 (\$334,000).

**2.4. Employee benefits liability**

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| <b>Current</b>                             |                |                |
| Accrued salaries and wages                 | 29             | 29             |
| Annual leave                               | 42             | 37             |
| <b>Total current employee benefits</b>     | <b>71</b>      | <b>66</b>      |
| <b>Non-current</b>                         |                |                |
| Long service leave                         | -              | 4              |
| <b>Total non-current employee benefits</b> | <b>-</b>       | <b>4</b>       |
| <b>Total employee benefits</b>             | <b>-</b>       | <b>70</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 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 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 in note 11.1. Long service leave was paid out mid-year upon resignation of staff and no further provision required for this financial year as no existing employee has been employed greater than 5 years.

### 3. Expenses

Employee benefits expenses are disclosed in note 2.3.

#### 3.1. Supplies and services

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| Accommodation                                  | 238            | 223            |
| Advertising and marketing                      | 329            | 297            |
| Consultants                                    | 31             | 18             |
| Contractors - performers, creatives, technical | 778            | 1,266          |
| External accounting and bookkeeping            | 4              | 84             |
| Foreign Currency                               | 3              | -              |
| General administration and consumables         | 267            | 343            |
| Information technology expenses                | 44             | 31             |
| Legal costs                                    | 43             | 5              |
| Minor works, maintenance and equipment         | 2              | 6              |
| Production expense                             | 668            | 526            |
| Season launch                                  | -              | 38             |
| Telecommunications                             | 10             | 8              |
| Travel   | 151            | 226            |
| Venue hire and expenses                        | 330            | 872            |
| <b>Total supplies and services</b>             | <b>2,898</b>   | <b>3,943</b>   |

#### Accommodation

The company's accommodation is provided by the Department of Planning, Transport and Infrastructure (DPTI) under Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies. These MoAA do not meet the definition of lease set out in AASB 16.

In prior years, expenses associated with MoAA have been classified as operating lease payments. Expenses associated with MoAA have been re-classified as accommodation expenses for both the current year and the comparative. Further details about this reclassification is set out in Note 9.1.

#### 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:

|                   | No       | 2020<br>\$'000 | No       | 2019<br>\$'000 |
|-------------------|----------|----------------|----------|----------------|
| Below \$10 000    | -        | -              | 3        | 18             |
| \$10 000 or above | 2        | 31             | -        | -              |
| <b>Total</b>      | <b>2</b> | <b>31</b>      | <b>3</b> | <b>18</b>      |

### 3.2. Depreciation and amortisation

|  | 2020<br>\$'000 | 2019<br>\$,000 |
|--|----------------|----------------|
| Production equipment                       | 11             | 11             |
| Furniture and equipment                    | 4              | 3              |
| Computer equipment                         | 4              | 4              |
| Intangible assets                          | 10             | 9              |
| <b>Total depreciation and amortisation</b> | <b>29</b>      | <b>27</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.

#### Review of accounting estimates

Assets' 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 asset are accounted for prospectively by changing the time period or method, as appropriate.

#### 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) |
|-------------------------|---------------------|
| Furniture and equipment | 5-10                |
| Computer equipment      | 3                   |
| Intangible assets       | 5                   |

Depreciation and amortisation methods are reviewed annually.

### 3.3. Grants and subsidies

|                                   | 2020<br>\$'000 | 2019<br>\$'000 |
|-----------------------------------|----------------|----------------|
| Recurrent grant                   | 296            | 289            |
| <b>Total grants and subsidies</b> | <b>296</b>     | <b>289</b>     |

The company is a financial member of The Opera Conference and signatory to the 2012 *Opera Conference Deed of Partnership*. Such membership is a special condition under the *Multi-Partite Funding Agreement*. This requires the Company to seek co-operation with other similar companies and contribute towards local artist development.

## 4. Income

The Company is jointly funded through the *Multi-Partite Funding Agreement* with the SA Government (Arts South Australia) and the Australian Federal Government (Australia Council for the Arts). In addition, the Company raises income from its performances, sponsorship, donations and investments.

### 4.1. Net revenues from SA Government

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| Revenues from SA Government                  | 1,553          | 1,559          |
| <b>Total net revenues from SA Government</b> | <b>1,553</b>   | <b>1,559</b>   |

The accompanying notes form part of these financial statements.

Revenues received from SA Government are recognised upon receipt.

Total revenues from SA Government consist of \$1,552,999 (\$1,559,000) for operational funding.

#### 4.2. Fees and charges

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| <b><u>Comprises revenue for operas and other events staged during the year:</u></b> |                |                |
| <b><u>Opera</u></b>   |                |                |
| Boojum  | 35             | -              |
| Christina's World   | 13             | -              |
| Girls Night Out   | 76             | -              |
| Madeline Lee  | 12             | -              |
| Madama Butterfly  | 482            | -              |
| Mikado  | 355            | -              |
| Wallis Giunta   | 11             | -              |
| Other events  | 5              | -              |
| 2019 Productions  | -              | 1,489          |
| <b>Total Opera</b>  | <b>989</b>     | <b>1,489</b>   |
| <hr/>   |                |                |
| <b>Total revenue for operas and other events staged during the year:</b>            | <b>989</b>     | <b>1,489</b>   |
| <hr/>   |                |                |
| <b><u>Other fees and charges</u></b>  |                |                |
| 2019 Co-production  | -              | 255            |
| <b>Total Other fees and charges</b>   | <b>-</b>       | <b>255</b>     |
| <b>Total box office and production revenue</b>                                      | <b>989</b>     | <b>1,744</b>   |

Box office and production revenue is recognized when the operas events have been staged during the year.

**4.3. Commonwealth grants and payments**

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| Grants  | 1,582          | 1,557          |
| <b>Total Commonwealth grants and payments</b> | <b>1,582</b>   | <b>1,557</b>   |

Grant revenue is recognised in the income statement when the Company receives the grant, when it is probable that the Company will receive the economic benefits of the grant and the amount can be reliably measured.

If the grant has conditions attached which must be satisfied before the Company is eligible to receive the grant, the recognition of the revenue will be deferred until those conditions are satisfied.

Conditions attached to these grants include delivering the annual program of activities as approved by the multi-partite partners for the period the grants are intended.

Where the Company incurs an obligation to deliver economic value back to the grant contributor, the transaction is considered a reciprocal transaction and the revenue is recognised as a liability in the balance sheet until the required service has been completed, otherwise the income is recognised on receipt.

**4.4. Interest and dividends**

|                                     | 2020<br>\$'000 | 2019<br>\$'000 |
|-------------------------------------|----------------|----------------|
| Investment with SAFA                | 14             | 43             |
| Cash and cash equivalents           | 7              | 8              |
| Dividends                           | 23             | 13             |
| <b>Total interest and dividends</b> | <b>44</b>      | <b>64</b>      |

**4.5. Other income**

|                           | 2020<br>\$'000 | 2019<br>\$'000 |
|---------------------------|----------------|----------------|
| Sponsorship               | 53             | 125            |
| Donations                 | 254            | 167            |
| Foundations               | 79             | 50             |
| Sundry Income             | 15             | 2              |
| <b>Total other income</b> | <b>401</b>     | <b>344</b>     |

***Sponsorship***

Sponsorship income is recognised either when received or according to the sponsorship agreement.

***Donations***

Donations are deposited into a bank account separate from general banking and are recognised when received. The COVID cancellation has allowed the company to harness community goodwill via individual philanthropic gifts.

***Foundations***

Foundation income is recognised either when received or according to the foundation's agreement. Foundation investments are recognized when received and managed according to the deeds of trust entered into with the Diana Ramsay Fund and the Company; and The Thora and Frank Pearce Opera Foundation and the Company.

#### 4.6. Resources received free of charge

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| Services received free of charge – Adina apartments | 6              | -              |
| Services received free of charge - PWC              | 8              | -              |
| Services received free of charge – Adelaide Oval    | 1              | -              |
| Goods received free of charge - Shingleback         | 23             | -              |
| Goods receive free of charge – Tynte Flowers        | 1              | -              |
| <b>Total resources received free of charge</b>      | <b>39</b>      | <b>-</b>       |

Resources received free of charge were subsequently expensed at fair value when consumed/used.

## 5 Non-financial assets

The Company holds sufficient assets to deliver and administer its program of performances.

### 5.1. Plant and equipment

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

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| <b>Computer equipment</b>                           |                |                |
| Computer equipment at cost (deemed fair value)      | 77             | 77             |
| Accumulated depreciation at the end of the period   | (72)           | (68)           |
| <b>Total computer equipment</b>                     | <b>5</b>       | <b>9</b>       |
| <b>Furniture and equipment</b>                      |                |                |
| Furniture and equipment at cost (deemed fair value) | 48             | 48             |
| Accumulated depreciation at the end of the period   | (37)           | (33)           |
| <b>Total furniture and equipment</b>                | <b>11</b>      | <b>15</b>      |
| <b>Production equipment</b>                         |                |                |
| Production equipment at cost (deemed fair value)    | 243            | 241            |
| Accumulated depreciation at the end of the period   | (191)          | (180)          |
| <b>Total production equipment</b>                   | <b>52</b>      | <b>61</b>      |
| <b>Total plant and equipment</b>                    | <b>68</b>      | <b>85</b>      |

Plant and equipment with a value equal to or in excess of \$1,000 is capitalised, otherwise it is expensed. Plant and equipment owned by the company is recorded at fair value.

### Impairment

There are no indicators of impairment at 30 June 2020.

### Reconciliation 2019-20

|  | Computer<br>equipment<br>\$'000 | Furniture and<br>equipment<br>\$,000 | Production<br>equipment<br>\$'000 | Total<br>\$'000 |
|--|---------------------------------|--------------------------------------|-----------------------------------|-----------------|
| <b>Carrying amount at 1 July 2019</b>  | 9                               | 15                                   | 61                                | 85              |
| Acquisitions                           | -                               | -                                    | 2                                 | 2               |
| Depreciation                           | (4)                             | (4)                                  | (11)                              | (19)            |
| <b>Carrying amount at 30 June 2020</b> | <b>5</b>                        | <b>11</b>                            | <b>52</b>                         | <b>68</b>       |

The accompanying notes form part of these financial statements.

## 5.2. Intangible assets

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| <b>Purchased computer software</b>              |                |                |
| Purchased computer software (deemed fair value) | 51             | 51             |
| Accumulated amortisation at end of period       | (19)           | (9)            |
| <b>Total purchased computer software</b>        | <b>32</b>      | <b>42</b>      |
| <b>Total intangible assets</b>                  | <b>32</b>      | <b>42</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 capitalized only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater or equal to \$5,000.

### Reconciliation 2019-20

|  | Other<br>computer<br>software<br>\$'000 | Total<br>\$'000 |
|--|---|-----------------|
| Carrying amount at 1 July 2019         | 42                                      | 42              |
| Amortisation                           | (10)                                    | (10)            |
| <b>Carrying amount at 30 June 2020</b> | <b>32</b>                               | <b>32</b>       |

## 6. Financial assets

Cash and cash equivalents include cash on hand, deposits held at call and in other short-term, highly liquid maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and other financial assets that are readily converted to cash and are used in the cash management function on a day-to-day basis. Cash is measured at nominal value.

### 6.1 Cash and cash equivalents

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| Short term deposits                    | 1,930          | 1,465          |
| Cash at bank                           | 318            | 1,790          |
| Cash on hand                           | -              | 4              |
| <b>Total cash and cash equivalents</b> | <b>2,248</b>   | <b>3,259</b>   |

#### Short term deposits

Short-term deposits are made for varying periods of between one day and three months. The deposits are lodged with the South Australian Government Financing Authority and private sector financial institutions and earn interest at the respective short-term deposit rates. The deposits include \$1.8m (\$1.3m) deposited with SAFA. All other accounts are deposited with private sector financial institutions.

### 6.2 Trade receivables

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
|--|----------------|----------------|

#### Current

##### Trade receivables

The accompanying notes form part of these financial statements.

## Notes to the Financial Statements

|                                  |            |            |
|----------------------------------|------------|------------|
| From government entities         | -          | 13         |
| From non-government entities     | 18         | 3          |
| <b>Total trade receivables</b>   | <b>18</b>  | <b>16</b>  |
| Prepayments                      | 255        | 169        |
| <b>Total current receivables</b> | <b>273</b> | <b>185</b> |
| <b>Total receivables</b>         | <b>273</b> | <b>185</b> |

Receivables arise in the normal course of selling goods and services to other government agencies and 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 revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

**Impairment of receivables**

Due to the minimal level of receivables held and timely basis in which they are settled, it has been determined that there is no impairment of receivables.

**6.3 Other financial assets**

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| <b>Non-current</b>                       |                |                |
| Shares and units held in listed entities | 356            | 416            |
| <b>Total non-current investments</b>     | <b>356</b>     | <b>416</b>     |
| <b>Total investments</b>                 | <b>356</b>     | <b>416</b>     |

For further information on risk management refer to note 11.3. For further information on the impact of AASB 9 refer to note 11.3.

**7. Liabilities**

Employee benefits liabilities are disclosed in note 2.4.

**7.1 Payables and accruals**

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| <b>Current</b>                             |                |                |
| <b>Payables</b>                            |                |                |
| Trade payables                             | 15             | 460            |
| Accrued expenses                           | 56             | 41             |
| GST Payable                                | (5)            | 55             |
| Employment on-costs                        | 42             | 64             |
| Credit cards payable                       | 3              | 8              |
| <b>Total current payables and accruals</b> | <b>111</b>     | <b>628</b>     |
| <b>Total payables</b>                      | <b>111</b>     | <b>628</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.

The net amount of GST recoverable from the ATO is included as part of payables.

**Employment on-costs**

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

The accompanying notes form part of these financial statements.

The Company 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 other superannuation 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 has changed from the 2019 rate (41%) to the 2020 rate (42%) . On-cost remains unchanged from the 2019 rate of 9.8%. These rates are used in the employment on-costs calculation. The net financial effect of the changes in the current financial year is immaterial.

## 7.2. Provisions

|                                    | 2020<br>\$'000 | 2019<br>\$'000 |
|------------------------------------|----------------|----------------|
| <b>Current</b>                     |                |                |
| Provision for workers compensation | -              | 60             |
| <b>Total current provisions</b>    | <b>-</b>       | <b>60</b>      |

### Movement in provisions

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| Carrying amount at the beginning of the period  | 60             | 44             |
| Movement in provisions                          | (60)           | 16             |
| <b>Carrying amount at the end of the period</b> | <b>-</b>       | <b>60</b>      |

A workers compensation claim was settled out in the year. No provision has been reported as there are no other unsettled workers compensation claims as at 30 June 2020. The Company is responsible for the payment of workers compensation claims.

## 7.3 Other liabilities

Box office income \$256,000 (\$396,000) was deferred until the future periods in which the productions occur. In July 2020 a refund of box office income of \$162,000 occurred due to two postponed shows.

Sponsorship income \$27,000 (\$50,000) was deferred until the following financial year to the period of the production per the sponsorship agreement.

Grant income \$872,000 (\$839,000) that was received at the end of 2019-20 from the Australian Council for the Arts was provided to fund the Company's future programs.

Other unearned income of \$63,000 (\$0) includes funding for the Helpmann Academy Fellowship, Artist Development Program, and other minor future program funds.

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| <b>Current</b>                             |                |                |
| <b>Unearned income</b>                     |                |                |
| Advance box office                         | 256            | 396            |
| Advance sponsorship                        | 27             | 50             |
| Advance grants                             | 872            | 839            |
| Advance others                             | 63             | -              |
| <b>Total unearned income</b>               | <b>1,218</b>   | <b>1,285</b>   |
| <b>Total current other liabilities</b>     | <b>1,218</b>   | <b>1,285</b>   |
| <b>Non-current</b>                         |                |                |
| <b>Unearned income</b>                     |                |                |
| Advance grants                             | -              | 46             |
| <b>Total unearned income</b>               | <b>-</b>       | <b>46</b>      |
| <b>Total non-current other liabilities</b> | <b>-</b>       | <b>46</b>      |
| <b>Total other liabilities</b>             | <b>1,218</b>   | <b>1,331</b>   |

The accompanying notes form part of these financial statements.

## 8. Other Disclosures

### 8.1. Equity

#### *Future productions reserve*

In line with State Opera SA Reserves Investment Policy, the trading losses from 2018-19 and 2019-2020 have resulted in the depletion of the future productions reserve.

#### *Reserves Incentive Scheme funds reserve*

The Company entered into an agreement, known as the *Reserves Incentive Scheme Funding Agreement*, with the Australia Council and Arts SA during 2009-10. The Scheme is designed to encourage and assist the Major Performing Arts companies to strengthen their Statement of Financial Position by building reserves to a level that is sufficient to underpin their financial health.

The funds received under the Agreement must be placed in escrow and can only be released under certain circumstances, which are set out in the Agreement, which includes the Company making a formal submission, signed by the Board Chair, to Arts SA and the Australia Council.

These funds are long term deposits which are held with the South Australian Government Financing Authority.

#### *Trust funds reserves*

*Diana Ramsay Fund* and the *Thora and Frank Pearce Opera Foundation* reflect Trust funds held and controlled by the Company.

### 8.2. Trust funds

The State Opera of South Australia holds funds in a trustee capacity. These funds are included in the financial statements as cash and investments as they are effectively controlled by the Company.

The Company administers the *Thora and Frank Pearce Opera Foundation* established in August 1999 and the *Diana Ramsay Fund* established in November 2001. The Foundation and the Fund are both financed by public donations. All funds are to be used exclusively for cultural purposes associated with opera.

|  | 2020       | 2019       |
|--|------------|------------|
|  | \$'000     | \$'000     |
| <b>Thora and Frank Pearce Opera Foundation</b>       |            |            |
| Balance 1 July                                       | 203        | 201        |
| Interest revenue                                     | 2          | 2          |
| <b>Total Thora and Frank Pearce Opera Foundation</b> | <b>205</b> | <b>203</b> |
| <i>Represented by:</i>                               |            |            |
| Cash and cash equivalents                            | 205        | 203        |
| <b>Total</b>   | <b>205</b> | <b>203</b> |
| <b>Diana Ramsay Fund</b>                             |            |            |
| Balance 1 July                                       | 831        | 788        |
| Dividend income                                      | 23         | 13         |
| Interest Revenue                                     | 3          | 8          |
| Changes in market value of investments               | (60)       | 22         |
| <b>Total Diana Ramsay Fund</b>                       | <b>797</b> | <b>831</b> |
| <i>Represented by:</i>                               |            |            |
| Cash and cash equivalents                            | 441        | 415        |
| Other financial assets                               | 356        | 416        |
| <b>Total</b>   | <b>797</b> | <b>831</b> |

### 8.3. 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.

The accompanying notes form part of these financial statements.

## 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.

#### ***Impact on the 2019-20 financial statements***

The Company disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$1.1 million under AASB 117.

The Company has accommodation services provided by the Department of Planning, Transport and Infrastructure (DPTI) under Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies.

These MoAA do not meet the definition of lease set out either in AASB 16 or in the former standard AASB 117. Accordingly, there is no difference between the 2018-19 undiscounted operating lease commitments disclosed under AASB 117 and the operating lease commitments recognised as at 1 July 2019.

Commitments related to accommodation services provided by DPTI are included in Note 10.1.

The misclassification did not impact on the Statement of Comprehensive Income or the Statement of Financial Position in prior years. This misclassification impacted items within the supplies and services expenses line. Note 3.1 applies the correct classification for both the current and comparative years

### 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.

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

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.

#### ***Impact on the 2019-20 financial statements***

On transition, there was no impact on retained earnings.

There are also no impacts on the financial statements from the timing of recognition of revenue by the Company. Revenues received in advance for future productions and programs are recorded as liabilities in the Statement of Financial Position. Refer to note 7.3 for further details.

## 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.

#### *Expenditure commitments*

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| <b><u>Commitments in relation to accommodation contracted for at the reporting date but not recognised as liabilities are payable as follows:</u></b> |                |                |
| Within one year   | 211            | 208            |
| Later than one year but not longer than five years  | 650            | 857            |
| <b>Total operating lease commitments</b>  | <b>861</b>     | <b>1,065</b>   |

The company's expenditure commitments are for agreements for:

- memorandum of administrative arrangements (MoAA) with the Department of Planning, Transport and Infrastructure for accommodation at the Netley Opera Studio, which is used primarily for office accommodation and rehearsals, as well as occasional performances and storage.
- storage facilities to store its production sets, costumes and effects. As at July 2020 one of the facilities is no longer leased effective July 2020. A second storage facility commenced 16 September 2019 with a 12 month contract and quarterly rental payments.

#### *Production contracts commitments*

The Company, by the nature of its operations, has entered into contracts with artists for performances scheduled to take place subsequent to 30 June 2020. The terms and conditions of the contracts may also place a liability on the Company to pay some or all of these amounts should the artist not be engaged, hired scenery, or costumes not used. Due to the Covid pandemic there has been no engagement with theatre proprietors for performances scheduled post 30 June 2020.

These commitments have been made on the basis that ongoing funding will continue from the State and Federal Governments at an appropriate level.

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| <b><u>Performers' salaries, etc</u></b>        |                |                |
| Within one year                                | 102            | 372            |
| <b>Total performers salaries, etc</b>          | <b>102</b>     | <b>372</b>     |
| <b><u>Construction and hire agreements</u></b> |                |                |
| Within one year                                | -              | 290            |
| <b>Total construction and hire agreements</b>  | <b>-</b>       | <b>290</b>     |
| <b>Total production contract commitments</b>   | <b>-</b>       | <b>662</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 Company has no contingent assets or liabilities to report.

### 10.3. Events after the reporting period

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

- In July 2020 a refund of box office income of \$162,000 occurred due to two postponed shows.
- Sponsorship, philanthropy, trust and grant have been, and will continue to be, adversely affected as these sources of income are intrinsically linked to the public-facing activity of the Company.
- The overall economic and employment downturn across the State will have a long-lasting negative impact on the ability of the Company to achieve non-Government income targets due to the performing arts reliance on the leisure-spend capacity of the target demographic.
- The Company will adopt a new COVID-Recovery Strategic Plan throughout CY2021 and 2022 focusing on a new and diversified business model which will give greater flexibility to performance activity should changes continue to create an uncertain public engagement landscape. The Company is small, creative, and well-placed to adapt to restricted conditions while core Government funding remains in place to support wages, overheads, and artists.

## 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 Festival/Entertainment/Convention agencies.

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 a minimal impact upon the long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a minimal increase in the long service leave liability and employee benefits expense. 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 decreased the salary inflation rate from 2019 (4%) to 2020 (2.5%). As a result there would be a decrease in the reported long service leave liability. Due to no employees being employed for greater than 5 years, there is no net financial effect resulting from changes in the salary inflation rate.

### 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. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements, then the assets are recognised at book value (i.e. the amount recorded by the transferor public authority immediately prior to the restructure).

### 11.3. Financial instruments

The accompanying notes form part of these financial statements.

### Financial risk management

AASB 9 *Financial Instruments* has been 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 assets, financial liabilities and equity instruments.

The Company's exposure to market risk is low due to the nature of the financial instruments held, there has been a significant decrease in the value of the equity holdings in this financial year attributed to the Covid-19 pandemic. The normal business activities of the Company are dependent on the continuation of grants from the State Government and the Australia Council for the Arts at an appropriate level. The State Opera of South Australia, Arts South Australia and the Australia Council have a formal agreement, which currently maintains funding up to 31 December 2021. A new 2-year funding arrangement will be in place for 2021-2022.

### Liquidity risk

The Company is funded principally from appropriation by the SA Government and Commonwealth Government. The Company works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes and Australia Council for the Arts respectively to meet the expected cash flows.

Refer to notes 7.1 and 7.3 for further information.

### Impairment of financial assets

The Company has minimal receivables, which are received promptly hence minimum exposure to risk.

The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

The shares held by the Company as investments are in publicly listed entities, which are considered to have a low risk of default.

### 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 Company measures all financial instruments at fair value through profit or loss.

Other financial assets represent equity holdings in publicly listed companies. These holdings are valued at market value with the movement in the market value of the investments being recognised in the Statement of Comprehensive Income during the period in which the movement occurs.

| Category of financial asset and financial liability | Note | 2020<br>Carrying<br>amount /<br>Fair value<br>(\$'000) | 2020 Contractual maturities  |                       |
|---|------|--|------------------------------|-----------------------|
|   |      |  | Within<br>1 year<br>(\$'000) | 1-5 years<br>(\$'000) |
| <b>Financial assets</b>                             |      |  |                              |                       |
| Cash and cash equivalents                           | 6.1  | 2,248  | 2,248                        | -                     |
| Other financial assets                              | 6.3  | 356  | -                            | 356                   |
| Receivables   | 6.2  | 18   | 18                           | -                     |
| <b>Total financial assets</b>                       |      | <b>2,622</b>   | <b>2,266</b>                 | <b>356</b>            |
| <b>Financial liabilities</b>                        |      |  |                              |                       |
| Payables  | 7.1  | 35   | 35                           | -                     |
| <b>Total financial liabilities</b>                  |      | <b>35</b>  | <b>35</b>                    | <b>-</b>              |

The accompanying notes form part of these financial statements.

***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 6.2.