

State Theatre Company of South Australia

Financial report
for the year ended
30 June 2020



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To the Presiding Member State Theatre Company of South Australia

Opinion

I have audited the financial report of the State Theatre Company 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 Theatre Company 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 Presiding Member, Executive Director and the Business Manager.

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 Theatre Company 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 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*, I have audited the financial report of the State Theatre Company of South Australia 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.

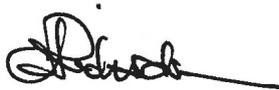
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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 Theatre Company 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 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

29 September 2020



ABN 55 386 202 154

Financial Statements
for the year ended
30th June 2020

State Theatre Company of South Australia

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State Theatre Company 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 Theatre Company 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 Theatre Company of
- South Australia; and
- present a true and fair view of the financial position of the State Theatre Company 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 Theatre Company 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.



Joe Thorp
Presiding Member
State Theatre Company of
South Australia

Dated: 28/9/20



Julian Hobba
Executive Director
State Theatre Company of
South Australia

Dated: 28/9/20



Natalie Loveridge B.Comm CPA
Business Manager
State Theatre Company of
South Australia

Dated: 28/9/20

State Theatre Company of South Australia
Statement of Comprehensive Income
for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Commonwealth revenues	4.1	636	626
Box office	4.2	1,354	1,913
Co-producer, tour and royalty fees	4.3	425	139
Revenues from SA Government	4.4	2,642	2,761
Sponsorship and donations	4.5	750	614
Interest revenues	4.6	13	32
Other income	4.7	349	282
Total income		<u>6,169</u>	<u>6,367</u>
Expenses			
Staff benefits expenses	2.3	3,114	2,926
Supplies and services	3.1	3,180	3,588
Depreciation and amortisation	3.2	132	43
Interest expense on lease liability		4	-
Total expenses		<u>6,430</u>	<u>6,557</u>
Net result		<u>(261)</u>	<u>(190)</u>
Total comprehensive result		<u>(261)</u>	<u>(190)</u>

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 Theatre Company of South Australia
Statement of Financial Position
as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	6.1	694	1,000
Receivables	6.2	3	151
Prepayments		72	202
Total current assets		<u>769</u>	<u>1,353</u>
Non-current assets			
Other financial assets	6.3	783	775
Property, plant and equipment	5.1	647	71
Intangibles	5.4	229	175
Total non-current assets		<u>1,659</u>	<u>1,021</u>
Total assets		<u>2,428</u>	<u>2,374</u>
Current liabilities			
Payables	7.1	304	608
Financial liabilities	7.2	154	-
Contractual liabilities	7.3	188	290
Staff benefits	2.4	236	186
Provisions	7.4	4	7
Total current liabilities		<u>886</u>	<u>1,091</u>
Non-current liabilities			
Payables	7.1	13	12
Financial liabilities	7.2	434	-
Staff benefits	2.4	137	120
Provisions	7.4	12	9
Total non-current liabilities		<u>596</u>	<u>141</u>
Total liabilities		<u>1,482</u>	<u>1,232</u>
Net Assets		<u>946</u>	<u>1,142</u>
Equity			
Retained earnings		946	1,142
Total Equity		<u>946</u>	<u>1,142</u>

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 Theatre Company of South Australia
Statement of Changes In Equity
for the year ended 30 June 2020

Retained Earnings

	\$'000
Balance at 1 July 2018	1,332
Total comprehensive result for 2018-19	(190)
Balance at 30 June 2019	<u>1,142</u>
Changes in accounting policy on adoption of AASB 15,16 and 1058	65
Restated balance as at 30 June 2019	<u>1,207</u>
Total comprehensive result for 2019-20	(261)
Balance at 30 June 2020	<u><u>946</u></u>

The accompanying notes form part of these financial statements.

All changes in equity are attributable to the SA Government as owner.

State Theatre Company of South Australia
Statement of Cash Flows
for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Cash inflows			
Receipts from SA Government		2,708	2,746
Receipts from Commonwealth		636	627
Box office and other receipts		2,746	2,626
Interest received		5	18
GST recovered from the ATO		186	175
Cash generated from operations		<u>6,281</u>	<u>6,192</u>
Cash outflows			
Staff benefits payments		(3,040)	(2,972)
Payment for supplies and services		(3,384)	(3,817)
Repayment of leases		(85)	0
Cash used in operations		<u>(6,509)</u>	<u>(6,789)</u>
Net cash provided by/(used in) operating activities		<u>(228)</u>	<u>(597)</u>
Cash flows from investing activities			
Cash outflows			
Purchase of plant and equipment and software		(74)	(140)
Cash used in investing activities		<u>(74)</u>	<u>(140)</u>
Net cash used in investing activities		<u>(74)</u>	<u>(140)</u>
Cash flows from financing activities			
Cash outflows			
Interest paid on lease liability		(4)	-
Cash used in financing activities		<u>(4)</u>	<u>-</u>
Net cash used in financing activities		<u>(4)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		(306)	(737)
Cash and cash equivalents at the beginning of the period		<u>1,000</u>	<u>1,737</u>
Cash and cash equivalents at the end of the period	6.1	<u><u>694</u></u>	<u><u>1,000</u></u>

The accompanying notes form part of these financial statements.

1. About the State Theatre Company of South Australia

The State Theatre Company of South Australia (the Company) was established under the *State Theatre Company of South Australia Act 1972* and exists to create extraordinary experiences through theatre. Our vision is to be Australia's pre-eminent storyteller, which sees the Company as a bold and ambitious theatre company with a sustainable platform for growth and ongoing success.

The Company has the following high level goals:

- Deliver programs of exceptional quality
- Reach a broad audience and ensure diversity of artists, audiences, programs and stories
- Enrich our support for the South Australian Arts community of theatre makers
- Strengthen relationships with industry, community, and the corporate sector and maintain a strong and sustainable infrastructure for 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 2019-20 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 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:

- the cancellation of three productions scheduled for the period from March 2020 to June 2020, due to venue closures due to public health directions. This resulted in a loss of income through a reduction in box office sales and lower production expenses; and
- a reduction in hire income due to the closure of the Company's hire operations from April to June 2020.

2. Board and staff

2.1 Key management personnel

Key management personnel of the Company include the Minister, the Board of Governors, the Executive Director, and the Artistic Director who have responsibility for the strategic direction and management of the Company.

Total compensation for the board's key management personnel was \$326,000 (\$344,000).

Salaries and other benefits the Minister receives are excluded from this total. 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 the *Parliamentary Remuneration Act 1990*.

State Theatre Company of South Australia
Financial Year Ended 30 June 2020
Notes to and forming part of the Financial Statements

Transactions with key management personnel and other related parties

A Board member's husband is an actor. The Company entered into an agreement via his agent to perform as part of its 2019 season. Amounts paid as fees and superannuation contributions equal \$9,000 (\$5,000).

2.2. Board members

Members during the financial year were:

Mr Joe Thorp (appointed 12 September 2019)	Ms Amanda Anderson (appointed 7 May 2020)
Ms Claudine Law	Mr Simon Blewett (term ended 19 December 2019)
Ms Jodie Newton	Mr Terence Crawford* (resigned 31 December 2019)
Ms Diané Ranck	Hon. Anne Levy (term ended 30 December 2019)
Mr D O'Loughlin (appointed 20 December 2019)	Mr Justin Jamieson (resigned 29 November 2019)

Board fees were not paid to members in 2019-20 (Nil).

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

2.3 Staff benefits expense

	2020 \$'000	2019 \$'000
Salaries and wages	2,469	2,319
Long Service Leave	52	56
Annual Leave	175	171
Staff on-costs - superannuation	248	231
Staff on-costs - other	170	149
Total staff benefits expenses	3,114	2,926

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

Remuneration of staff

	2020 No	2019 No
The number of staff whose remuneration received or receivable falls within the following bands:		
\$151,000 to \$154,000	N/A	1
Total number of staff	-	1

The table includes all staff who received remuneration equal to or greater than the base remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, superannuation, fringe benefit tax and any other salary sacrifice benefits. The total remuneration received by staff was \$0 (\$152,000).

2.4. Staff benefits liability

	2020 \$'000	2019 \$'000
Current		
Annual and Other Leave	108	85
Long Service Leave	99	94
Accrued salaries and wages	29	7
	236	186
Non-current		
Long Service Leave	137	120
Total staff benefits liability	373	306

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

State Theatre Company of South Australia
Financial Year Ended 30 June 2020
Notes to and forming part of the Financial Statements

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 and the Skills and Experience Retention 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 as note 11.1.

3. Expenses

Staff benefit expenses are disclosed in note 2.3.

3.1 Supplies and services

	2020	2019
	\$'000	\$'000
Promotion and sponsorship expenses	764	664
Contractors fees	503	729
Property rental costs	217	322
Scenery, sound, lighting and special effects	175	206
Travel and accommodation	169	219
Royalties	171	192
Communications	30	28
Costume and props	37	53
Other production costs	107	95
Administration expenses	251	210
Theatre hire and charges	559	640
Ticket agency charges	169	203
Audit fees	28	27
Total supplies and services expense	3,180	3,588

Expenses for productions are recognised when a production has concluded. Production costs for future productions and productions in progress at reporting date are recorded as prepayments.

Resources provided free of charge are recorded at fair value, in the expense line items to which they relate.

3.2 Depreciation and amortisation

	2020	2018
	\$'000	\$'000
Right-of-use accommodation	85	-
Plant and equipment	30	34
Intangible assets	17	9
Total depreciation and amortisation	132	43

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

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

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

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

State Theatre Company of South Australia
Financial Year Ended 30 June 2020
Notes to and forming part of the Financial Statements

Class of Assets	Useful life (years)
Motor Vehicles	5
Equipment	3-10
Computer Equipment	3-7
Leasehold Improvements	3
Software	3-15
Right-of-use accommodation	Lease term

4. Income

4.1 Commonwealth Revenue	2020 \$'000	2019 \$'000
Commonwealth revenues	636	626
Total Commonwealth revenues	636	626

A Multipartite Funding Agreement between the State Government, Australian Government and the Company provides operating grants for the Company. The funding arrangements for these Governments are intended to cover the different operating periods. In particular:

- Australian Government operating grants received in 2019-20 were to contribute to operations for the 2019 calendar year.
- State Government operating grants received in 2019-20 were to contribute to operations for the 2019-20 financial year.

Commonwealth revenues are recognised on receipt.

4.2 Box office	2020 \$'000	2019 \$'000
Box office	1,354	1,913
Total box office	1,354	1,913

Box office revenues for productions are recognised when a production has concluded. Ticket sales for future productions and productions in progress at reporting date are recorded as contractual liabilities in line with the *Live Performance Australia Ticketing Code of Practice*.

There were five productions staged during 2019-20 (nine productions staged in 2018-19).

4.3 Co-producer, tour and royalty fees	2020 \$'000	2019 \$'000
Co-producer, tour and royalty fees	425	139
Total co-producer, tour and royalty fees	425	139

Co-production, tour and royalty fee revenues for productions are recognised when a production or tour has concluded. Fees for future productions and productions in progress at reporting date are recorded as contractual liabilities.

4.4 Revenues from SA Government	2020 \$'000	2019 \$'000
Base funding	2,485	2,491
Tied grants funding	157	270
Total revenues from SA Government	2,642	2,761

Base funding is recognised upon receipt under AASB 1058. Tied grants funding is recognised under enforceable agreements when sufficient and specific performance obligations are met under AASB 15.

4.5 Sponsorship and donations	2020 \$'000	2019 \$'000
Cash	447	432
In Kind	303	182
Total sponsorship and donations	750	614

Sponsorships are provided in cash and through resources provided free of charge. Sponsorship income is recognised when service obligations are met. Sponsorship received in advance of benefits paid is recorded as contractual liabilities.

State Theatre Company of South Australia
Financial Year Ended 30 June 2020
Notes to and forming part of the Financial Statements

Resources received free of charge are recorded at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been provided.

4.6 Interest

	2020 \$'000	2019 \$'000
Interest from SA Government	6	18
Interest - Reserves Incentive Funding Scheme (SAFA)	7	14
Total interest	13	32

4.7 Other income

	2020 \$'000	2019 \$'000
Prop Shop income	47	68
Company Service Fees	272	184
Miscellaneous revenue	30	30
Total other income	349	282

5. Non-financial assets

5.1 Property, plant and equipment by asset class

	2020 \$'000	2019 \$'000
Motor Vehicle - at cost	27	27
Accumulated depreciation	(27)	(27)
Total Motor Vehicle	-	-
Equipment - at cost	199	199
Accumulated depreciation	(158)	(138)
Total Equipment	41	61
Computer Equipment - at cost	134	141
Accumulated depreciation	(116)	(131)
Total Computer Equipment	18	10
Leasehold Improvements - at cost	5	-
Accumulated depreciation	(1)	-
Total Leasehold Improvements	4	-
Right-of-use accommodation	669	-
Accumulated depreciation	(85)	-
Total right-of-use accommodation	584	-
Total property, plant and equipment	647	71

5.2 Property, plant and equipment owned by the Company

Acquisition and recognition

Plant and equipment is initially recorded at fair value. Detail about the Company's approach to fair value is set out in Note 11.2.

All plant and equipment with a value equal to or in excess of \$1,000 are capitalised, otherwise it is expensed.

Impairment

Property, plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity.

State Theatre Company of South Australia
Financial Year Ended 30 June 2020
Notes to and forming part of the Financial Statements

Reconciliation 2019-20

	Equipment \$'000	Computer Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
Carrying amount at the beginning of the period	61	10	-	71
Additions	-	17	5	22
Depreciation expense	(20)	(9)	(1)	(30)
Carrying amount at the end of the period	41	18	4	63

There were no indications of impairment of plant and equipment assets at 30 June 2020.

5.3 Property, plant and equipment leased by the Company

Right-of-use accommodation leased by the Company is recorded at cost. Additions to leased property, plant and equipment during 2019-20 were \$669,000 (\$0).

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$1,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 3.1.

The Company leases facilities for its production facilities from Port Road Development Pty Ltd, which is due to expire in December 2023. There is no right of renewal and rent is paid in advance.

The Company leases the first floor of the Fowlers Building, Lion Arts Centre from the Minister for the Arts, which is due to expire in October 2021. The lease is non-cancellable and has a right to renewal. Rent is paid in advance.

The lease liabilities related to the right-of-use assets are disclosed in note 7.2. The Company's maturity analysis of its lease liabilities is disclosed in note 11.3. Expenses related to leases, including depreciation and interest expenses, are disclosed in note 3. Cash outflows related to leases are disclosed in note 8.1.

Impairment

Accommodation leased by the Company has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

5.4 Intangibles

	2020 \$'000	2019 \$'000
Software - Works In progress	-	166
Purchased computer software	28	49
Internally developed software	237	-
Accumulated amortisation	(36)	(40)
Total computer software	229	175

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 software is capitalised only when the expenditure meets the definition and recognition criteria.

The internally developed computer software relates to the Company's customer management system database.

	Software - Works in Progress \$'000	Internally Developed Software \$'000	Purchased Software \$'000	Total \$'000
Reconciliation 2019-20				
Carrying amount at the beginning of the period	166	-	9	175
Additions	71	-	-	71
Transfers between asset classes	(237)	237	-	-
Amortisation expense	-	(8)	(9)	(17)
Carrying amount at the end of the period	-	229	-	229

State Theatre Company of South Australia
Financial Year Ended 30 June 2020
Notes to and forming part of the Financial Statements

6. Financial assets

6.1 Cash and cash equivalents

	2020 \$'000	2019 \$'000
Short Term Deposits	532	914
Cash at Bank and on hand	162	86
Total cash and cash equivalents	694	1,000

Short term deposits include deposits at call with the South Australian Government Financing Authority (SAFA) and are recorded at cost. Short term deposits are made for varying periods between one day and three months. The deposits that are lodged with SAFA at the respective short term deposit rates.

Cash at Bank and on hand includes deposits with Bank SA and amounts held on Company premises.

6.2 Receivables

	2020 \$'000	2019 \$'000
Trade receivables from government entities	-	74
Trade receivables from non-government entities	3	49
GST input tax recoverable	-	29
Less impairment loss on receivables	-	(1)
Total current receivables	3	151

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.

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

Impairment of receivables

	2020 \$'000	2019 \$'000
Carrying amount at the beginning of the period	1	13
Amounts recovered during the year	(1)	(13)
Increase in allowance recognised in profit or loss	-	1
Carrying amount at the end of the period	-	1

6.3 Other financial assets

The Company entered into an agreement, known as the Reserves Incentive Funding Scheme Agreement, with the Australia Council and Arts SA during 2003-04. 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 South Australia and the Australia Council.

Funds received under the Scheme have not been used to secure any liabilities of the Company.

These funds are long term deposits which are held with the South Australian Government Financing Authority and are recorded at cost. The balance of the fund as at 30 June 2020 was \$783,000 (\$775,000).

State Theatre Company of South Australia
Financial Year Ended 30 June 2020
Notes to and forming part of the Financial Statements

7. Liabilities

Staff benefit liabilities are disclosed in note 2.4.

	2020 \$'000	2019 \$'000
7.1 Payables		
Current		
Creditors	144	504
GST payable	66	-
Accruals	64	80
Staff Benefit On-costs	30	24
	<u>304</u>	<u>608</u>
Non-current		
Staff Benefit On-costs	13	12
	<u>13</u>	<u>12</u>
Total payables	<u>317</u>	<u>620</u>

Payables and accruals 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.

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

Staff benefit on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave and are settled when the respective employee benefits that they relate to is discharged.

The Company makes contributions to several 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.

	2020 \$'000	2019 \$'000
7.2 Financial liabilities		
Current		
Lease liabilities	154	-
Total current financial liabilities	<u>154</u>	<u>-</u>
Non-current		
Lease liabilities	434	-
Total non-current financial liabilities	<u>434</u>	<u>-</u>
Total financial liabilities	<u>588</u>	<u>-</u>

The Company measures financial liabilities including borrowings/debt at amortised cost.

All material cash outflows are reflected in the lease liabilities disclosed above.

	2020 \$'000	2019* \$'000
7.3 Contractual liabilities		
Current		
Box office revenue	2	26
Tour, co-producer and production revenue	50	84
Sponsorship revenue	15	59
Grant revenue	121	121
	<u>188</u>	<u>290</u>

Refer to Notes 4.2 to 4.5 for further disclosures about income recognition criteria.

* 2019-20 comparatives were called "unearned revenue." Upon transition to AASB 15, these have been reclassified as contractual liabilities. Refer to further details in Note 9.4.

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7.4 Provisions	2020	2019
	\$'000	\$'000
Current		
Provision for workers compensation	4	7
	<u>4</u>	<u>7</u>
Non-current		
Provision for workers compensation	12	9
	<u>12</u>	<u>9</u>
Total provisions	<u>16</u>	<u>16</u>
Movement in provision		
	2020	2019
	\$'000	\$'000
Carrying amount at the beginning of the period	16	19
Change in provision	4	1
Less: Payments	(4)	(4)
Carrying amount at the end of the period	<u>16</u>	<u>16</u>

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

The Company 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 activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

	2020	2019
	\$'000	\$'000
Leases		
Total cash outflow for leases	88	-
	<u>88</u>	<u>-</u>

9. Changes in accounting policy

9.1 AASB 16 Leases

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

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

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

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Impact on retained earnings

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

	2020 \$'000
Closing retained earnings 30 June 2019 – AASB 117	946
Assets	
Accommodation	92
Liabilities	
Financial liabilities	(92)
Opening retained earnings 1 July 2019 – AASB 16	946

The Company disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$176,000 under AASB 117.

Accounting policies on transition

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

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated.
- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.
- the initial measurement of lease liability was the present value of the remaining lease payments discounted using the relevant incremental borrowing rate published by the Department of Treasury and Finance as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 1.63%.
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.
- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020.

Ongoing accounting policies

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

- AASB 16 is not applied to leases of intangible assets.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15 000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- the Company, in the capacity of a lessee, does not include non-lease components in lease amounts.
- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable the public authority to further its objectives.
- right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relate to the application of AASB 16 are disclosed under relevant notes and are referenced at note 5.3.

9.2 AASB 15 Revenue from Contracts with Customers

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

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

Impact on retained earnings

On adoption, there was no impact on retained earnings.

State Theatre Company of South Australia
Financial Year Ended 30 June 2020
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Accounting policies on transition

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

- recognised the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of retained earnings as at 1 July 2019. Therefore, the comparative information has not been restated.
- not adopted the completed contract expedient, and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former revenue and income accounting standards
- elected not to restate retrospectively contracts for modifications that occurred before 1 July 2019. Such contract modifications were minor so this is expected to have little impact on the financial statements.

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

Ongoing accounting policies

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

- for non-intellectual property licences, low value licences (i.e. assets which have a value of \$15 000 or less) and short-term licences (i.e. being those with a licence term of 12 months or less) are exempt from AASB 15 revenue recognition requirements. The Company has elected to recognise revenue at the point in time the licence is issued.
- AASB 15 is applied to a portfolio contracts with similar characteristics.
- there is no adjustment to the promised amount of consideration for the effects of a significant financing component if the period between the transfer of goods/services and the payment date is one year or less.
- the incremental costs of obtaining a contract are expensed when incurred when the amortisation period of the asset that the department would have recognised is one year or less.
- for measuring progress towards satisfaction of performance obligations when the output method is applied, revenue is recognised in the amount to which there is a right to invoice corresponding directly to the value to the customers of the department's performance completed to date.
- there are no disclosures of certain information relating to remaining performance obligations if the original contract is expected to end within one year or when revenue is recognised in accordance with para. B16.

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.

9.4 Effects on financial statements from AASB 15 and AASB 1058

The following tables show the effect of adopting AASB 15 and AASB 1058 on the Company's financial statements for the year ending 30 June 2020.

State Theatre Company of South Australia
Financial Year Ended 30 June 2020
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**Statement of Comprehensive Income
for the year ended 30 June 2020**

	Note	As reported	Adjustments AASB 15	Adjustments AASB 1058	Balances without adoption of AASB 15 & \$'000
		\$'000	\$'000	\$'000	\$'000

Income

Revenues from SA Government	4.4	2,642	-	1	2,643
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**Statement of Financial Position
for the year ended 30 June 2020**

	Note	As reported	Adjustments AASB 15	Adjustments AASB 1058	Balances without adoption of AASB 15 & AASB 1058
		\$'000	\$'000	\$'000	\$'000
Retained Earnings		946	-	(65)	881
Contractual liabilities	7.3	188	(188)		-
Unearned revenue	7.3	-	188	65	253

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 Company. 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.

10.1 Unrecognised contractual commitments

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

Operating leases

Commitments in relation to operating leases contracted for at reporting date but not recognised as liabilities are payable as follows:

	2020 \$'000	2019 \$'000
Within one year	12	145
Later than one year but not longer than five years	1	31
Total operating lease commitments	13	176
Representing:		
Cancellable operating leases	-	-
Non-cancellable operating leases	13	176
Total operating lease commitments	13	176

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

The Company does not exercise any purchase options on equipment operating leases.

The Company leases a photocopier from Fuji Xerox, which is due to expire in October 2021.

The Company rents a forklift from Crown Lift Trucks, which is due to expire in May 2021.

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 is in discussions with SAICORP to lodge an business interruption insurance claim for losses caused by COVID-19 venue closures in line with public health directions. It is not possible to estimate the dollar effect of this claim at this time.

The Company is not aware of any contingent liabilities.

10.3 COVID-19 pandemic outlook for the Company

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

- the cancellation of two productions scheduled for the period from July 2020 to August 2020, due to venue closures due to public health directions;
- loss of income through a reduction in box office sales due to venue capacity restrictions caused by social distancing requirements;
- loss of income through a reduction in box office sales due to worsened economic conditions caused by the COVID-19 pandemic; and
- additional expense incurred due to measures undertaken by the Company and venue suppliers to minimise the health risks of presenting live theatre to staff, ticketholders and the general public.

10.4 Events after the reporting period

There has not arisen in the interval between the end of the financial year and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

11. Measurement and risk

11.1 Long service leave liability - measurement

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

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

AASB 119 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 (0.5%). This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance changed the salary inflation rate from 4.0% (2019) to 2.5% (2020) for long service leave liability.

The net financial impact of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$10,000.

The unconditional portion of the long service leave provision is classified as current as the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

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.

11.3. Financial instruments

Financial risk management

Risk management is managed by the Company's Board and senior management. 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 Company's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The Company uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

Loss rates are based on actual history of credit loss, these rates have been adjusted to reflect differences between previous economic conditions, current conditions and the Company's view of the forecast economic conditions over the expected life of the receivables.

Impairment losses are presented as net impairment losses within net result, subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the Company and a failure to make contractual payments for a period of greater than 90 days past due.

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 allowance was recognised when there was objective evidence that a receivable was impaired. The allowance for impairment was recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

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.

State Theatre Company of South Australia
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Classification of financial instruments

The Company measures all financial instruments at amortised cost.

Category	Note	2020	2020 Contractual Maturities		
		Carrying/Fair Value \$'000	Within 1 year \$'000	1-5 Years \$'000	More than 5 Years \$'000
Financial Assets					
Cash and cash equivalents					
Cash and cash equivalents	6.1	694	n/a	n/a	n/a
Financial assets at amortised cost					
Receivables	6.2	3	n/a	n/a	n/a
Other financial assets	6.3	783	n/a	n/a	n/a
Total financial assets		1,480			
Financial Liabilities					
Financial liabilities at amortised cost					
Payables	7.1	137	137	-	-
Lease liabilities	7.2	603	161	426	16
Total financial liabilities		740	298	426	16

Category	Note	2019	2019 Contractual Maturities		
		Carrying/Fair Value \$'000	Within 1 year \$'000	1-5 Years \$'000	More than 5 Years \$'000
Financial Assets					
Cash and cash equivalents					
Cash and cash equivalents	6.1	1,000	n/a	n/a	n/a
Financial assets at amortised cost					
Receivables	6.2	122	n/a	n/a	n/a
Other financial assets	6.3	775	n/a	n/a	n/a
Total financial assets		1,897			
Financial Liabilities					
Financial liabilities at amortised cost					
Payables	7.1	545	545	-	-
Lease liabilities	7.2	-	-	-	-
Total financial liabilities		545	545	-	-

For 2018-19 the lease liabilities reflect only finance leases recognised in accordance with AASB 117.

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.