

Adelaide Festival Centre Trust

Financial report
for the year ended
30 June 2018



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To the Chairman and Presiding Officer Adelaide Festival Centre Trust

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 24(3) of the *Adelaide Festival Centre Trust Act 1971*, I have audited the financial report of the Adelaide Festival Centre Trust for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Adelaide Festival Centre Trust as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with the 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 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman and Presiding Officer, the Chief Executive Officer and Artistic Director, and the Chief Financial Officer.

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 Adelaide Festival Centre Trust. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive Officer and members of the Trust for the financial report

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

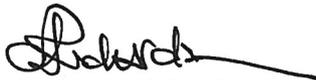
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

I communicate with the Chief Executive Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

12 September 2018

ADELAIDE FESTIVAL CENTRE TRUST
CERTIFICATION OF FINANCIAL STATEMENTS

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

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act*
- are in accordance with the accounts and records of the Adelaide Festival Centre Trust; and
- present a true and fair view of the financial position of the Adelaide Festival Centre Trust as at 30 June 2018 and the results of its operation and cash flows for the financial year.

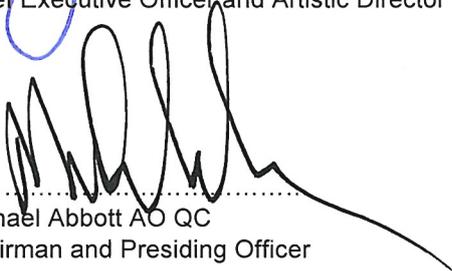
We certify that the internal controls employed by the Adelaide Festival Centre Trust for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



.....
Carlo D'Ortenzio
Chief Financial Officer/Chief Operating Officer



.....
Douglas Gautier AM
Chief Executive Officer and Artistic Director



.....
Michael Abbott AO QC
Chairman and Presiding Officer

Date ⁰⁷..... September 2018

**ADELAIDE FESTIVAL CENTRE TRUST
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$'000	2017 \$'000
Expenses			
Staff benefits expenses	4	18,628	19,569
Supplies and services	5	25,023	26,273
Depreciation and amortisation expense	6	1,000	931
Loss from the impairment of non-current assets	14	5,640	-
Loss from the disposal of non-current assets	7	59	50
Borrowing costs		30	34
Total expenses		50,380	46,857
Income			
Revenues from fees and charges	8	20,661	25,559
Interest revenues	9	236	215
Total income		20,897	25,774
Net cost of providing services		29,483	21,083
Revenues from SA Government			
Revenues from SA Government	10	34,393	21,588
Net result		4,910	505
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Gain on revaluation of assets	14	-	2,741
Total other comprehensive income		-	2,741
Total comprehensive result		4,910	3,246

The net result and total comprehensive result are attributable to the SA Government as owner

The above statement should be read in conjunction with the accompanying notes

**ADELAIDE FESTIVAL CENTRE TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Note	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	11	17,524	8,397
Receivables	12	2,153	1,863
Inventories	13	207	174
Total current assets		19,884	10,434
Non-current assets			
Property, plant and equipment	14	15,399	6,702
Works of art	14	8,825	8,793
Intangible assets	14	925	969
Total non-current assets		25,149	16,464
Total assets		45,033	26,898
Current liabilities			
Payables	15	14,124	6,807
Staff benefits	16	2,308	2,777
Provisions	17	39	105
Other current liabilities	18	1,873	1,002
Total current liabilities		18,344	10,691
Non-current liabilities			
Payables	15	236	213
Staff benefits	16	2,542	2,352
Provisions	17	58	199
Borrowings	19	5,500	-
Total non-current liabilities		8,336	2,764
Total liabilities		26,680	13,455
Net assets		18,353	13,443
Equity			
Asset revaluation surplus	20	12,766	12,766
Accumulated surplus	20	5,587	677
Total Equity		18,353	13,443

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	21
Contingent assets and liabilities	22

The above statement should be read in conjunction with the accompanying notes

**ADELAIDE FESTIVAL CENTRE TRUST
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	Asset revaluation surplus \$ '000	Accumulated surplus/ deficits \$ '000	Total Equity \$ '000
Balance at 30 June 2016		10,060	137	10,197
Net result for 2016-2017		-	505	505
Gain on revaluation of assets		2,741	-	2,741
Total comprehensive result for 2016-2017		2,741	505	3,246
Transfers between equity components		(35)	35	-
Balance at 30 June 2017	20	12,766	677	13,443
Net result for 2017-2018		-	4,910	4,910
Total comprehensive result for 2017-2018		-	4,910	4,910
Balance at 30 June 2018	20	12,766	5,587	18,353

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

The above statement should be read in conjunction with the accompanying notes

**ADELAIDE FESTIVAL CENTRE TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018	2017
	Inflows/ (Outflows)	Inflows/ (Outflows)
	\$'000	\$'000
Cash flows from operating activities		
Cash outflows		
Staff benefit payments	(19,071)	(20,340)
Payments for supplies and services	(25,005)	(28,307)
Decrease in funds held on behalf of promoters	-	(2,842)
Interest paid	(23)	(27)
GST paid to ATO	-	(111)
Cash used in operations	<u>(44,099)</u>	<u>(51,627)</u>
Cash inflows		
Receipts from patrons and customers	23,946	25,557
Increase in funds held on behalf of promoters	3,487	-
Interest received	232	222
GST recovered from the ATO	1,435	-
Cash generated from operations	<u>29,100</u>	<u>25,779</u>
Cash flows from SA Government		
Receipts from SA Government	33,405	18,361
Cash generated from SA Government	<u>33,405</u>	<u>18,361</u>
Net cash provided (used in) by operating activities	<u>18,406</u>	<u>(7,487)</u>
Cash flows from investing activities		
Cash outflows		
Purchase of property, plant and equipment and works of art	(14,779)	804
Net cash used in (provided by) investing activities	<u>(14,779)</u>	<u>804</u>
Cash flows from financing activities		
Cash outflows		
Proceeds from borrowings	5,500	-
Net cash provided by financing activities	<u>5,500</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	9,127	(6,683)
Cash and cash equivalents at the beginning of the period	8,397	15,080
Cash and cash equivalents at the end of the period	<u>17,524</u>	<u>8,397</u>

The above statement should be read in conjunction with the accompanying notes

Note 1 Objectives of the Adelaide Festival Centre Trust

The objectives of the Adelaide Festival Centre Trust (the Trust) are to:

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

Note 2 Summary of Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Trust has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Trust is a not-for-profit entity.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Trust's accounting policies. The areas involving a higher degree of judgement, or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - i. expenses incurred as a result of engaging consultants;
 - ii. employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly, by the Trust to those employees; and
 - iii. board member and remuneration information, where a board member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Trust's Statement of Comprehensive Income, Statement of Financial Position, and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

Adelaide Festival Centre Trust

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017 and the comparative information presented.

(c) Reporting entity

The Trust is established pursuant to the *Adelaide Festival Centre Trust Act 1971*.

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

The financial statements and accompanying notes include the activities of the Trust and the Foundation. The activities of the Foundation are not material and therefore a full consolidated presentation has not been adopted. The effect of transactions between the Trust and the Foundation are eliminated in full. A summary of the Foundation's activities is given in Note 23.

(d) Transactions performed on behalf of promoters

The Trust provides services on behalf of event promoters under exclusive agency arrangements. The Trust charges a fee for these services that is recognised as revenue. The Trust does not control the revenue (net of fees charged) generated from promoter events and as such only recognises the changes in cash held in trust on behalf of promoters (shown at Note 11) and the requisite amount payable to those promoters (shown at Note 15) together with the net change in cash held in the Statement of Cash Flows as at 30 June.

(e) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and accounting policy statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

Where the Trust has applied an accounting policy retrospectively; retrospectively restated items in the financial statements; reclassified items in the financial statements, it has provided three Statements of Financial Positions and related notes.

The restated comparative amounts do not replace the original financial statements for the preceding period.

(f) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

(g) Taxation

The Trust is not subject to income tax. The Trust is liable for payroll tax, fringe benefits tax, and goods and services tax (GST).

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.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position.

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 Australian Taxation Office is classified as part of operating cash flows.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office. If GST is not payable to, or recoverable from the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

(h) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

(i) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle, even when they are not expected to be realised within twelve months after the reporting date, have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within twelve months and more than twelve months, the Trust has separately disclosed the amounts expected to be recovered or settled after more than twelve months.

(j) Assets

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Where an asset line item combine amounts expected to be settled within twelve months and more than twelve months, the Trust has separately disclosed the amounts expected to be recovered after more than twelve months.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand. Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from goods and services, GST input tax credits recoverable, prepayments and other accruals.

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are generally settled within 14 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

Heritage assets

The Trust holds a collection of heritage assets, referred to as the Performing Arts Collection, which are unique and not capable of being reliably measured. This is due to the type and life of the collection and lack of a market for items within it.

Inventories

Inventories are maintained for catering, theatre set construction, production and merchandising activities and are valued at the lower of cost or net realisable value.

The amount of any inventory write-down to net realisable value or inventory losses are recognised in the Statement of Comprehensive Income as an expense in the period the write-down or loss occurred. Any write-down reversals are also recognised in the Statement of Comprehensive Income.

Non-current assets

Acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

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

All non-current tangible assets with a value equal to or in excess of \$10,000 are capitalised.

Depreciation and amortisation

Except for certain heritage assets, 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. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as property, plant and equipment.

Assets' residual values, useful lives 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, which is a change in accounting estimate.

The Trust holds a collection of heritage assets in the form of an artwork collection which has an extremely long useful life. Depreciation is not applied because these items have an indeterminable useful life.

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land is not depreciated.

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

Class of asset	Useful life (years)
Buildings	15
Plant and equipment	5 - 25
Furniture and fittings	15
Leasehold equipment	5-15
Intangibles	5-10

Revaluation of non-current assets

All non-current tangible assets are valued at fair value; and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

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

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in revaluations reserve for that asset class.

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

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets, an impairment loss is offset against the respective asset revaluation surplus.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The Trust only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets are reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10,000.

Fair value measurement - Non-financial assets

In determining fair value, the Trust has taken into account the characteristic of the asset (eg. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Trust's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Trust did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a 'fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years' are deemed to approximate fair value.

Fair value measurement - Financial assets/liabilities

Adelaide Festival Centre Trust does not recognise any financial assets or financial liabilities at fair value.

(k) Liabilities

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Where a liability line item combine amounts expected to be settled within twelve months and more than twelve months, the Trust has separately disclosed the amounts expected to be settled after more than twelve months.

Payables

Payables include creditors, accrued expenses, GST payable and employment on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the Adelaide Festival Centre Trust.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Staff benefits on-costs include payroll tax and superannuation contributions in respect to outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

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

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

Operating leases

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

Staff benefits

These benefits accrue for staff 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 staff benefits are measured at nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave and sick leave

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

The annual leave liability and the skills and experience retention leave liability is expected to be payable within twelve 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 staff 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 staff up to the end of the reporting period using the projected unit credit method.

Adelaide Festival Centre Trust

The expected liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and period of service. These assumptions are based on employee data over SA government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The Trust classifies a portion of long service leave as current, based on its history of settlements.

Borrowings/Financial liabilities

The Trust measures financial liabilities including borrowings/debt at historical cost, except for interest free loans (measured at the present value of expected repayments).

Provisions

Provisions are recognised when the Trust has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Trust expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

(l) Unrecognised contractual commitments and contingent assets and liabilities

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

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.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office. If GST is not payable to, or recoverable from the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

(m) State government funding

The financial statements are presented under the assumption of ongoing financial support to the Board by the state government.

Note 3 New and revised accounting standards and policies

The Trust did not voluntarily change any of its accounting policies during 2017-18.

Adelaide Festival Centre Trust

	2018	2017
	\$'000	\$'000
4 Staff benefits expenses		
Salaries and wages	14,904	15,621
Long service leave	333	304
Annual Leave	886	989
Employment on-costs - superannuation*	1,408	1,498
Employment on-costs - other	837	973
Board fees	27	30
Other staff related expenses	233	154
Total staff benefits expenses	18,628	19,569

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

	2018	2017
	Number	Number
(a) Remuneration of Employees		
The number of staff who received remuneration within the following bands are:		
\$149,001 to \$159,000	-	1
\$179,001 to \$189,000	1	-
\$189,001 to \$199,000	-	3
\$199,001 to \$209,000	2	-
\$249,001 to \$259,000	-	1
\$279,001 to \$289,000	1	-
\$319,001 to \$329,000	-	1
\$339,001 to \$349,000	-	1
\$379,001 to \$389,000	1	-
Total	5	7

	2018	2017
	Number	Number
(b) Performance bonus remuneration of staff		
The number of staff who received performance bonus remuneration within the following bands are:		
\$ 1,500 to \$ 11,499	-	1
\$111,500 to \$121,499	1	-
\$181,500 to \$191,499	-	1
\$271,500 to \$281,499	1	-
Total	2	2

Table (a) includes all staff who received total remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. Total remuneration received for the year, included in Table (a) and (b) was \$1.65 m (\$1.85 m).

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	2018	2017
	\$'000	\$'000
5 Supplies and services		
Accommodation*	9,988	10,484
Advertising and marketing	1,983	1,872
Artistic production	5,051	6,362
Communications and IT	1,823	1,579
Professional expenses	1,720	1,534
Repairs and maintenance	791	241
Sponsorship	108	105
Supplies	1,845	2,233
Travel and entertainment	427	410
Other	1,287	1,453
Total supplies and services	<u>25,023</u>	<u>26,273</u>

*Accommodation balance includes \$5m of rent to Arts SA for the venue hire of theatres.

Consultants

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

	2018		2017	
	No.	\$'000	No.	\$'000
Below \$10,000	9	22	8	22
Above \$10,000	6	177	3	47
Total paid / payable to consultants engaged	<u>15</u>	<u>199</u>	<u>11</u>	<u>69</u>

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6 Depreciation and amortisation expense	2018	2017
Depreciation	\$'000	\$'000
Buildings	29	29
Plant and equipment	678	705
Leasehold equipment	11	11
Furniture and Fittings	18	18
Amortisation		
Intangible assets	264	168
Total depreciation and amortisation	1,000	931
	2018	2017
7 Net loss from the disposal of non-current assets	\$'000	\$'000
Plant and equipment		
Proceeds from disposal	-	11
Less net book value of assets disposed	59	61
Total disposal/impairment net loss	(59)	(50)
	2018	2017
8 Revenues from fees and charges	\$'000	\$'000
Theatre services	6,588	7,856
Ticketing	4,642	4,592
Car park	-	695
Box office	3,473	5,734
Sponsorship	660	984
Catering and functions	2,475	2,854
Other	2,823	2,844
Total fees and charges	20,661	25,559

During the 2017/18 financial year the Adelaide Festival Theatre was closed for 5 months and Her Majesty's Theatre (HMT) closed from March 2018 which impacted significantly on revenues.

9 Interest revenues	2018	2017
	\$'000	\$'000
Interest received	236	215
Total interest revenues	236	215
	2018	2017
10 Revenues from SA Government	\$'000	\$'000
Grants received:		
Operating base	16,446	18,364
HMT Redevelopment Funding	9,492	-
AFC Redevelopment Supplementation	7,579	-
Other SA Government Revenue	876	3,224
Total revenues from SA Government	34,393	21,588

The revenue derived from the Government is significant, and without it the Trust would not be able to continue its operations. In 2017/18 the Trust received additional SA Government funding to account for a 5 month closure and to assist with the redevelopment of its Theatres.

Assets received free of charge were \$0.798m (\$1.891m).

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	2018	2017
	\$'000	\$'000
11 Cash and cash equivalents		
Cash at bank and on hand	8,492	3,471
Cash held in trust for promoters	7,758	4,271
Cash held in donations from foundation	1,274	655
Total cash and cash equivalents	<u>17,524</u>	<u>8,397</u>

	2018	2017
	\$'000	\$'000
12 Receivables		
Current		
Receivables	1,060	918
Less allowance for doubtful debts	-	-
Prepayments	616	735
Accrued interest	19	14
GST input tax recoverable	458	196
Total current receivables	<u>2,153</u>	<u>1,863</u>

Movement in the allowance for doubtful debts

The following table shows the movements of doubtful debts (impairment loss):

Carrying amount at the beginning of the period	-	4
Increase in the allowance	-	-
Amounts written off	-	(4)
Carrying amount at the end of the period	<u>-</u>	<u>-</u>

The allowance for doubtful debts (impairment loss) is recognised if there is objective evidence that a receivable is impaired (i.e. calculated on past experience and current and expected changes in client credit rating).

	2018	2017
	\$'000	\$'000
13 Inventories		
Theatre set construction work in progress at cost	19	-
Materials at cost	188	174
Total inventories	<u>207</u>	<u>174</u>

Cost of inventories

The costs recognised as an expense for raw materials and consumables is \$1.430m (\$1.845m).

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	2018 \$'000	2017 \$'000
14 Non-current assets		
Land and buildings		
Land at cost (deemed fair value)	3,240	1,440
Buildings at cost (deemed fair value)	-	440
Accumulated depreciation at the end of the period	-	(62)
Total land and buildings	<u>3,240</u>	<u>1,818</u>
Plant and equipment		
Plant and equipment at fair value	1,785	1,798
Accumulated depreciation at the end of the period	(784)	(1,034)
Plant and equipment at cost (deemed fair value)	4,518	3,649
Accumulated depreciation at the end of the period	(1,022)	(135)
Total plant and equipment	<u>4,497</u>	<u>4,278</u>
Capital works in progress		
Capital works in progress at cost (deemed fair value)	<u>7,329</u>	<u>244</u>
Furniture and fittings		
Furniture and fittings at cost (deemed fair value)	274	274
Accumulated depreciation at the end of the period	(72)	(54)
Total furniture and fittings	<u>202</u>	<u>220</u>
Leasehold equipment		
Leasehold equipment at cost (deemed fair value)	165	165
Accumulated depreciation at the end of the period	(34)	(23)
Total leasehold equipment	<u>131</u>	<u>142</u>
Total property, plant and equipment	<u>15,399</u>	<u>6,702</u>
Works of art		
Works of art at fair value	8,793	8,791
Works of art at cost (deemed fair value)	32	2
Total works of art	<u>8,825</u>	<u>8,793</u>
Intangible assets		
Intangibles at cost	2,429	2,269
Accumulated amortisation	(1,504)	(1,300)
Total intangible assets	<u>925</u>	<u>969</u>
Total non-current assets	<u>25,149</u>	<u>16,464</u>

Valuation of non-current assets

Plant and equipment

Valuation of theatre-related plant and equipment was carried out at 30 June 2015 by Maloney Field Services (Australia) Pty Ltd. The valuer arrived at the fair value of the assets by using the market approach under AASB 13 and also considering the 'highest and best use' of each item. The market approach requires the valuer to observe the market for similar or identical assets to reach an opinion of value. A valuation of plant and equipment, comprising computers, catering, and theatre set construction equipment, was carried out by Maloney Field Services (Australia) Pty Ltd as at 30 June 2014.

Works of art

A valuation of works of art was carried out by Theodore Bruce Auctions Pty Ltd as at 30 June 2017, estimating fair value of the pieces in the collection by using the market approach under AASB 13 and also considering the 'highest and best use' of each item. This approach required observation of the market for identical or similar assets to reach an opinion of value.

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Impairment

The Trust purchased HMT from Arts SA for \$5.291m. The building was impaired at 30 June 2018 as it will be demolished as part of the rebuilding of the theatre. Only the heritage façade will remain and will be incorporated into the new theatre. However, in accordance with APS8.5, the value of the façade cannot be reliably measured and is therefore also impaired. The adjacent property at 62 Grote Street is also marked for demolition as part of the HMT redevelopment resulting in an impairment of \$349,000.

Reconciliation of non-current assets

The following table shows the movements of non-current assets during 2017-18:

	Plant and equipment	Works Intangibles of art	Furniture and fittings	Land and Buildings	Leasehold	CWIP	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Carrying amount at the beginning of the period	4,278	8,793	969	220	1,818	142	244	16,464
Acquisitions	-	32	-	-	7,091	-	8,261	15,384
Transfers between asset classes	956	-	220	-	-	-	(1,176)	-
Disposals	(59)	-	-	-	-	-	-	(59)
Impairment Losses	-	-	-	-	(5,640)	-	-	(5,640)
Depreciation and amortisation	(678)	-	(264)	(18)	(29)	(11)	-	(1,000)
Carrying amount at the end of the period	4,497	8,825	925	202	3,240	131	7,329	25,149

		2018	2017
15 Payables		\$'000	\$'000
Current			
Creditors		952	348
Accrued expenses		5,088	1,705
Amounts payable to promoters		7,758	4,271
Staff on-costs		326	483
Total current payables		14,124	6,807
Non-current			
Staff on-costs		236	213
Total payables		14,360	7,020

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 2017 rate of 40% to 41% and the average factor for the calculation of employer superannuation on-cost has changed from the 2017 rate 10.1% to 9.9%. These rates are used in the employment on-cost calculation.

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	2018	2017
	\$'000	\$'000
16 Staff benefits		
Current		
Annual leave	1,206	1,257
Long service leave	290	504
Accrued salaries and wages	697	898
Skills and experience retention leave	115	118
Total current staff benefits	<u>2,308</u>	<u>2,777</u>
Non-current		
Long service leave	2,508	2,352
Accrued salaries and wages	34	-
Total non-current staff benefits	<u>2,542</u>	<u>2,352</u>
Total staff benefits	<u><u>4,850</u></u>	<u><u>5,129</u></u>

AASB 119 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.

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 remained steady at 2.5% in 2018.

The net financial effect in the current financial year of the increase in the discount rate and the salary inflation rate is a decrease in the long service leave liability of \$69,000 and employee benefit expense of \$69,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

	2018	2017
	\$'000	\$'000
17 Provisions		
Current		
Provision for workers compensation	39	105
Total current provisions	<u>39</u>	<u>105</u>
Non-current		
Provision for workers compensation	58	199
Total provisions	<u>97</u>	<u>304</u>
<i>Provision for workers compensation</i>		
Carrying amount at the beginning of the period	304	260
Additional provisions recognised	(176)	81
Reductions arising from payments	(31)	(37)
Carrying amount at the end of the period	<u>97</u>	<u>304</u>

A liability 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 2018 provided by a consulting actuary engaged through the Office for the Public Sector (a division of the Department of the Premier and Cabinet). The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

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

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	2018	2017
	\$'000	\$'000
18 Other liabilities		
Current		
Venue hire deposits	608	290
Other deposits	9	9
Income in advance	1,249	696
Unclaimed monies	7	7
Total other liabilities	<u>1,873</u>	<u>1,002</u>

Income in advance

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

19 Borrowings

Non-current

Loan from SA Financing Authority	5,500	-
Total non-current borrowings	<u>5,500</u>	<u>-</u>

In 2017/18 the Trust borrowed funds to undertake the redevelopment of HMT for a term of 10 years. The interest rate is determined by the Treasurer and was 1.56% in 2017/18.

	2018	2017
	\$'000	\$'000
20 Equity		
Asset revaluation surplus		
Plant and equipment	4,319	4,319
Works of art	8,447	8,447
	<u>12,766</u>	<u>12,766</u>
Accumulated surplus/(deficit)	5,587	677
Total equity	<u>18,353</u>	<u>13,443</u>

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

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	2018	2017
	\$'000	\$'000
21 Unrecognised contractual commitments		
Expenditure commitments - other		
The Trust's other commitments are payable as follows:		
Within one year	1,296	2,809
Later than one year but not longer than five years	102	1,891
Total other commitments	<u>1,398</u>	<u>4,700</u>

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

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not

Within one year	5,360	5,630
Later than one year and not longer than five years	22,366	23,677
Later than five years	30,478	38,918
Total operating lease commitments	<u>58,204</u>	<u>68,225</u>

The Trust's operating leases include accommodation and motor vehicle leases for fixed terms up to five years.

The Trust has a 20 year lease agreement to rent the Festival Centre. The rent payable is determined by a combination of annual rent increases and triennial market reviews commencing 30 October 2011. The lease expires on 30 June 2028 and the Trust has a right of renewal for 10 years.

22 Contingent assets and liabilities

The Trust is not aware of any contingent assets or contingent liability.

23 Controlled entity

The consolidated financial statements at 30 June 2018 include the following controlled entity:

The Adelaide Festival Centre Foundation Incorporated

Significant items in the financial report of the Foundation are:

	2018	2017
	\$'000	\$'000
Revenue	770	730
Expenses	346	440
Surplus	<u>424</u>	<u>290</u>
Cash at bank	1,274	655

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

24 Remuneration of Trustees

Trustees of the Trust during the 2018 financial year were:

Mr Michael Abbott (Chairperson)
 Mr James Hazel
 Ms Carolyn Mitchell
 Mr Philip Hoffmann AM
 Ms Kathryn Thiele

Ms Sandra Verschoor (Appointed 12/09/2017)
 Ms Mary Hamilton (Appointed 10/10/2017)
 Ms Joanne Chapley (Resigned 16/02/2018)

	2018 Number	2017 Number
The number of Trustees whose remuneration received or receivable falls within the following bands:		
\$0 - \$9,999	<u>8</u>	<u>7</u>
Total	<u><u>8</u></u>	<u><u>7</u></u>

Remuneration of members reflects all costs of Trustee duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. The total remuneration received or receivable by Trustees was \$34,000 (\$31,000).

The Trustees of the Trust, or their director related entities, have transactions with the Trust that occur within a normal staff, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonably expected the entity would have adopted if the transactions were undertaken with any other entity at arm's length in similar circumstances.

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

25 Related party transactions

The Trust is a statutory authority established pursuant to the Adelaide Festival Centre Trust Act 1971.

Related parties of the Trust include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Key management personnel

Key management personnel of the Trust include the Chief Executive Officer and Artistic Director, the Chief Financial Officer, the board of Trustees and the four members of the Executive Management Team who have responsibility for the strategic direction and management of the board.

Total compensation for the Trust's key management personnel was \$1.780m (\$1.665m).

26 Subsequent event

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2018 and before the date the financial statements are authorised for issue, where those events provides information about conditions that existed at 30 June 2018.

There were no events between 30 June 2018 and the date the financial statements are authorised for issue where the events may have a material impact on the results of subsequent years.

27 Financial risk management/Financial instruments

Financial risk management

Risk management is managed by the Trust's corporate services section and 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 Trust is exposed to financial risk – liquidity risk, credit risk and market risk.

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted include the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

The carrying amounts of each of the following categories of financial assets and liabilities: held-to-maturity investments; loan and receivables; and financial liabilities measured at cost are detailed below:

Category of financial asset and financial liability	Notes	2018 Carrying amount/fair value \$'000	2017 Carrying amount/fair value \$'000
Financial assets			
<i>Cash and cash equivalent</i>			
- Cash and cash equivalent	11	17,524	8,397
<i>Loans and receivables</i>			
- Receivables ⁽¹⁾⁽²⁾	12	1,079	932
Total financial assets		18,603	9,329
Financial liabilities			
<i>Financial liabilities at cost</i>			
- Payables ⁽¹⁾	15	13,363	6,214
- Borrowings	19	5,500	-
Total financial liabilities		18,863	6,214

⁽¹⁾ 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 etc. 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).

⁽²⁾ Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 12 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. Prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.