

# Adelaide Festival Centre Trust

Financial report  
for the year ended  
30 June 2019



Level 9  
State Administration Centre  
200 Victoria Square  
Adelaide SA 5000  
DX 56208  
Victoria Square  
Tel +618 8226 9640  
Fax +618 8226 9688  
ABN 53 327 061 410  
audgensa@audit.sa.gov.au  
www.audit.sa.gov.au

## To the Chairman 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 2019.

### 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 2019, 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 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chairman and Presiding Officer, the Chief Executive Officer and Artistic Director, and the Chief Financial Officer/Chief Operating Officer.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of 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 issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial report**

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

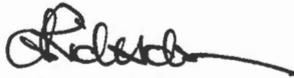
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Adelaide Festival Centre Trust's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

I communicate with the Chief Executive Officer 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**

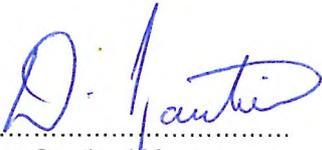
19 September 2019

**ADELAIDE FESTIVAL CENTRE TRUST**

**CERTIFICATION OF THE FINANCIAL STATEMENTS**

We certify that the:

- Financial statements of the Adelaide Festival Centre Trust:
  - are in accordance with the accounts and records of the authority; and
  - comply with relevant Treasurer's Instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cashflows for the financial year.
- Internal controls employed by the Adelaide Festival Centre Trust over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



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



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



.....  
Michael Abbott  
Chairman and Presiding Officer

Date 16 September 2019

**ADELAIDE FESTIVAL CENTRE TRUST  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$'000	2018 \$'000
<b>Expenses</b>			
Employee benefits expenses	2.3	20,230	18,628
Supplies and services	3.1	29,795	25,023
Depreciation and amortisation expense	3.2	1,050	1,000
Borrowing costs	3.3	374	30
Loss from the impairment of non-current assets		-	5,640
Net loss from the disposal of non-current assets	3.4	1	59
<b>Total expenses</b>		<u>51,450</u>	<u>50,380</u>
<b>Income</b>			
Fees and charges	4.3	27,702	18,650
Interest	4.4	287	236
Other income	4.5	2,200	2,011
<b>Total income</b>		<u>30,189</u>	<u>20,897</u>
<b>Net cost of providing services</b>		<u>21,261</u>	<u>29,483</u>
<b>Revenues from SA Government</b>			
Revenues from SA Government	4.1	24,301	26,171
<b>Net result</b>		<u>3,040</u>	<u>(3,312)</u>
<b>Total comprehensive result</b>		<u>3,040</u>	<u>(3,312)</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.

**ADELAIDE FESTIVAL CENTRE TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	Note	2019 \$'000	2018 \$'000
<b>Current assets</b>			
Cash and cash equivalents	5.1	23,653	17,524
Receivables	5.2	3,073	2,153
Inventories	6.4	416	207
<b>Total current assets</b>		<u>27,142</u>	<u>19,884</u>
<b>Non-current assets</b>			
Property, plant and equipment	6.1	44,120	15,399
Works of art	6.2	8,828	8,825
Intangible assets	6.3	628	925
<b>Total non-current assets</b>		<u>53,576</u>	<u>25,149</u>
<b>Total assets</b>		<u>80,718</u>	<u>45,033</u>
<b>Current liabilities</b>			
Payables	7.1	26,128	14,124
Employee benefits	2.4	1,633	2,308
Provisions	7.3	38	39
Other current liabilities	7.4	2,101	1,873
<b>Total current liabilities</b>		<u>29,900</u>	<u>18,344</u>
<b>Non-current liabilities</b>			
Payables	7.1	287	236
Employee benefits	2.4	3,084	2,542
Provisions	7.3	59	58
Financial liabilities	7.2	25,995	5,500
<b>Total non-current liabilities</b>		<u>29,425</u>	<u>8,336</u>
<b>Total liabilities</b>		<u>59,325</u>	<u>26,680</u>
<b>Net assets</b>		<u>21,393</u>	<u>18,353</u>
<b>Equity</b>			
Asset revaluation surplus		12,766	12,766
Contributed capital		8,222	8,222
Retained earnings		405	(2,635)
<b>Total Equity</b>		<u>21,393</u>	<u>18,353</u>

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

**ADELAIDE FESTIVAL CENTRE TRUST  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

	Contributed capital \$ '000	Asset revaluation surplus \$ '000	Retained Earnings \$ '000	Total Equity \$ '000
Note				
Balance at 30 June 2017	-	12,766	677	13,443
<b>Net result for 2017-2018</b>	-	-	(3,312)	(3,312)
Transactions with SA Govt as owner - Equity contribution received	4.2 8,222	-	-	8,222
<b>Total comprehensive result for 2017-2018</b>	8,222	-	(3,312)	4,910
<b>Balance at 30 June 2018</b>	<b>8,222</b>	<b>12,766</b>	<b>(2,635)</b>	<b>18,353</b>
<b>Net result for 2018-2019</b>	-	-	3,040	3,040
<b>Total comprehensive result for 2018-2019</b>	-	-	3,040	3,040
<b>Balance at 30 June 2019</b>	<b>8,222</b>	<b>12,766</b>	<b>405</b>	<b>21,393</b>

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

**ADELAIDE FESTIVAL CENTRE TRUST  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 Inflows/ (Outflows) \$'000	2018 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
<b>Cash outflows</b>			
Staff benefit payments		(20,210)	(19,071)
Payments for supplies and services		(24,761)	(25,005)
Interest paid		(367)	(23)
<b>Cash used in operations</b>		<u>(45,338)</u>	<u>(44,099)</u>
<b>Cash inflows</b>			
Receipts from patrons and customers		32,696	23,946
Increase in funds held on behalf of promoters		2,441	3,487
Interest received		267	232
GST recovered from the ATO		748	1,435
<b>Cash generated from operations</b>		<u>36,152</u>	<u>29,100</u>
<b>Cash flows from SA Government</b>			
Receipts from SA Government		24,298	25,183
<b>Cash generated from SA Government</b>		<u>24,298</u>	<u>25,183</u>
<b>Net cash provided by operating activities</b>		<u>15,112</u>	<u>10,184</u>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Purchase of property, plant and equipment and works of art		(29,478)	(14,779)
<b>Net cash provided by investing activities</b>		<u>(29,478)</u>	<u>(14,779)</u>
<b>Cash flows from financing activities</b>			
<b>Cash outflows</b>			
Proceeds from borrowings		20,495	5,500
Equity contribution received from SA Government as owner	4.2	-	8,222
<b>Net cash provided by financing activities</b>		<u>20,495</u>	<u>13,722</u>
<b>Net increase in cash and cash equivalents</b>		6,129	9,127
Cash and cash equivalents at the beginning of the period		17,524	8,397
<b>Cash and cash equivalents at the end of the period</b>	5.1	<u>23,653</u>	<u>17,524</u>

The accompanying notes form part of these financial statements.

<b>1.</b>	<b>About the Adelaide Festival Centre trust</b>	
1.1	Basis of Preparation	7
1.2	Objectives and programs	7
<b>2.</b>	<b>Board, committees and employees</b>	
2.1	Key management personnel	8
2.2	Board and committees	8
2.3	Employee benefits expenses	8
2.4	Employee Benefits Liability	9
<b>3.</b>	<b>Expenses</b>	
3.1	Supplies and services	10
3.2	Depreciation and amortisation expense	10
3.3	Borrowing Costs	11
3.4	Net loss from the disposal of non-current assets	11
<b>4.</b>	<b>Income</b>	
4.1	Revenues from SA Government	11
4.2	Revenues from SA Government - correction	12
4.3	Fees and charges	12
4.4	Interest	12
4.5	Other income	12
<b>5.</b>	<b>Financial assets</b>	
5.1	Cash and cash equivalents	12
5.2	Receivables	13
<b>6.</b>	<b>Non-financial assets</b>	
6.1	Property, plant and equipment	14
6.2	Works of art	15
6.3	Intangible assets	15
6.4	Inventories	15
<b>7.</b>	<b>Liabilities</b>	
7.1.	Payables	16
7.2.	Financial liabilities	16
7.3.	Provisions	17
7.4.	Other liabilities	17
<b>8.</b>	<b>Other disclosures</b>	
8.1	Equity	17
8.2	Cash flow	17
8.3	Controlled entity	17
<b>9.</b>	<b>Changes in accounting policy</b>	
9.1	Treasurer's Instructions (Accounting Policy Statements)	18
9.2	AASB 9 Financial instruments	18
<b>10.</b>	<b>Outlook</b>	
10.1	Unrecognised contractual commitments	19
10.2	Contingent assets and liabilities	20
10.3	Impact of standards and statements not yet effective	20
10.4	Events after the reporting period	22
<b>11.</b>	<b>Measurement and Risk</b>	
11.1	Long service leave liability – measurement	23
11.2	Fair value	23
11.3	Financial instruments	24

## 1. About the Adelaide Festival Centre trust

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

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

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

### 1.1 Basis of Preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance* relevant Australian Accounting Standards with reduced disclosure requirements.

For the 2018-19 financial statements the Trust adopted AASB 9 – Financial Instruments and is required to comply with new Treasurer's Instructions (Accounting Policy Statements) issued on 22 March 2019. Further information is provided in note 9.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

### 1.2 Objectives and programs

The objectives of the Trust are to:

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

## 2. Boards, committees and employees

### 2.1 Key management personnel

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

Total compensation for the Trust's key management personnel was \$1.08m (\$1.780m).

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

Related parties of the Trust include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government. There were no transactions with key management personnel or other related parties reported in 2018-19.

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

### 2.2 Board and committees

Members during the 2019 financial year were:

Mr Michael Abbott (Chairperson)  
Mr James Hazel  
Ms Sandra Verschoor  
Mr Philip Hoffmann AM  
Ms Mary Hamilton

Mr Anthony Smith (Appointed 9.8.2018)  
Ms Christine Zeitz (Appointed 17.3.2019)  
Ms Maggie Zhou (Appointed 21.4.2019)  
Ms Kathryn Thiele (Resigned 20.4.2019)  
Ms Carolyn Mitchell (Resigned 26.2.2019)

#### *Board and committees remuneration*

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

	2019	2018
\$0 - \$19,999	10	8
<b>Total</b>	<b>10</b>	<b>8</b>

The total remuneration received or receivable by members was \$29,000 (\$34,000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

### 2.3 Employee benefits expenses

	2019	2018
	\$'000	\$'000
Salaries and wages	16,128	14,904
Long service leave	680	333
Annual Leave	984	886
Employment on-costs - superannuation*	1,538	1,408
Employment on-costs - other	642	837
Board fees	27	27
Other employee related expenses	231	233
<b>Total employee benefits expenses</b>	<b>20,230</b>	<b>18,628</b>

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

<b>(a) Executive remuneration</b>	<b>2019</b>	<b>2018</b>
The number of staff who's remuneration received or receivable falls within the following bands:	<b>Number</b>	<b>Number</b>
\$171,001 to \$191,000	-	1
\$191,001 to \$211,000	2	2
\$271,001 to \$291,000	-	1
\$291,001 to \$311,000	1	-
\$371,001 to \$391,000	-	1
\$391,001 to \$411,000	1	-
<b>Total</b>	<b>4</b>	<b>5</b>

<b>(b) Performance bonus remuneration of staff</b>	<b>2019</b>	<b>2018</b>
The number of staff who received performance bonus remuneration within the following bands are:	<b>Number</b>	<b>Number</b>
\$111,001 to \$131,000	-	1
\$271,001 to \$291,000	-	1
<b>Total</b>	<b>-</b>	<b>2</b>

Table (a) includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. Total remuneration received for the year, included in Table (a) and (b) was \$1.12m (\$1.65m).

## 2.4 Employee Benefits Liability

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Annual leave	1,346	1,206
Long service leave	132	290
Accrued salaries and wages	53	697
Skills and experience retention leave	102	115
<b>Total current staff benefits</b>	<b>1,633</b>	<b>2,308</b>
<b>Non-current</b>		
Long service leave	3,017	2,508
Accrued salaries and wages	67	34
<b>Total non-current staff benefits</b>	<b>3,084</b>	<b>2,542</b>
<b>Total staff benefits</b>	<b>4,717</b>	<b>4,850</b>

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

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

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

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

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

### **Long service leave**

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 11.1.

### 3. Expenses

Employee benefits expenses are disclosed in note 2.3.

Accommodation costs are principally made up of rent for the Adelaide Festival Centre Complex (\$5.1m) and the costs of utilities, cleaning and maintenance and repairs. Advertising and Marketing and Artistic production relate to the costs involved in the direct provision of performances, festivals and other artistic offerings presented by the Trust. Supplies include cost of goods sold including food and beverage sold at functions and through the centres bars and the cost of materials used in set builds that are produced and onsold by the Trust scenery build workshop.

#### 3.1 Supplies and services

	2019 \$'000	2018 \$'000
Accommodation	10,237	9,988
Artistic production	8,530	5,051
Advertising and marketing	1,742	1,983
Supplies	2,553	1,845
Communications and IT	1,574	1,823
Professional expenses	2,901	1,720
Repairs and maintenance	274	791
Travel and entertainment	412	427
Sponsorship	172	108
Bank and credit charges	339	261
Other	1,061	1,026
<b>Total supplies and services</b>	<b>29,795</b>	<b>25,023</b>

#### Consultants

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

	2019		2018	
	No.	\$'000	No.	\$'000
Below \$10,000	-	-	9	22
Above \$10,000	2	48	6	177
<b>Total paid / payable to consultants engaged</b>	<b>2</b>	<b>48</b>	<b>15</b>	<b>199</b>

#### 3.2 Depreciation and amortisation expense

	2019 \$'000	2018 \$'000
Buildings	-	29
Plant and equipment	724	678
Leasehold improvements	11	11
Furniture and Fittings	18	18
Intangible assets	297	264
<b>Total depreciation and amortisation</b>	<b>1,050</b>	<b>1,000</b>

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

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

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

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

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

**Review of accounting estimates**

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

**Useful life**

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

<b>Class of asset</b>	<b>Useful life</b>
Buildings	15
Leasehold improvements	5-15
Plant and equipment	5-25
Furniture and fittings	15
Intangibles	5-10

**3.3 Borrowing Costs**

	2019	2018
	\$'000	\$'000
Interest paid/payable on financial liabilities measured at amortised cost	374	30
<b>Total borrowing costs</b>	<b>374</b>	<b>30</b>

The Trust does not capitalise borrowing costs.

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

	2019	2018
	\$'000	\$'000
Plant and equipment		
Proceeds from disposal	-	-
Less net book value of assets disposed	1	59
<b>Total net loss from disposal of assets</b>	<b>(1)</b>	<b>(59)</b>

**4. Income**

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

**4.1 Revenues from SA Government**

	2019	2018
	\$'000	\$'000
Grants received:		
Operating base	17,138	16,029
HMT redevelopment funding	3,293	1,270
AFC redevelopment supplementation	1,114	7,579
Capital grants	2,247	985
Other SA Government revenue	509	308
<b>Total revenues from SA Government</b>	<b>24,301</b>	<b>26,171</b>

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

In 2017/18 the Trust received additional SA Government funding to account part year closure of the Festival Theatre and Her Majestys Theatre and cessation of its carpark operation. In 2018/19, grant funding for closure of the carpark and Her Majestys Theatre continued.

#### 4.2 Revenues from SA Government - correction

In 2017/18 the Trust received \$8.222m in the form of an equity contribution from the Treasurer to fund the purchase of Her Majesty's Theatre. The income was recognised as a grant. The error was discovered subsequent to the publication of the 2017/18 financial statements.

The error has been corrected by adjusting each of the affected financial statement line items as follows:

	30 June 2018 \$'000
<b>Impact on equity</b>	
Contributed equity	8,222
<b>Net Impact on equity</b>	<u>8,222</u>
<b>Impact on net result</b>	
Revenues from SA Government	(8,222)
<b>Net impact on net result</b>	<u>(8,222)</u>
<b>Net impact on net cost of providing services</b>	<u>-</u>

4.3 Fees and charges	2019 \$'000	2018 \$'000
Theatre services	8,622	7,400
Ticketing	5,892	4,642
Box office	7,722	3,473
Sponsorship	1,445	660
Catering and functions	4,021	2,475
<b>Total fees and charges</b>	<u>27,702</u>	<u>18,650</u>

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. The HMT remained closed for 2018-19.

4.4 Interest	2019 \$'000	2018 \$'000
Cash and cash equivalents	287	236
<b>Total interest revenues</b>	<u>287</u>	<u>236</u>

4.5 Other income	2019 \$'000	2018 \$'000
Donations and fundraising	1,340	757
Grants - Non SA Government	726	848
Sub lease rent	93	89
Sundry income	41	317
<b>Total other income</b>	<u>2,200</u>	<u>2,011</u>

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

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

## 5. Financial assets

5.1 Cash and cash equivalents	2019 \$'000	2018 \$'000
Cash at bank and on hand	10,898	8,492
Cash held in trust for promoters	10,199	7,758
Cash held in donations from foundation	2,556	1,274
<b>Total cash and cash equivalents</b>	<u>23,653</u>	<u>17,524</u>

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

5.2 Receivables	2019	2018
	\$'000	\$'000
<b>Current</b>		
<b>Trade receivables</b>		
From SA government entities	105	203
From non-SA government entities	1,002	857
Less allowance for doubtful debts	(35)	-
<b>Total trade receivables</b>	<u>1,072</u>	<u>1,060</u>
Prepayments	576	616
Accrued revenues	20	19
GST input tax recoverable	1,405	458
<b>Total current receivables</b>	<u>3,073</u>	<u>2,153</u>

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

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

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

***Impairment of receivables***

	2019	2018
	\$'000	\$'000
Balance at 30 June 2018 under AASB 139	1,072	1,060
Adjustments on initial adoption of AASB 9	-	-
<b>Carrying amount at the beginning of the period</b>	<u>1,072</u>	<u>1,060</u>

**6. Non-financial assets**

The non-financial assets of the Trust consist primarily of land related to Her Majesty's Theatre, theatre related equipment (sound, lighting, staging), set building workshop equipment and standard office fitouts and equipment. The Trust also has a collection of artworks including paintings, sculptures and tapestries.

6.1 Property, plant and equipment	2019	2018
	\$'000	\$'000
<b>Land and buildings</b>		
Land at cost (deemed fair value)	3,240	3,240
<b>Capital works in progress</b>		
Capital works in progress at cost (deemed fair value)	36,308	7,329
<b>Leasehold improvements</b>		
Leasehold improvements at cost (deemed fair value)	165	165
Accumulated depreciation at the end of the period	(45)	(34)
<b>Total leasehold improvements</b>	120	131
<b>Plant and equipment</b>		
Plant and equipment at fair value	1,730	1,785
Accumulated depreciation at the end of the period	(880)	(784)
Plant and equipment at cost (deemed fair value)	4,999	4,518
Accumulated depreciation at the end of the period	(1,596)	(1,022)
<b>Total plant and equipment</b>	4,253	4,497
<b>Furniture and fittings</b>		
Furniture and fittings at cost (deemed fair value)	290	274
Accumulated depreciation at the end of the period	(91)	(72)
<b>Total furniture and fittings</b>	199	202
<b>Total property, plant and equipment</b>	44,120	15,399

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.

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

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

Assets purchased by the Trust that form part of the building are donated to Arts SA as building owner. The cost is included in sundry expenses.

#### **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 and are subject to regular revaluation.

#### **Reconciliation**

	Land	Capital works in progress	Plant and equipment	Furniture and fittings	Leasehold improvements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Carrying amount at 1 July 2018</b>	3,240	7,329	4,497	202	131	15,399
Acquisitions	-	29,571	135	-	-	29,706
Disposals e.g. sales, write off	-	-	(1)	-	-	(1)
Depreciation	-	-	(724)	(18)	(11)	(753)
Transfers between asset classes	-	(361)	346	15	-	-
Assets transferred to Arts SA	-	(231)	-	-	-	(231)
<b>Carrying amount at 30 June 2019</b>	3,240	36,308	4,253	199	120	44,120

Assets transferred to Arts SA are included in other expenses.

## 6.2 Works of art

	2019	2018
	\$'000	\$'000
Works of art at fair value	8,793	8,793
Works of art at cost (deemed fair value)	35	32
<b>Total works of art</b>	<b>8,828</b>	<b>8,825</b>

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.

## 6.3 Intangible assets

	2019	2018
	\$'000	\$'000
<b>Computer software</b>		
Internally developed computer software	293	293
Accumulated amortisation	(249)	(191)
Purchased computer software	2,136	2,136
Accumulated amortisation	(1,552)	(1,313)
<b>Total computer software</b>	<b>628</b>	<b>925</b>

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

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

The internally developed computer software relates to the development of the AFC website with a remaining useful life of 0.75 years and carrying amount \$44,000.

	Internally developed computer software	Other computer software	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	103	822	925
Acquisitions	-	-	-
Amortisation	(59)	(238)	(297)
<b>Carrying amount at 30 June 2019</b>	<b>44</b>	<b>584</b>	<b>628</b>

## 6.4 Inventories

	2019	2018
	\$'000	\$'000
Theatre set construction work in progress at cost and expected to be recovered not more than 12 months after reporting date	194	19
Materials at cost	222	188
<b>Total inventories</b>	<b>416</b>	<b>207</b>

*Cost of inventories*

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

The costs recognised as an expense for raw materials and consumables is \$2.13m (\$1.43m).

## 7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

### 7.1 Payables

	2019 \$'000	2018 \$'000
<b>Current</b>		
Trade payables	12,487	952
Accrued expenses	3,191	5,088
Amounts payable to promoters	10,199	7,758
Employment on-costs	251	326
<b>Total current payables</b>	<b>26,128</b>	<b>14,124</b>
<b>Non-current</b>		
Employment on-costs	287	236
<b>Total non-current payables</b>	<b>287</b>	<b>236</b>
<b>Total payables</b>	<b>26,415</b>	<b>14,360</b>

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

#### *Employment on-costs*

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

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

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has remained unchanged from the 2018 rate (41%) to 41% and the average factor for the calculation of employer superannuation cost on-costs has also changed from the 2018 rate (9.9%) to 9.8%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is not material. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

### 7.2 Financial liabilities

	Note	2019 \$'000	2018 \$'000
<b>Non-current</b>			
Borrowings from SA Government		25,995	5,500
<b>Total non-current borrowings</b>		<b>25,995</b>	<b>5,500</b>
<b>Total borrowings</b>		<b>25,995</b>	<b>5,500</b>

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

#### *Borrowings*

In 2017/18 the Trust entered into a funding agreement to finance the redevelopment of HMT. Funds are drawdown as required and the term of the agreement is 10 years. The interest rate is determined by the Treasurer and was 1.65% in 2019 (1.56% in 2018).

## 7.3 Provisions

	2019 \$'000	2018 \$'000
<b>Current</b>		
Provision for workers compensation	38	39
<b>Total current provisions</b>	<u>38</u>	<u>39</u>
<b>Non-current</b>		
Provision for workers compensation	59	58
<b>Total provisions</b>	<u>97</u>	<u>97</u>
<b>Movement in provisions</b>		
	2019 \$'000	
<b>Carrying amount at the beginning of the period</b>	97	
Additional provisions recognised	1	
Reductions arising from payments	<u>(1)</u>	
<b>Carrying amount at the end of the period</b>	<u>97</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 2019 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

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

## 7.4 Other liabilities

	2019 \$'000	2018 \$'000
<b>Current</b>		
Venue hire deposits	367	608
Other deposits	9	9
Income in advance	1,718	1,249
Unclaimed monies	7	7
<b>Total other liabilities</b>	<u>2,101</u>	<u>1,873</u>

**Income in advance**

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

## 8. Other disclosures

## 8.1 Equity

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

For information about equity contributions see 4.1.

## 8.2 Cash flow

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

## 8.3 Controlled entity

The consolidated financial statements at 30 June 2019 include the following controlled entity:

The Adelaide Festival Centre Foundation Incorporated

Significant items in the financial report of the Foundation are:

	2019 \$'000	2018 \$'000
Revenue	1,373	770
Expenses	<u>425</u>	<u>346</u>
<b>Surplus</b>	<u>948</u>	<u>424</u>
<b>Cash at bank</b>	<u>2,556</u>	<u>1,274</u>

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.

## 9. Changes in accounting policy

### 9.1 Treasurer's Instructions (Accounting Policy Statements)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report transactions with the SA Government.
- removal of the additional requirement to report a statement of equity for administered items.
- increasing the bands from \$10,000 to \$20,000 for employee and board member reporting.

These changes, however, do not impact on the amounts reported in the financial statements.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further discussed in note 10.3.

### 9.2 AASB 9 Financial instruments

*AASB 9 Financial Instruments* replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

As part of the adoption of AASB 9, the Trust adopted consequential amendments to other accounting standards and the Treasurer's Instructions (Accounting Policy Statements) arising from the issue of AASB 9 as follows:

- *AASB 101 Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. In prior year, this information was presented as part of other expenses. However, the Trust has no impairment amounts to disclose.
- *AASB 7 Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

In accordance with transitional provisions and the *Treasurer's Instructions (Accounting Policy Statements)*, *AASB 9 Financial Instruments* was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018.

The adoption of AASB 9 has had no material impact on the recognition, measurement or classification of financial liabilities.

#### **Trade receivables**

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The Trust has adopted the simplified approach under AASB 9 Financial Instruments and measured lifetime expected credit losses on all trade receivables using a provision matrix approach as a practical expedient to measure the impairment provision. This resulted in no change to the loss allowance of 1 July 2018 for trade receivables external to Government.

There are no additional impairment provisions for State, Territory, or Commonwealth Government receivables due to the Government's high quality credit risk.

Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost as they meet the appropriate criteria under AASB 9.

## 10. Outlook

### 10.1 Unrecognised contractual commitments

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

#### *Capital commitments*

	2019	2018
	\$'000	\$'000
Within one year	31,397	-
<b>Total capital commitments</b>	<b>31,397</b>	<b>-</b>

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

#### *Expenditure commitments*

	2019	2018
	\$'000	\$'000
Within one year	1,946	1,296
Later than one year but not longer than five years	1,543	102
<b>Total expenditure commitments</b>	<b>3,489</b>	<b>1,398</b>

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 payable*

	2019	2018
	\$'000	\$'000
<b>Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:</b>		
Within one year	5,681	5,360
Later than one year but not longer than five years	22,820	22,366
Later than five years	66,613	71,686
<b>Total operating lease commitments payable</b>	<b>95,114</b>	<b>99,412</b>

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.

#### *Operating lease commitments receivable*

	2019	2018
	\$'000	\$'000
<b>Commitments in relation to operating leases contracted for at the reporting date but not recognised as assets are receivable as follows:</b>		
Within one year	321	86
Later than one year but not longer than five years	1,351	1,324
Later than five years	1,654	2,002
<b>Total operating lease commitments receivable</b>	<b>3,326</b>	<b>3,412</b>

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

## 10.2 Contingent assets and liabilities

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

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

## 10.3 Impact of standards and statements not yet effective

The Trust has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for 2018-19 reporting period and are addressed below in relation to Standards not yet effective and in note 9.1. There are no Accounting Policy Statements that are not yet effective.

The material impacts on the Trust are outlined below.

### ***AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities***

The Trust will adopt AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities from 1 July 2019.

#### ***Objective***

AASB 15 introduces a 5-step approach to revenue recognition. The objective of AASB 15 is that recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. *AASB 15 – Revenue from Contracts* replaces *AASB 111 – Construction Contracts* and *AASB 118 – Revenue*.

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with AASB 15. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. AASB 1058 replaces parts of *AASB 1004 – Contributions*.

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

Adopting AASB 15 and AASB 1058 is expected to have no material impact on the timing of recognition of revenue by the Trust.

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

#### ***Related accounting policies***

The Treasurer's Instructions (Accounting Policy Statements) 2019 sets out key requirements that the Trust must adopt for the transition to AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities. These requirements include that the Trust will:

- apply AASB 15 and AASB 1058 retrospectively. The cumulative effect of initially applying the Standards will be recognised at 1 July 2019. Comparatives will not be restated
- not apply the AASB 15 and the AASB 1058 completed contracts practical expedient.
- apply the AASB 15 practical expedient for all contract modifications that occur before the date of initial application.

The Treasurer's Instructions (Accounting Policy Statements) 2019 also sets out requirements for on-going application. These requirements include that Trust will:

- apply, where permitted, the short-term licences recognition exemption.
- adopt \$15,000 as the threshold to determine whether a licence is a licence for which the transaction price is of low value and will apply the low value licence recognition exemption for all low value licences.
- not recognise volunteer services when the services would not have been purchased if they had not been donated.

**AASB 16 – Leases**

The Trust will adopt AASB 16 – Leases from 1 July 2019.

**Objective**

AASB 16 sets out a comprehensive model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. The outcome will be that lease information disclosed will give users of financial statements a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. AASB 16 Leases replaces AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation, and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

**Impact on 2019-20 financial statements**

The Trust has assessed the estimated impact on the Statement of Financial Position of adopting AASB 16 with the transition requirements mandated by the Treasurer's Instructions (Accounting Policy Statements).

AASB 16 requires lessees to recognise assets and liabilities for all leases, not subject to a recognition exemption or scoped out of the application of AASB 16. 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 for the first time. Lease incentive liabilities previously recognised will be written off against the right-of-use assets or retained earnings depending on the nature of the incentive.

AASB 16 is expected to have a material impact on the Statement of Financial Position. The Trust has estimated the impact of this change and the results as at 1 July 2019.

The estimated impact is based on applying AASB 16's transition approach to those leases identified as leases by the Trust prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability were SAFA's forecast interest rates for principal and interest loans to SA Government agencies for 1 July 2019 as at 4 February 2019.

The estimated impact on the statement of financial position is set out below:

	as at 1-Jul-19 \$'000
<b>Assets</b>	
Right-of-use assets	93,758
<b>Liabilities</b>	
Lease liabilities	93,758
Other liabilities (lease incentive liabilities)	
<b>Net impact on equity</b>	<b>-</b>

AASB 16 will also materially impact the Statement of Comprehensive Income. The operating lease expense previously included in supplies and services will mostly be replaced with:

- a depreciation expense 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.

The estimated impact on the statement of comprehensive income is set out below:

	as at 1-Jul-19 \$'000
Depreciation and amortisation	5,250
Supplies and services	(5,100)
Borrowing costs	2,975
<b>Net impact on net cost of providing services</b>	<b>3,125</b>

***Related accounting policies***

The Treasurer's Instructions (Accounting Policy Statements) 2019 sets out key requirements that the Trust must adopt for the transition from AASB 117 Leases to AASB 16 Leases. These requirements include that the Trust will:

- apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard will be recognised at 1 July 2019. Comparatives will not be restated.
- only apply AASB 16 to contracts that were previously identified as containing a lease applying AASB 117 and related interpretations.
- not transition operating leases for which the lease term ends before 30 June 2020.

The Treasurer's Instructions (Accounting Policy Statements) 2019 also sets out requirements for on-going application. These requirements include that the Trust will:

- not apply AASB 16 to leases of intangible assets.
- adopt \$15,000 as the threshold to determine whether an underlying asset is a low value asset and must apply the low value asset recognition exemption to all low value assets.
- apply the short-term leases recognition exemption for all classes of underlying asset.
- separate non-lease components from lease components.
- adopt the revaluation model, where permitted.
- where required, apply the relevant lessee's incremental borrowing rate published by the Department of Treasury and Finance.
- on initial recognition, not record at fair-value leases that have significantly below-market terms and conditions principally to enable the Trust to further its objectives, unless they have already been recorded at fair-value prior to 1 July 2019.

**10.4 Events after the reporting period**

There were no events between 30 June 2019 and the date the financial statements are authorised for issue where the events may have a material impact on the results of subsequent years.

## 11. Measurement and Risk

### 11.1 Long service leave liability – measurement

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

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

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2018 (2.5%) to 2019 (1.25%).

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

The net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service leave liability of \$305,000 and employee benefits expense of \$305,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

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

### 11.2 Fair value

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

#### **Initial recognition**

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

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

#### **Revaluation**

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

The revaluation process is reviewed by the Chief Finance Officer and audit committee each year.

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

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

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

#### ***Land and buildings***

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

#### ***Plant and equipment***

An independent valuation of theatre-related plant and equipment was carried out at 30 June 2015 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. An independent valuation of plant and equipment, comprising computers, catering, and theatre set construction equipment, was carried out as at 30 June 2014.

#### ***Works of Art***

The Trust owns a collection of artworks established in 1970 when over-subscribed funds from the public appeal to build the Festival Theatre were used to commission and purchase works of art by leading artists of the time including Fred Williams and Sydney Ball. In 2001-2003 an indigenous art collection was established through a donation of funds. An independent valuation of the Works of Art collection was carried out as at 30 June 2017 using market approach under AASB13 and also considering the 'highest and best use' of each item, observing the market for similar items.

#### ***Heritage assets***

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

### **11.3 Financial instruments**

#### ***Financial risk management***

Risk management is managed by the Trust's corporate services section. Risk management policies of the Trust are in accordance with the Risk Management Policy Statement issued by the Premier and Treasurer and the principles established in the Australian Standard Risk Management Principles and Guidelines.

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

#### ***Liquidity risk***

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

Refer to notes 7.1 and 7.2 for further information.

#### ***Categorisation of financial instruments***

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

#### ***Classification applicable until 30 June 2018 under AASB 139 Financial Instruments: Recognition and Measurement***

The carrying amounts are detailed below of each of the following categories of financial assets and liabilities:

- Held-to-maturity investments
- Trade receivables
- Financial liabilities measured at cost.

#### ***Classification applicable from 1 July 2018 under AASB 9 Financial Instruments***

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other  
A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest only on the principal amount outstanding.

The Trust measures all financial instruments at amortised cost.

Adelaide Festival Centre Trust

Category of financial asset and financial liability	2019 Carrying amount/ \$'000	2018 Carrying amount/ \$'000
<b>Current financial assets</b>		
Trade receivables	1,092	1,079
Cash and cash equivalents	23,653	17,524
<b>Total financial assets</b>	<b>24,745</b>	<b>18,603</b>
<b>Current financial liabilities</b>		
Trade payables	24,956	13,363
<b>Non-Current financial liabilities</b>		
Borrowings	25,995	5,500
<b>Total financial liabilities</b>	<b>50,951</b>	<b>18,863</b>

***Receivables and payables***

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Trust audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

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