

# State Opera of South Australia

Financial report  
for the year ended  
30 June 2018



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## To the Chair State Opera of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 18(3) of the *State Opera of South Australia Act 1976*, I have audited the financial report of the State Opera of South Australia 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 State Opera of South Australia 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 significant accounting policies and other explanatory information
- a Certificate from the Chair, Board of Management, Executive Director, State Opera of South Australia and the Chief Financial Officer, State Opera of South Australia.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the State Opera of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

## **Responsibilities of the Executive Director and the Board for the financial report**

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

The Board is responsible for overseeing the entity's financial reporting process.

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

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

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

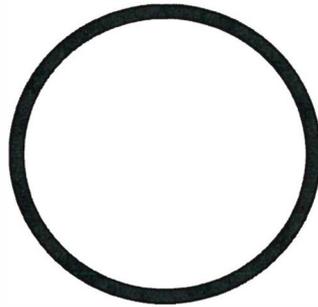
I communicate with the Executive Director and the Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

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

Andrew Richardson

**Auditor-General**

28 September 2018



**STATE OPERA  
SOUTH AUSTRALIA**

ABN 31 382 679 566

# **THE STATE OPERA OF SOUTH AUSTRALIA**

**Financial Statements  
for the year ended  
30 June 2018**

# STATE OPERA OF SOUTH AUSTRALIA

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note No.	2018 \$'000	2017 \$'000
<b>Expenses</b>			
<b>PRODUCTION EXPENSES:</b>			
Performers and employee benefits expenses	4	1,577	1,701
Theatre hire and related expenses		496	569
Opera Conference support		285	282
Costumes and sets		159	218
Advertising		94	214
Shipping and freight		55	114
Travel and accommodation		86	60
Other production expenses		141	271
<b>Total production expenses</b>	<b>5</b>	<b>2,893</b>	<b>3,429</b>
<b>ADMINISTRATION, MARKETING AND FINANCIAL:</b>			
Employee benefits expenses	4	377	422
Rental accommodation and service expenses		255	246
Subscription and marketing expenses		156	84
Travel and accommodation		12	29
Contractor fees		81	38
Consulting fees	6	33	-
Audit and legal fees		30	25
Insurance		9	10
Depreciation and amortisation expense	7	12	7
Other expenses		122	74
<b>Total administration, marketing and financial expenses</b>		<b>1,087</b>	<b>935</b>
<b>Total expenses</b>		<b>3,980</b>	<b>4,364</b>
<b>Income</b>			
Box office and production revenue	8	743	1,072
Commonwealth Government revenues	9	1,534	1,513
Sponsorship and donations	10	250	308
Net change in market value of investments		35	24
Dividend income		18	14
Interest revenues		70	70
Other income		14	-
<b>Total income</b>		<b>2,664</b>	<b>3,001</b>
<b>Net cost of providing services</b>		<b>1,316</b>	<b>1,363</b>
<b>Revenues from / payments to SA Government</b>			
Revenues from SA Government	9	1,589	1,571
<b>Net result</b>		<b>273</b>	<b>208</b>
<b>Total comprehensive result</b>		<b>273</b>	<b>208</b>

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

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# STATE OPERA OF SOUTH AUSTRALIA

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Note No.	2018 \$'000	2017 \$'000
<b>Current assets</b>			
Cash and cash equivalents	11	3,537	2,997
Prepayments		6	41
Receivables		25	5
<b>Total current assets</b>		<b>3,568</b>	<b>3,043</b>
<b>Non-current assets</b>			
Other financial assets		393	312
Plant and equipment	12	91	76
<b>Total non-current assets</b>		<b>484</b>	<b>388</b>
<b>Total assets</b>		<b>4,052</b>	<b>3,431</b>
<b>Current liabilities</b>			
Advance box office income	13	411	241
Payables		432	168
Accruals		108	73
Advance sponsorship	13	42	5
Workers compensation provision		13	13
Employee benefits	14	48	66
<b>Total current liabilities</b>		<b>1,054</b>	<b>566</b>
<b>Non-current liabilities</b>			
Employee benefits	14	111	251
Workers compensation provision		31	31
<b>Total non-current liabilities</b>		<b>142</b>	<b>282</b>
<b>Total liabilities</b>		<b>1,196</b>	<b>848</b>
<b>Net Assets</b>		<b>2,856</b>	<b>2,583</b>
<b>Equity</b>			
Reserves		2,035	1,961
Retained earnings		821	622
<b>Total Equity</b>		<b>2,856</b>	<b>2,583</b>
Commitments	15		
Contingent Assets and Liabilities	15		

**The total equity is attributable to the SA Government as owner.**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# STATE OPERA OF SOUTH AUSTRALIA

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Future Productions Reserve	Reserves Incentive Scheme Funds Reserve	Trust Funds Reserves	Accumulated Surplus	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2016	808	237	866	464	2,375
Total comprehensive result for 2016-17	-	-	-	208	208
Transfer between equity components	-	-	50	(50)	-
<b>Balance at 30 June 2017</b>	<b>808</b>	<b>237</b>	<b>916</b>	<b>622</b>	<b>2,583</b>
Total comprehensive for 2017-18	-	-	-	273	273
Transfer between equity components	-	-	74	(74)	-
<b>Balance at 30 June 2018</b>	<b>808</b>	<b>237</b>	<b>990</b>	<b>821</b>	<b>2,856</b>

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

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

# STATE OPERA OF SOUTH AUSTRALIA

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note No.	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
<b>Cash outflows</b>			
Employee benefits payments		(2,175)	(2,211)
Payments for supplies and services		(1,619)	(2,268)
<b>Cash used in operations</b>		<b>(3,794)</b>	<b>(4,479)</b>
<b>Cash inflows</b>			
Receipts from Commonwealth		1,736	1,664
Box office and production		872	983
Sponsorship and donations		287	303
Interest received and sundries		74	70
Dividend received		18	14
GST recovered from the ATO		20	57
Other receipts		3	-
<b>Cash generated from operations</b>		<b>3,010</b>	<b>3,091</b>
<b>Cash flows from SA Government</b>			
Receipts from SA Government		1,582	1,571
<b>Cash generated from SA Government</b>		<b>1,582</b>	<b>1,571</b>
<b>Net cash provided by/(used in) operating activities</b>		<b>798</b>	<b>183</b>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Purchase of equipment		(27)	(52)
Purchase of investments		(231)	-
<b>Cash used in investing activities</b>		<b>(258)</b>	<b>(52)</b>
<b>Cash inflows</b>			
Proceeds from sales/maturities of investments		184	-
<b>Cash generated from investing activities</b>		<b>184</b>	<b>-</b>
<b>Net cash provided by/(used in) investing activities</b>		<b>(74)</b>	<b>(52)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>540</b>	<b>131</b>
Cash and cash equivalents at the beginning of the period		2,997	2,866
<b>Cash and cash equivalents at the end of the period</b>		<b>3,537</b>	<b>2,997</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

# STATE OPERA OF SOUTH AUSTRALIA

## NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 June 2018

### Note 1 Objectives of the State Opera of South Australia

The State Opera of South Australia (the Company) serves the Government and the people of South Australia by achieving excellence in the provision of operatic productions to the general public.

The Company's objectives are:

1. To promote and develop itself as one of Australia's most exciting and innovative performing arts companies.
2. To reinforce, through its activities, South Australia's reputation both nationally and internationally as a State recognised for its rich cultural life and artistic excellence.
3. To present a mix of traditional and non-traditional repertoire that enhances the cultural vibrancy of the State, provides significant employment opportunities for artists and arts sector workers and generates economic gains for the State through cultural tourism.

The State Opera of South Australia's principal sources of funds are State Government Grants, Commonwealth Grants (through the Australia Council's Major Performing Arts Panel), box office, philanthropic and corporate support.

### Note 2 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 Company has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Company is a not-for-profit entity. Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective, have not been adopted by the Company for the period ending 30 June 2018.

#### 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 Company'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.
- 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:

- a) expenses incurred as a result of engaging consultants;
- b) 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 entity to those employees; and
- c) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

# STATE OPERA OF SOUTH AUSTRALIA

## NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 June 2018

### **Note 2 Significant accounting policies (continued)**

#### **c) Reporting entity**

The State Opera is a statutory authority established pursuant to the *State Opera of South Australia Act 1976*. The Company is an administrative unit acting on behalf of the Crown.

#### **d) Comparative information**

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

#### **e) Rounding**

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

#### **f) Taxation**

The Company is not subject to income tax. The Company 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 (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable.
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO 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 ATO is classified as part of operating cash flows.

#### **g) 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.

#### **h) Current and non-current classification**

Assets and liabilities that are to be 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 12 months and more than 12 months, the Company has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

#### **i) Other financial assets**

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

# STATE OPERA OF SOUTH AUSTRALIA

## NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 June 2018

### **Note 2 Significant accounting policies (continued)**

#### **j) Receivables**

Receivables include amounts receivable from trade receivables and interest receivable. Trade receivables arise in the normal course of selling goods and services to the public. Trade receivables are generally receivable within 30 days after issue of an invoice or the goods/services have been provided under a contractual arrangement.

#### **k) Workers compensation provision**

The Company is self insured for workers compensation. A provision has been reported to reflect unsettled workers compensation claims.

Provisions are recognised when the Company 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.

#### **l) Liabilities**

##### *Payables*

Payables include creditors, accruals and staff on-costs.

Creditors represent the amount 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 Company.

Accrued expenses represent goods and services provided by other parties during the period which 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 the date the invoice is first received.

Staff on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

The Company makes contributions to 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 balance date relates to any contributions due but not yet paid.

##### *Leases*

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

The Company has entered into operating leases related to property.

##### 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.

# STATE OPERA OF SOUTH AUSTRALIA

## NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 June 2018

### Note 3 New and revised accounting standards and policies

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

#### Accounting Standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Company for the period ending 30 June 2018. The Company has assessed the impact of the new and amended standards and interpretations and considers there will be no material impact on the accounting policies or the financial statements of the Company, except as outlined in the below.

AASB 9 Financial Instruments will require us to address the classification and measurement of financial assets and liabilities in the Statement of Financial Position and prescribes new principles on the impairment of financial assets.

AASB9 applies to reporting periods commencing after 1 January 2018. The application date for the Company is 1 July 2018.

The Company is still assessing the impact of this standard on reporting and related business practices of the Company, and anticipates it will have minimal impact.

The following accounting standards will apply to reporting periods commencing after 1 January 2019. The application date for the Company is 1 July 2019.

AASB 15 Revenue Recognition uses a five-step model that is applied to determine when to recognise revenue and at what amount. Revenue is recognised when a company transfers control of goods or services to a customer for the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognised either over time (in a manner that best reflects the company's performance) or at a point in time (when control of the goods or services is transferred to the customer).

The Company is assessing all revenue streams as part of a review into the impact of the standard on reporting and related business practices. The Company has not yet finalised its assessment of the impact and will continue its assessment over the next 12 months.

AASB 16 Leases will require us to recognise all leased items in the Statement of Financial Position as assets to represent the value of what we lease, and liabilities to represent expected future lease payments.

The Company is assessing current operating lease agreements as part of a review into the impact of the standard on reporting and related business practices. The Company has not yet finalised its assessment of the impact and will continue its assessment over the next 12 months.

### Note 4 Employee benefits expenses

	2018	2017
	\$'000	\$'000
Salaries and wages	1,727	1,871
LSL	5	-
Annual leave	6	23
Employment on-costs - superannuation*	153	158
Employment on-costs - other	51	58
Other employee related expenses	12	13
<b>Total employee benefits expenses</b>	<b>1,954</b>	<b>2,123</b>

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

Remuneration of employees	2018	2017
	No.	No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$179 001 to \$189 000	-	1
\$239 001 to \$249 000	1	-
<b>Total</b>	<b>1</b>	<b>1</b>

# STATE OPERA OF SOUTH AUSTRALIA

## NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 June 2018

### Note 4 Employee benefits expenses (continued)

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

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by the previous Financial Director for the year was \$246,000 including payment for unused employee entitlements upon resignation.

### Note 5 Production expenses

	2018	2017
	\$'000	\$'000
Production costs which can be directly attributed to operas, staged/to be staged, other events and production costs, are as follows:		
Opera:		
Breve / Schicchi	270	-
Don Pasquale	195	-
Fledermaus	379	-
Hamlet	211	-
Opera Studio	150	-
Pearl Fishers	862	-
Verdi	181	-
2016/17 productions	-	2,928
2018/19 productions	86	-
Opera Conference Support *	285	282
Other production costs	274	219
<b>Total Production expenses</b>	<b>2,893</b>	<b>3,429</b>

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

### Note 6 Consulting fees

	2018	2017
	No.	No.
	\$'000	\$'000
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:		
Below \$10,000	2	10
Above \$10,000	2	23
<b>Total paid/payable to consultants engaged</b>	<b>4</b>	<b>33</b>

### Note 7 Depreciation expenses

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.

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.

# STATE OPERA OF SOUTH AUSTRALIA

## NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 June 2018

### Note 7 Depreciation expenses (continued)

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)
Production equipment	5-10
Office furniture and equipment	5-10
Computer equipment	3

	2018 \$'000	2017 \$'000
<b>Depreciation</b>		
Production equipment	9	5
Office furniture and equipment	3	1
Computer equipment	-	1
<b>Total depreciation expenses</b>	<b>12</b>	<b>7</b>

### Note 8 Box office and production revenue

	2018 \$'000	2017 \$'000
Comprises revenue for operas and other events staged during the year:		
Opera:		
Breve / Schicchi	91	-
Don Pasquale	12	-
Fledermaus	116	-
Opera Studio	28	57
Pearl Fishers	397	-
Verdi	99	-
2017 productions	-	1,015
<b>Total box office and production revenue</b>	<b>743</b>	<b>1,072</b>

### Note 9 Grants revenue

	2018 \$'000	2017 \$'000
State Government	1,589	1,571
Commonwealth Government	1,534	1,513
<b>Total grants revenue</b>	<b>3,123</b>	<b>3,084</b>

### Note 10 Sponsorship and donations

	2018 \$'000	2017 \$'000
Sponsorship	108	144
Donations	142	164
<b>Total sponsorship and donations</b>	<b>250</b>	<b>308</b>

# STATE OPERA OF SOUTH AUSTRALIA

## NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 June 2018

### Note 11 Cash and cash equivalents

	2018	2017
	\$'000	\$'000
Short term deposits <sup>(1)</sup>	3,439	2,976
Cash at bank	95	18
Cash on hand	3	3
<b>Total cash and cash equivalents</b>	<b>3,537</b>	<b>2,997</b>

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

#### Short-term deposits

Short-term deposits are made for varying periods of between one day and three months. The deposits are lodged with the South Australian Government Financing Authority and private sector financial institutions and earn interest at the respective short-term deposit rates.

<sup>(1)</sup> Includes \$3.28m (\$2.76m) deposited with SAFA

All other amounts are deposited with private sector financial institutions

### Note 12 Plant and equipment

	2018	2017
	\$'000	\$'000
Production equipment - at cost	248	241
Less: Accumulated Depreciation	(184)	(175)
	<u>64</u>	<u>66</u>
Office furniture and equipment - at cost	87	77
Less: Accumulated depreciation	(70)	(67)
	<u>17</u>	<u>10</u>
Computer equipment - at cost	90	80
Less: Accumulated depreciation	(80)	(80)
	<u>10</u>	<u>-</u>
<b>Total net plant and equipment</b>	<b>91</b>	<b>76</b>

#### Movement in carrying amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the 2017-2018 financial year.

	Production Equipment \$'000	Office Furniture & Equipment \$'000	Computer Equipment \$'000	2018 Total \$'000
Carrying amount at the beginning of year	66	10	-	76
Additions	7	10	10	27
Depreciation expense	(9)	(3)	-	(12)
Carrying amount at the end of the year	<u>64</u>	<u>17</u>	<u>10</u>	<u>91</u>

# STATE OPERA OF SOUTH AUSTRALIA

## NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 June 2018

### Note 12 Plant and equipment (continued)

#### 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 after allowing for 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 \$1,000 are capitalised.

### Note 13 Advance box office income and sponsorship

	2018 \$'000	2017 \$'000
Advance box office income		
Box office - The Mastersingers	258	-
Box office - The Merry Widow	113	-
ARC Funding - Red Cross	40	-
Advance box Office - 2017	-	241
<b>Total advance box office income</b>	<b>411</b>	<b>241</b>
Advance sponsorship		
The Mastersingers	7	-
The Merry Widow	35	-
Advance sponsorship - 2017	-	5
<b>Total advance sponsorship</b>	<b>42</b>	<b>5</b>
<b>Total advance box office income and sponsorship</b>	<b>453</b>	<b>246</b>

### Note 14 Employee benefits

#### Note 14.1 Salaries and wages, annual leave, and sick leave

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

The annual leave liability is expected to be payable within 12 months and is measured at nominal amounts.

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.

#### Note 14.2 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.

The estimated liability for long service leave is based on actuarial assumptions over 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.

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.

# STATE OPERA OF SOUTH AUSTRALIA

## NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 June 2018

Note 14 Employee benefits (continued)	2018	2017
	\$'000	\$'000
<b>Current</b>		
Annual leave	42	54
Annual leave - oncosts	6	8
Accrued salary and wages	-	4
<b>Total current employee benefits</b>	<b>48</b>	<b>66</b>
<b>Non-current</b>		
Long service leave	103	235
Long service leave - oncosts	8	16
<b>Total non-current employee benefits</b>	<b>111</b>	<b>251</b>
<b>Total employee benefits</b>	<b>159</b>	<b>317</b>

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. 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 not changed from 2017 (2.5%) to 2018 (2.5%).

The non-movement in the bond yield, which is used as the rate to discount future long service leave cash flows, results in no change in the reported long service leave liability.

Leave on-costs include payroll tax, Return to Work SA levies and superannuation contributions.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

### Note 15 Commitments and contingent assets and liabilities

#### Operating lease commitments

	2018	2017
	\$'000	\$'000
Commitments under non-cancellable operating leases, related to property, at the reporting date but not recognised as liabilities in the financial statements, are payable as follows:		
No later than one year	213	213
Later than one year but not later than five years	1,176	1,163
Later than five years	-	232
<b>Total lease commitments</b>	<b>1,389</b>	<b>1,608</b>

#### Production contracts

The Company, by the nature of its operations, has entered into contracts with artists and theatre proprietors for performances scheduled to take place subsequent to 30 June 2018. The terms and conditions of the contracts may also place a liability on the Company to pay some or all of these amounts should the artist not be engaged or the theatre, hired scenery, or costumes not used.

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

	Due within 1 year \$'000	Due within 1-5 years \$'000	2018 Total \$'000	2017 Total \$'000
Performers' salaries, etc	150	-	150	38
Construction and hire agreements	125	-	125	25
	<b>275</b>	<b>-</b>	<b>275</b>	<b>63</b>

# STATE OPERA OF SOUTH AUSTRALIA

## NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 June 2018

### Note 15 Commitments and contingent assets and liabilities (continued)

#### Contingent assets and liabilities

The Company is not aware of any contingent assets or liabilities

### Note 16 Financial risk management

#### 16.1 Financial risk management

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 assets, financial liability and equity instrument are disclosed in note 2.

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

The normal business activities of the Company are dependent on the continuation of grants from the State Government and the Australia Council for the Arts at an appropriate level. The State Opera of South Australia, Arts South Australia (Arts SA) and the Australia Council for the Arts have a formal agreement which currently maintains funding up to 31 December 2019.

#### 16.2 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 note 2 or the respective financial asset / financial liability note.

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

#### 16.2 Categorisation of financial instruments (continued)

Category of financial asset and financial liability	Notes	2018 Carrying amount / Fair value (\$'000)	2017 Carrying amount / Fair value (\$'000)	2018 Contractual maturities		
				Within 1 year (\$'000)	1-5 years (\$'000)	More than 5 years (\$'000)
<b>Financial assets</b>						
Cash and equivalent	11	3,537	2,997	3,537	-	-
Other financial assets		393	312	-	393	-
Receivables (1) (2)		25	5	25	-	-
<b>Total financial assets</b>		<b>3,955</b>	<b>3,314</b>	<b>3,562</b>	<b>393</b>	<b>-</b>
<b>Financial liabilities</b>						
Accruals		90	49	90	-	-
Payables (1)		410	168	410	-	-
<b>Total financial liabilities</b>		<b>500</b>	<b>217</b>	<b>500</b>	<b>-</b>	<b>-</b>

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (eg Commonwealth, State and Local Govt taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents etc they would be excluded from the disclosure. The standard defines 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. As 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.

# STATE OPERA OF SOUTH AUSTRALIA

## NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 June 2018

### Note 17 Remuneration of board and committee members

Members during the 2018 financial year were:

#### State Opera of South Australia Board

Mr John Irving (Chair)

Mr David Coville (resigned Dec '17)

Ms Elizabeth Olsson

Mrs Kimberly Philp

Mr Mark de Raad (resigned Jun '18)

Dr Christine Rothauser

Mrs Robina Weir

Professor Brenda Wilson (commenced Oct '17)

Ms Imelda Alexopoulos (commenced Feb '18)

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

### Note 18 Related Party Transactions

The Company is a government statutory authority and is wholly owned and controlled by the Crown.

Related parties of the Company 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 Company include the Premier, the Executive Director, the Chief Operating Officer and the Board\* who have responsibility for the strategic direction and management of the Company. The compensation detailed below excludes salaries and other benefits the Premier receives, the Premier's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the *Remuneration Tribunal of SA* respectively and are payable from the Consolidated Account (via the Company of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

The Chair acted in the role of Interim CEO from July 2017 to February 2018. A new Executive Director and Chief Operating Officer commenced employment in March 2018 and June 2018 respectively. The key management personnel compensation was \$107,000 (2017 \$283,000).

(\*The State Opera of South Australia Board consists of Mr John Irving (Chair), Ms Elizabeth Olsson, Mrs Kimberly Philp, Mr Mark de Raad, Dr Christine Rothauser, Professor Brenda Wilson and Ms Imelda Alexopolous. Refer to Note 17)

#### Significant transactions with government related entities

Significant transactions with SA Government are identifiable throughout this financial report.

The Company:

- received funding from the SA Government via Arts SA of \$1,589,000 (2017 \$1,571,000) (note 9);
- incurred expenditure with the Adelaide Festival Centre Trust for theatre hire and production costs of \$383,000 (2017 \$383,000); and
- incurred expenditure with the Department of Transport and Infrastructure for rental outgoings of \$258,000 (2017 \$246,000).

### Note 19 Reserves

#### Future Productions Reserve

The future productions reserve includes previous surplus amounts which have been allocated directly to assist in the staging of future productions, rather than for general use.

# STATE OPERA OF SOUTH AUSTRALIA

## NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 June 2018

### Note 19 Reserves (continued)

#### Reserves Incentive Scheme Funds Reserve

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

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

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

#### Trust Funds Reserves

Diana Ramsay Fund and the Thora and Frank Pearce Opera Foundation reflect Trust funds held and controlled by the Company. Refer to Note 20 for further information.

### Note 20 Trust Funds

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

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

	2018 \$'000	2017 \$'000
<b>Thora and Frank Pearce Opera Foundation</b>		
Balance 1 July	197	192
Interest revenue	4	5
Balance 30 June	<u>201</u>	<u>197</u>
Represented by:		
Cash and cash equivalents	<u>201</u>	<u>197</u>
<b>Note 20 Trust Funds (continued)</b>		
<b>Diana Ramsay Fund</b>		
Balance 1 July	718	674
Dividend income	18	14
Interest and sundry revenue	17	7
Changes in market value of investments	35	23
Balance 30 June	<u>788</u>	<u>718</u>
Represented by:		
Cash and cash equivalents	385	407
Other financial assets	403	311
	<u>788</u>	<u>718</u>

### Note 21 Events after the reporting period

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

**STATE OPERA OF SOUTH AUSTRALIA  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2018**

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

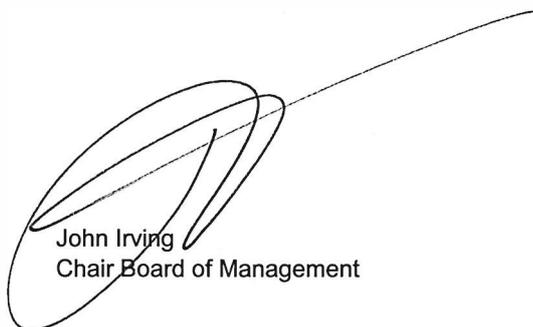
- \* comply with relevant Treasurer's Instructions issued under section 41 of the Public Finance and Audit Act 1987, and relevant Australian Accounting Standards;
- \* are in accordance with the accounts and records of the State Opera of South Australia; and
- \* present a true and fair view of the financial position of the State Opera of South Australia as at 30 June 2018 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the State Opera of South Australia for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.

Date 28 September 2018



Yarmila Alfonzetti  
Executive Director



John Irving  
Chair Board of Management



Anthony Burt  
Chief Financial Officer