

State Opera of South Australia

Financial report
for the year ended
30 June 2019



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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 2019.

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 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 Chair, Board of Management, Executive Director and Head of Finance.

Basis for opinion

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

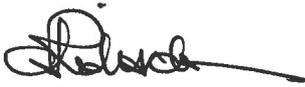
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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, but not for the purpose of expressing an opinion on the effectiveness of the State Opera of South Australia's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Director

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

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

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



Andrew Richardson

Auditor-General

23 September 2019

Contents

- 3 Certification of the Financial Statements
- 4 Statement of Comprehensive Income
- 5 Statement of Financial Position
- 6 Statement of Changes in Equity
- 7 Statement of Cash Flows
- 8 Notes to the Financial Statements

State Opera of South Australia

Certification of the Financial Statements

For the year ended 30 June 2019

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 2019 and the results of its operation and cash flows for the financial year.

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



John Irving
Chair Board of Management



Yarmila Alfonzetti
Executive Director



Lisa Mulvaney
Head of Finance

Date:

20/9/19

State Opera of South Australia

Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Expenses			
Employee benefit expenses	2.3	1,989	1,544
Supplies and services	3.1	3,943	2,139
Depreciation and amortisation	3.2	27	12
Grants and subsidies	3.3	289	285
Total Expenses		6,248	3,980
Income			
Fees and charges	4.2	1,744	743
Commonwealth grants and payments	4.3	1,557	1,534
Interest and dividends	4.4	64	98
Net change in the market value of investments	6.3	22	35
Other income	4.5	344	254
Total Income		3,731	2,664
Net cost of providing services		(2,517)	(1,316)
Revenues from / (payments to) SA Government			
Revenues from SA Government	4.1	1,559	1,589
Net Result		(958)	273
Total comprehensive result		(958)	273

State Opera of South Australia

Statement of Financial Position

As at 30 June 2019

	Note	30 Jun 2019 \$'000	30 Jun 2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	6.1	3,259	3,537
Receivables	6.2	185	31
Total current assets		3,444	3,568
Non-current assets			
Other financial assets	6.3	416	393
Plant and equipment	5.1	85	91
Intangible assets	5.2	42	-
Total non-current assets		543	484
Total assets		3,987	4,052
Liabilities			
Current liabilities			
Payables	7.1	587	432
Accrued expenses	7.1	41	108
Employee benefits	2.4	66	48
Provisions	7.2	60	13
Other current liabilities	7.3	1,285	453
Total Current liabilities		2,039	1,054
Non-current liabilities			
Employee benefits	2.4	4	111
Other non-current liabilities	7.3	46	-
Provisions	7.2	-	31
Total non-current liabilities		50	142
Total Liabilities		2,089	1,196
Net Assets		1,898	2,856
Equity			
Reserves		2,079	2,035
Retained earnings		(181)	821
Total Equity		1,898	2,856

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

State Opera of South Australia

Statement of Changes in Equity

For the year ended 30 June 2019

	FUTURE PRODUCTIONS RESERVE \$'000	RESERVE INCENTIVE SCHEME FUNDS RESERVE \$'000	TRUST FUNDS RESERVES \$'000	ACCUMULATED SURPLUS \$'000	TOTAL EQUITY \$'000
Equity					
Balance at 30 June 2017	808	237	916	622	2,583
Total comprehensive result for 2017-18	-	-	-	273	273
Transfer between equity components	-	-	74	(74)	-
Balance at 30 June 2018	808	237	990	821	2,856
Total comprehensive result for 2018-19	-	-	-	(958)	(958)
Transfer between equity components	-	-	44	(44)	-
Balance at 30 June 2019	808	237	1,034	(181)	1,898

State Opera of South Australia

Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
<i>Cash outflows</i>			
Employee benefits payments		(2,060)	(1,656)
Payments for supplies and services		(4,395)	(2,039)
Payments of grants and subsidies		(289)	(285)
Cash used in operations		(6,744)	(3,980)
<i>Cash inflows</i>			
Receipts from Commonwealth		2,686	1,731
Box office and production		1,769	872
Sponsorship and donations		310	287
Interest received		51	70
Dividend received		13	28
GST recovered from the ATO	8.3	143	20
Other receipts		2	4
Cash generated from operations		4,974	3,012
<i>Cash flows from SA Government</i>			
Receipts from SA Government		1,562	1,582
Cash generated from SA Government		1,562	1,582
Net cash provided by/(used in) operating activities		(208)	614
Cash flows from investing activities			
<i>Cash outflows</i>			
Purchase of plant and equipment		(14)	(27)
Purchase of intangibles		(56)	-
Purchase of investments		-	(231)
Cash used in investing activities	8.3	(70)	(258)
<i>Cash inflows</i>			
Proceeds from sales/maturities of investments		-	184
Cash generated from investing activities		-	184
Net cash provided by/(used in) investing activities		(70)	(74)
Net increase/(decrease) in cash and cash equivalents		(278)	540
Cash and cash equivalents at the beginning of the period		3,537	2,997
Cash and cash equivalents at the end of the period	6.1	3,259	3,537

1. About the State of Opera of South Australia

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

The Company does not control any other entity and has no interests in unconsolidated structured entities. The financial statements and accompanying notes include all the controlled activities of the Company.

1.1 Basis of Preparation

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

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

For the 2018-19 financial statements the Company 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.

1.2 Objectives

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

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

2. Board, committees and employees

2.1. Key management personnel

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

Total compensation for key management personnel was \$442,000 in 2018-19 and \$107,000 in 2017-18.

The compensation disclosed in this note excludes salaries and other benefits the Premier receives. The Premier's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the consolidated account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

Transactions with key management personnel and other related parties

Other than the remuneration paid in 2018-2019, there were no other transactions with key management personnel and other related parties during the year.

2.2. Board and committee members

Members during the 2019 financial year were:

The State Opera of South Australia Board

Mr John Irving (Chair)	Professor Brenda Wilson
Ms Elizabeth Olsson	Ms Imelda Alexopoulos
Mrs Kimberly Philp (resigned October 2018)	Mr Peter Michell (commenced March 2019)
Dr Christine Rothauser	Dr Thomas Millhouse (commenced May 2019)
Mrs Robina Weir	

Risk and Performance Committee (established September 2018)

Mr John Irving (Chair)	Ms Elizabeth Olsson
Mr Peter Michell	

Fundraising Committee (established October 2018)

Professor Brenda Wilson (Chair)	Dr Thomas Millhouse
Mr John Irving	Dr Christine Rothauser
Ms Imelda Alexopoulos	Mrs Robina Weir

Board and committee remuneration

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

2.3. Employee benefits expenses

	2019 \$'000	2018 \$'000
Salaries and wages	1,525	1,310
Long service leave	80	5
Annual leave	70	6
Employment on-costs - superannuation	193	153
Employment on-costs - other	65	51
Workers compensation	23	15
Other employee related expenses	33	4
Total	1,989	1,544

Employment on-costs - superannuation

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

Executive remuneration

	2019 \$'000	2018 \$'000
The number of employees whose remuneration received or receivable falls within the following bands:		
\$151 001 to \$171 000	1	-
\$171 001 to \$191 000	1	-
\$231 001 to \$251 000	-	1
Total	2	1

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by those employees for the year was \$334,000 (\$246,000).

2.4. Employee benefits liability

	2019 \$'000	2018 \$'000
Current		
Accrued salaries and wages	29	-
Annual leave	37	48
Total current employee benefits	66	48
Non-current		
Long service leave	4	111
Total non-current employee benefits	4	111
Total employee benefits	70	159

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

Salaries and wages, annual leave and sick leave

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

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

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

Long service leave

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

3. Expenses

Employee benefits expenses are disclosed in note 2.3.

3.1. Supplies and services

	2019 \$'000	2018 \$'000
Accommodation and telecommunication	234	114
Advertising and marketing	297	43
Consultants	18	33
Contractors - performers, creatives, technical	1,266	844
General administration and consumables	343	284
External accounting and bookkeeping	84	42
Season launch	38	-
Information technology expenses	31	27
Legal costs	5	-
Minor works, maintenance and equipment	6	11
Operating lease expenses	223	216
Production expense	526	390
Venue hire and expenses	872	135
Total supplies and services	3,943	2,139

Consultants

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

	No	2019 \$'000	No	2018 \$'000
Below \$10 000	3	18	2	10
\$10 000 or above	-	-	2	23
Total	3	18	4	33

3.2. Depreciation and amortisation

	2019 \$'000	2018 \$,000
Production equipment	11	9
Office furniture and equipment	3	3
Computer equipment	4	-
Intangible assets	9	-
Total depreciation and amortisation	27	12

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

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are review and adjusted, if appropriate, on an annual basis. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Useful life

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

Class of asset	Useful life (years)
Production equipment	5-10
Office furniture and equipment	5-10
Computer equipment	3
Intangible assets	5

Depreciation and amortisation methods are reviewed annually.

3.3. Grants and subsidies

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

	2019 \$'000	2018 \$'000
Recurrent grant	289	285
Total grants and subsidies	289	285

4. Income

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

4.1. Net revenues from SA Government

	2019 \$'000	2018 \$'000
Revenues from SA Government	1,559	1,589
Total net revenues from SA Government	1,559	1,589

Total revenues from SA Government consist of \$1,559,000 (\$1,589,000) for operational funding. The original amount provided to the Company under the *Multi-Partite Agreement* was varied and an amount of \$48,000 was withheld by the Treasurer via an efficiency dividend in the SA Government budget.

4.2. Fees and charges

2019 \$'000	2018 \$'000
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Comprises revenue for operas and other events stage during the year:

Opera

The Master Singers	157	-
Dido and Aeneas	49	-
The Red Cross Gala	67	-
The Merry Widow	644	-
King Arthur	53	-
Carmen	420	-
The Cunning Little Vixen	67	-
Other productions	32	-
2018 Productions	-	743
Total Opera	1,489	743
Total revenue for operas and other events staged during the year:	1,489	743

Other fees and charges

Co-production - The Pearl Fishers	80	-
Co-production - The Merry Widow	175	-
Total Other fees and charges	255	-
Total box office and production revenue	1,744	743

4.3. Commonwealth grants and payments

	2019 \$'000	2018 \$'000
Grants	1,557	1,534
Total Commonwealth grants and payments	1,557	1,534

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

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

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

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

4.4. Interest and dividends

	2019 \$'000	2018 \$'000
Investment with SAFA	43	57
Cash and cash equivalents	8	13
Dividends	13	28
Total interest and dividends	64	98

4.5. Other income

	2019 \$'000	2018 \$'000
Sponsorship	125	108
Donations	167	142
Foundations	50	-
Sundry Income	2	4
Total other Income	344	254

Sponsorship

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

Donations

Donations are deposited into a bank account separate from general banking and are recognised when received.

Foundations

Foundation income and investments are recognised when received and are managed according to the deeds of trust entered into with the *Diana Ramsay Fund* and the Company; and *The Thora and Frank Pearce Opera Foundation* and the Company.

5 Non-financial assets

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

5.1. Plant and equipment

	2019 \$'000	2018 \$'000
Computer equipment		
Computer equipment at cost (deemed fair value)	77	91
Accumulated depreciation at the end of the period	(68)	(81)
Total computer equipment	9	10
Furniture and equipment		
Furniture and equipment at cost (deemed fair value)	48	87
Accumulated depreciation at the end of the period	(33)	(70)
Total furniture and equipment	15	17
Production equipment		
Production equipment at cost (deemed fair value)	241	248
Accumulated depreciation at the end of the period	(180)	(184)
Total production equipment	61	64
Total plant and equipment	85	91

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

Impairment

There are no indicators of impairment at 30 June 2019.

Reconciliation 2018-19

	Computer equipment \$'000	Furniture and equipment \$,000	Production equipment \$'000	Total \$'000
Carrying amount at 1 July 2018	10	17	64	91
Acquisitions	3	1	8	12
Depreciation	(4)	(3)	(11)	(18)
Carrying amount at 30 June 2019	9	15	61	85

Disposals

During the year, a stock-take of plant and equipment was performed and obsolete assets with a total cost of \$71,000 were disposed of at the end of the year. These assets were fully depreciated and had nil carrying values at their disposal date, therefore no gains or losses on disposal were recorded in the current year's result.

5.2. Intangible assets

	2019 \$'000	2018 \$'000
Purchased computer software		
Purchased computer software (deemed fair value)	51	-
Accumulated amortisation at end of period	(9)	-
Total purchased computer software	42	-
Total intangible assets	42	-

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The acquisition of, or internal development of, software is capitalized only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater or equal to \$5,000.

Reconciliation 2018-19

	Other computer software \$'000	Total \$'000
Carrying amount at 1 July 2018	-	-
Acquisitions	51	51
Amortisation	(9)	(9)
Carrying amount at 30 June 2019	42	42

6. Financial assets

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

6.1 Cash and cash equivalents

	2019 \$'000	2018 \$'000
Short term deposits	1,465	3,439
Cash at bank	1,790	95
Cash on hand	4	3
Total cash and cash equivalents	3,259	3,537

Short term deposits

Short-term deposits are made for varying periods of between one day and three months. The deposits are lodged with the South Australian Government Financing Authority and private sector financial institutions and earn interest at the respective short-term deposit rates. The deposits include \$1.3m (\$3.3m) deposited with SAFA. All other amounts are deposited with private sector financial institutions.

6.2 Receivables

	2019 \$'000	2018 \$'000
Current		
Trade receivables		
From government entities	13	11
From non-government entities	3	14
Total trade receivables	16	25
Prepayments	169	6
Total current receivables	185	31
Total receivables	185	31

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Impairment of receivables

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

6.3 Other financial assets

	2019 \$'000	2018 \$'000
Non-current		
Shares and units held in listed entities	416	393
Total non-current investments	416	393
Total investments	416	393

Other financial assets

For further information on risk management refer to note 11.3. For further information on the impact of the AASB 9 refer to note 9.2.

7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

7.1 Payables and accruals

	2019 \$'000	2018 \$'000
Current		
Payables		
Trade payables	460	410
Credit cards payable	8	-
GST Payable	55	(24)
Employment on-costs	64	46
Total payables	587	432
Accrued expenses	41	108
Total current payables and accruals	628	540
Total payables	628	540

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

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

Employment on-costs

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

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

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has not changed from the 2018 rate (41%) and the average factor for the calculation of employer superannuation cost on-costs has 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 immaterial.

7.2. Provisions

	2019 \$'000	2018 \$'000
Current		
Provision for workers compensation	60	13
Total current provisions	60	13
Non-current		
Provision for workers compensation	-	31
Total non-current provisions	-	31
Total provisions	60	44

Movement in provisions

	2019 \$'000	2018 \$'000
Carrying amount at the beginning of the period	44	44
Additional provisions recognised	16	-
Carrying amount at the end of the period	60	44

A provision has been reported to mitigate workers compensation risk. The provision is for the estimated cost of current and future payments to employees as required under current legislation.

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

7.3 Other liabilities

Box office income \$396,000 (\$371,000) was deferred until the future periods in which the productions occur.

Sponsorship income \$50,000 (\$42,000) was deferred until the following financial year to the period of the production per the sponsorship agreement.

Grant income \$885,000 (\$0) that was received at the end of 2018-19 from the Australian Council for the Arts was provided to fund the Company's future programs.

	2019 \$'000	2018 \$'000
Current		
Unearned income		
Advance box office	396	371
Advance sponsorship	50	42
Advance grants	839	-
Advance others	-	40
Total unearned income	1,285	453
Total current other liabilities	1,285	453
Non-current		
Unearned income		
Advance grants	46	-
Total unearned income	46	-
Total non-current other liabilities	46	-
Total other liabilities	1,331	453

8. Other Disclosures

8.1. Equity

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.

Reserves Incentive Scheme funds reserve

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

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

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

Trust funds reserves

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

8.2. Trust funds

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

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

	2019	2018
	\$'000	\$'000
Thora and Frank Pearce Opera Foundation		
Balance 1 July	201	197
Interest revenue	2	4
Total Thora and Frank Pearce Opera Foundation	203	201
<i>Represented by:</i>		
Cash and cash equivalents	203	201
Total	203	201
Diana Ramsay Fund		
Balance 1 July	788	718
Dividend income	21	18
Interest Revenue	7	17
Changes in market value of investments	15	35
Total Diana Ramsay Fund	831	788
<i>Represented by:</i>		
Cash and cash equivalents	415	395
Other financial assets	416	393
Total	831	788

8.3. Cash flow

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

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.
- 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 Company 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.
- *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 not had an effect on the recognition, measurement or classification of financial liabilities.

Accordingly, there has been no impact on the Company's retained earnings as at 1 July 2018.

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.

Operating lease commitments

	2019 \$'000	2018 \$'000
<u>Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:</u>		
Within one year	208	213
Later than one year but not longer than five years	857	1,176
Total operating lease commitments	1,065	1,389

There are no purchase options available to the Company.

The Company's operating lease is for the Netley Opera Studio which is used primarily for office accommodation and rehearsals, as well as occasional performances and storage.

The premises are leased from *Department of Planning, Transport and Infrastructure* by way of a *Memorandum of Administrative Arrangement*. The lease is non-cancellable and expires in June 2024 with a right of renewal. Rent is payable in advance.

The Company also rents land to store its production sets, costumes and other effects, which are housed in shipping containers. A formal lease has not been entered into and the rental is on a quarterly basis with no notice period required by either party to terminate the agreement. The rent is payable in advance.

Production contracts commitments

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 2019. 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.

	2019 \$'000	2018 \$'000
<u>Performers' salaries, etc</u>		
Within one year	372	150
Total performers salaries, etc	372	150
<u>Construction and hire agreements</u>		
Within one year	290	125
Total construction and hire agreements	290	125
Total production contract commitments	662	275

10.2. Contingent assets and liabilities

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

The Company has no contingent assets or liabilities to report.

10.3. Impact of standards and statements not yet effective

The Company 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 the 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.

There have been no material impacts on the Company.

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

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

Impact on the 2019-20 financial statements

Adopting AASB 15 and AASB 1058 is not expected to have a material impact on the timing of recognition of revenue by the Company. Revenues received in advance for future productions and programs are currently recorded as liabilities in the Statement of Financial Position. Refer to note 7.3 for further details.

Related accounting policies

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

AASB 16 – Leases

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

Impact on 2019-20 financial statements

AASB 16 is expected to have a material impact on the Statement of Financial Position. Based on applying AASB 16's transition approach to those leases identified as leases by the Company prior to 1 July 2019, the Company estimates that it will recognise a right-of-use asset and corresponding lease liability of approximately \$1.0m.

AASB 16 will also impact on the Statement of Comprehensive Income. In 2019-20, the operating lease expense previously included in supplies and services will mostly be replaced with an estimated depreciation expense of \$203,000 that represents the use of the right-of-use asset and estimated borrowing costs of \$15,000 that represent the cost associated with financing the right-of-use asset.

The amounts disclosed are current estimates only. The Company is continuing to refine its calculations of lease assets and liabilities for 2019-20 financial reporting purposes and expects that these figures will change. This includes accounting for non-lease components and clarifying lease terms and treatment of contracted rent increases.

Related accounting policies

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

10.4. Events after the reporting period

The Company has no events to report.

11. Measurement and risk

11.1. Long service leave liability – measurement

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

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

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 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 a minimal impact upon the long service leave liability.

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

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4.0% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

11.2. Fair value

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

Initial recognition

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

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

11.3. Financial instruments

Financial risk management

AASB 9 *Financial Instruments* has been adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial assets, financial liabilities and equity instruments.

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 Company's exposure to market risk is low due to the nature of the financial instruments held. The normal business activities of the Company are dependent on the continuation of grants from the State Government and the Australia Council for the Arts at an appropriate level. The State Opera of South Australia, Arts South Australia and the Australia Council have a formal agreement, which currently maintains funding up to 31 December 2020.

Liquidity risk

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

Refer to notes 7.1 and 7.3 for further information.

Impairment of financial assets

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

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

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

Categorisation of financial instruments

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

Classification 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*
- *Loan and 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 fair value through profit or loss (FVTPL).

The Company measures all financial instruments at FVTPL.

Category of financial asset and financial liability	Note	2019 Carrying amount / Fair value (\$'000)	2018 Carrying amount / Fair value (\$'000)	2019 Contractual maturities	
				Within 1 year (\$'000)	1-5 years (\$'000)
Financial assets					
Cash and cash equivalents	6.1	3,259	3,537	3,259	-
Other financial assets	6.3	416	393	-	416
Receivables	6.2	3	14	3	-
Total financial assets		3,678	3,944	3,262	416
Financial liabilities					
Accruals	7.1	11	90	11	-
Payables	7.1	468	410	468	-
Total financial liabilities		479	500	479	-

Receivables and payables

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

The receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 6.2.