

State Theatre Company  
of South Australia

Financial report  
for the year ended  
30 June 2019



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

## To the Board Chair State Theatre Company of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and the *State Theatre Company of South Australia Act 1972*, I have audited the financial report of State Theatre Company of South Australia for the financial year ended 30 June 2019.

### Opinion

In my opinion the financial report has been prepared in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* and Australian Accounting Standards, including:

- a) giving a true and fair view of the financial position of the State Theatre Company of South Australia as at 30 June 2018, its financial performance and its cash flows for the year then ended, and
- b) complying with Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

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 Board Chair, Executive Director/Producer and the Business Manager.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my

report. I am independent of the State Theatre Company of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* 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/Producer and the Board for the financial report**

The Executive Director/Producer 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 Charities and Not-for-profits Commission Act 2012* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

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

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State Theatre Company of South Australia's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Director/Producer
- 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/Producer 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**

27 September 2019

# State Theatre Company of South Australia

<b>Contents</b>	<b>Page</b>
Certification Statement	1
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 to 20
Independent Auditor's Report	21 to 23

State Theatre Company 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 Theatre Company of South Australia:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- comply with Division 60 of the *Australian Securities and Charities and Not-for-profits Commission Regulation 2013*;  
are in accordance with the accounts and records of the State Theatre Company of
- South Australia; and
- present a true and fair view of the financial position of the State Theatre Company of South Australia as at 30 June 2019 and the results of its operation and cash flows for the financial year.

We certify that:

- the internal controls employed by the State Theatre Company of South Australia for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period; and
- at the time of signing of this statement, there are reasonable grounds to believe that the State Theatre Company of South Australia will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of the State Theatre Company of South Australia.

  
Justin Jamieson  
Board Chair  
State Theatre Company of SA

Dated: 26/9/19

  
Jodi Glass  
Executive Director/Producer  
State Theatre Company of SA

Dated: 26.9.2019

  
Natalie Loveridge  
Business Manager  
State Theatre Company of SA

Dated: 26.9.2019

State Theatre Company of South Australia  
Statement of Comprehensive Income  
for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Expenses</b>			
Staff benefits expenses	2.3	2,926	3,640
Supplies and services	3.1	3,588	4,470
Depreciation and amortisation	3.2	43	47
<b>Total expenses</b>		<u>6,557</u>	<u>8,157</u>
<b>Income</b>			
Commonwealth revenues	4.1	626	886
Box office	4.2	1,913	2,009
Co-producer, tour and royalty fees	4.3	139	1,825
Sponsorship and donations	4.5	614	555
Interest revenues	4.6	32	47
Other income	4.7	282	258
<b>Total income</b>		<u>3,606</u>	<u>5,580</u>
<b>Net cost of providing services</b>		<u>2,951</u>	<u>2,577</u>
<b>Revenues from SA Government</b>			
Revenues from SA Government	4.4	<u>2,761</u>	<u>2,632</u>
<b>Net result</b>		<u>(190)</u>	<u>55</u>
<b>Total comprehensive result</b>		<u>(190)</u>	<u>55</u>

The accompanying notes form part of these financial statements.

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

State Theatre Company of South Australia  
Statement of Financial Position  
as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6.1	1,000	1,737
Receivables	6.2	122	363
Prepayments		202	314
<b>Total current assets</b>		<u>1,324</u>	<u>2,414</u>
<b>Non-current assets</b>			
Other financial assets	6.3	775	760
Plant and equipment	5.1	71	102
Intangibles	5.2	175	18
<b>Total non-current assets</b>		<u>1,021</u>	<u>880</u>
<b>Total assets</b>		<u>2,345</u>	<u>3,294</u>
<b>Current liabilities</b>			
Payables	7.1	579	754
Unearned revenue	7.2	290	840
Staff benefits	2.4	186	190
Provisions	7.3	7	8
<b>Total current liabilities</b>		<u>1,062</u>	<u>1,792</u>
<b>Non-current liabilities</b>			
Payables	7.1	12	13
Staff benefits	2.4	120	146
Provisions	7.3	9	11
<b>Total non-current liabilities</b>		<u>141</u>	<u>170</u>
<b>Total liabilities</b>		<u>1,203</u>	<u>1,962</u>
<b>Net Assets</b>		<u>1,142</u>	<u>1,332</u>
<b>Equity</b>			
Retained earnings		1,142	1,332
<b>Total Equity</b>		<u>1,142</u>	<u>1,332</u>

The accompanying notes form part of these financial statements.

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

State Theatre Company of South Australia  
Statement of Changes In Equity  
for the year ended 30 June 2019

	Retained Earnings	
	2019 \$'000	2018 \$'000
<b>Balance at 1 July 2018</b>	1,332	1,277
Total comprehensive result for 2018-19	(190)	55
<b>Balance at 30 June 2019</b>	<u>1,142</u>	<u>1,332</u>

The accompanying notes form part of these financial statements.

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

State Theatre Company of South Australia  
Statement of Cash Flows  
for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
<b>Cash outflows</b>			
Staff benefits payments		(2,972)	(3,750)
Payment for supplies and services		(3,817)	(5,018)
<b>Cash used in operations</b>		<u>(6,789)</u>	<u>(8,768)</u>
<b>Cash inflows</b>			
Receipts from Commonwealth		627	618
Box office and other receipts		2,626	5,603
Interest received		18	33
GST recovered from the ATO		175	2
<b>Cash generated from operations</b>		<u>3,446</u>	<u>6,256</u>
<b>Cash flows from SA Government</b>			
Receipts from SA Government		2,746	2,734
<b>Cash generated from SA Government</b>		<u>2,746</u>	<u>2,734</u>
<b>Net cash provided by/(used in) operating activities</b>		<u>(597)</u>	<u>222</u>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Purchase of plant and equipment and software		(140)	(32)
<b>Cash used in investing activities</b>		<u>(140)</u>	<u>(32)</u>
<b>Net cash used in investing activities</b>		<u>(140)</u>	<u>(32)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(737)	190
Cash and cash equivalents at the beginning of the period		1,737	1,547
<b>Cash and cash equivalents at the end of the period</b>	6.1	<u>1,000</u>	<u>1,737</u>

The accompanying notes form part of these financial statements.

## 1. About the State Theatre Company of South Australia

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

The Company has the following high level goals:

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

### 1.1 Basis of preparation

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

- section 23 of the *Public Finance and Audit Act 1987* and the *Australian Charities and Not-for-profits Commission Act 2012*;
- 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 requirement that are applicable to not-for-profit entities, as the Company is a not-for-profit entity.

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.

State Theatre Company of South Australia  
Financial Year Ended 30 June 2019  
Notes to and forming part of the Financial Statements

## 2. Board and staff

### 2.1 Key management personnel

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

Total compensation for the board's key management personnel was \$344,000 (\$336,000).

Salaries and other benefits the Minister receives are excluded from this total. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

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

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

### 2.2. Board members

Members during the financial year were:

Mr Justin Jamieson	Ms Diané Ranck
Ms Anne Levy	Mr Simon Blewett
Mr Terence Crawford*	Ms Kristen Raison (retired August 2018)
Ms Jodie Newton	Ms Claudine Law (appointed March 2019)

Board fees were not paid to members in 2018-19 (Nil).

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

### 2.3 Staff benefits expense

	2019 \$'000	2018 \$'000
Salaries and wages	2,319	2,990
Long Service Leave	56	20
Annual Leave	171	137
Staff on-costs - superannuation	231	293
Staff on-costs - other	149	200
<b>Total staff benefits expenses</b>	<b><u>2,926</u></b>	<b><u>3,640</u></b>

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

#### *Remuneration of staff*

	2019 No	2018 No
The number of staff whose remuneration received or receivable falls within the following bands:		
\$151,001 to \$171,000	<u>1</u>	<u>1</u>
<b>Total number of staff</b>	<b><u>1</u></b>	<b><u>1</u></b>

The table includes all staff who received remuneration equal to or greater than the base remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, superannuation, fringe benefit tax and any other salary sacrifice benefits. The total remuneration received by staff was \$152,000 (\$171,000).

State Theatre Company of South Australia  
Financial Year Ended 30 June 2019  
Notes to and forming part of the Financial Statements

<b>2.4. Staff benefits liability</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Annual Leave	85	94
Long Service Leave	94	94
Accrued salaries and wages	7	2
	<u>186</u>	<u>190</u>
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current</b>		
Long Service Leave	<u>120</u>	<u>146</u>
<b>Total staff benefits liability</b>	<u><u>306</u></u>	<u><u>336</u></u>

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 and the Skills and Experience Retention Leave liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

***Long service leave***

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

State Theatre Company of South Australia  
Financial Year Ended 30 June 2019  
Notes to and forming part of the Financial Statements

### 3. Expenses

Staff benefit expenses are disclosed in note 2.3.

#### 3.1 Supplies and services

	2019 \$'000	2018 \$'000
Promotion and sponsorship expenses	664	820
Contractors fees	729	539
Consultants fees	-	61
Rent	322	202
Scenery, sound, lighting and special effects	206	375
Travel and accommodation	219	276
Royalties	192	662
Communications	28	29
Costume and props	53	101
Other production costs	95	236
Administration expenses	210	187
Theatre hire and charges	640	791
Ticket agency charges	203	161
Audit fees	27	30
<b>Total supplies and services expense</b>	<b><u>3,588</u></b>	<b><u>4,470</u></b>

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

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

#### Consultants

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

	2019 No.	2019 \$'000	2018 No.	2018 \$'000
Below \$10,000	-	-	-	-
Above \$10,000	-	-	4	61
Total paid/payable to the consultants engaged	<u>-</u>	<u>-</u>	<u>4</u>	<u>61</u>

#### 3.2 Depreciation and amortisation

	2019 \$'000	2018 \$'000
Plant and equipment	34	38
Intangible assets	9	9
<b>Total depreciation and amortisation</b>	<b><u>43</u></b>	<b><u>47</u></b>

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

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

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

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

Class of Assets	Useful life (years)
Motor Vehicles	5
Equipment	3-10
Computer Equipment	3-7
Software	3-5

State Theatre Company of South Australia  
Financial Year Ended 30 June 2019  
Notes to and forming part of the Financial Statements

#### 4. Income

##### 4.1 Commonwealth Revenue

	2019 \$'000	2018 \$'000
Commonwealth revenues	626	886
<b>Total Commonwealth revenues</b>	<b><u>626</u></b>	<b><u>886</u></b>

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

- Australian Government operating grants received in 2018-19 were to contribute to operations for the 2019 calendar year.
- State Government operating grants received in 2018-19 were to contribute to operations for the 2018-19 financial year.

In accordance with the Australian Accounting Standards operating grants are recognised as revenue when the Company obtains control over the assets. Control over operating grants is normally obtained upon receipt because the grants are a non-reciprocal transaction and there is no present obligation to repay the monies.

The Company has also received Commonwealth grants related to specific programs to be undertaken in future years.

##### 4.2 Box office

	2019 \$'000	2018 \$'000
Box office	1,913	2,009
<b>Total box office</b>	<b><u>1,913</u></b>	<b><u>2,009</u></b>

Box office revenues for productions are recognised when a production has concluded. Ticket sales for future productions and productions in progress at reporting date are recorded as unearned revenue - advance box office revenue.

There were nine productions staged during 2018-19 (eight productions staged in 2017-18).

##### 4.3 Co-producer, tour and royalty fees

	2019 \$'000	2018 \$'000
Co-producer, tour and royalty fees	139	1,825
<b>Total co-producer, tour and royalty fees</b>	<b><u>139</u></b>	<b><u>1,825</u></b>

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

##### 4.4 Revenues from SA Government

	2019 \$'000	2018 \$'000
Revenues from SA Government	2,761	2,632
<b>Total revenues from SA Government</b>	<b><u>2,761</u></b>	<b><u>2,632</u></b>

Grants for program funding received from Arts South Australia are recognised as revenues when the Company obtains control over the assets and income recognition criteria are met.

Grants received in advance are recorded as unearned grant revenue.

##### 4.5 Sponsorship and donations

	2019 \$'000	2018 \$'000
Cash	432	333
In Kind	182	222
<b>Total sponsorship and donations</b>	<b><u>614</u></b>	<b><u>555</u></b>

Sponsorships are provided in cash and through resources provided free of charge. Sponsorship income is recognised according to the pattern of benefits exchanged. Sponsorship received in advance of benefits paid is recorded as unearned revenue.

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

State Theatre Company of South Australia  
Financial Year Ended 30 June 2019  
Notes to and forming part of the Financial Statements

**4.6 Interest**

	2019 \$'000	2018 \$'000
Interest from SA Government	18	33
Interest - Reserves Incentive Funding Scheme (SAFA)	14	14
<b>Total interest</b>	<u>32</u>	<u>47</u>

**4.7 Other income**

	2019 \$'000	2018 \$'000
Prop Shop income	68	95
Company Service Fees	184	133
Miscellaneous revenue	30	30
<b>Total other income</b>	<u>282</u>	<u>258</u>

State Theatre Company of South Australia  
Financial Year Ended 30 June 2019  
Notes to and forming part of the Financial Statements

## 5. Non-financial assets

### 5.1 Plant and equipment

	2019 \$'000	2018 \$'000
Motor Vehicle - at cost	27	27
Accumulated depreciation	(27)	(27)
<b>Total Motor Vehicle</b>	<u>-</u>	<u>-</u>
Equipment - at cost	199	197
Accumulated depreciation	(138)	(116)
<b>Total Equipment</b>	<u>61</u>	<u>81</u>
Computer Equipment - at cost	141	140
Accumulated depreciation	(131)	(119)
<b>Total Computer Equipment</b>	<u>10</u>	<u>21</u>
<b>Total plant and equipment</b>	<u><u>71</u></u>	<u><u>102</u></u>

#### *Acquisition and recognition*

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

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

#### *Impairment*

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

#### *Reconciliation 2018-19*

	Equipment \$'000	Computer Equipment \$'000	Total \$'000
Carrying amount at the beginning of the period	81	21	102
Additions	2	1	3
Depreciation expense	(22)	(12)	(34)
<b>Carrying amount at the end of the period</b>	<u>61</u>	<u>10</u>	<u>71</u>

There were no indications of impairment of plant and equipment assets at 30 June 2019.

### 5.2 Intangibles

	2019 \$'000	2018 \$'000
Purchased computer software	49	49
Internally developed software	166	-
Accumulated amortisation	(40)	(31)
<b>Total computer software</b>	<u>175</u>	<u>18</u>

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

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

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

State Theatre Company of South Australia  
Financial Year Ended 30 June 2019  
Notes to and forming part of the Financial Statements

<b>Reconciliation 2018-19</b>	<b>Software - Works in Progress \$'000</b>	<b>Purchased Software \$'000</b>	<b>Total \$'000</b>
<b>Carrying amount at the beginning of the period</b>	-	18	<b>18</b>
Additions	166	-	<b>166</b>
Amortisation expense	-	(9)	<b>(9)</b>
<b>Carrying amount at the end of the period</b>	<b>166</b>	<b>9</b>	<b>175</b>

State Theatre Company of South Australia  
Financial Year Ended 30 June 2019  
Notes to and forming part of the Financial Statements

## 6. Financial assets

### 6.1 Cash and cash equivalents

	2019 \$'000	2018 \$'000
Short Term Deposits	914	1,630
Cash at Bank and on hand	86	107
Total cash and cash equivalents	<u>1,000</u>	<u>1,737</u>

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

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

### 6.2 Receivables

	2019 \$'000	2018 \$'000
Trade receivables from government entities	74	38
Trade receivables from non-government entities	49	338
Allowance for doubtful debts	(1)	(13)
Total current receivables	<u>122</u>	<u>363</u>

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

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

#### *Impairment of receivables*

	2019 \$'000	2018 \$'000
Balance at 30 June 2018 under AASB 139	13	17
Adjustments on initial adoption of AASB 9	-	-
<b>Carrying amount at the beginning of the period</b>	<u>13</u>	<u>17</u>
Amounts recovered during the year	(13)	(6)
Increase in allowance recognised in profit or loss	1	2
<b>Carrying amount at the end of the period</b>	<u>1</u>	<u>13</u>

### 6.3 Other financial assets

The Company entered into an agreement, known as the Reserves Incentive Funding Scheme Agreement, with the Australia Council and Arts SA during 2003-04. The Scheme is designed to encourage and assist the Major Performing Arts companies to strengthen their Statement of Financial Position by building reserves to a level that is sufficient to underpin their financial health.

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

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

These funds are long term deposits which are held with the South Australian Government Financing Authority and are recorded at cost. The balance of the fund as at 30 June 2019 was \$775,000 (\$760,000).

State Theatre Company of South Australia  
Financial Year Ended 30 June 2019  
Notes to and forming part of the Financial Statements

## 7. Liabilities

Staff benefit liabilities are disclosed in note 2.4.

### 7.1 Payables

	2019 \$'000	2018 \$'000
<b>Current</b>		
Creditors	475	536
Accruals	80	183
Staff Benefit On-costs	24	35
	<u>579</u>	<u>754</u>
<b>Non-current</b>		
Staff Benefit On-costs	12	13
	<u>12</u>	<u>13</u>
<b>Total payables</b>	<u>591</u>	<u>767</u>

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

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

The Company makes contributions to several externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes.

### 7.2 Unearned revenue

	2019 \$'000	2018 \$'000
<b>Current</b>		
Advance box office revenue	26	599
Unearned tour, co-producer and production revenue	84	10
Unearned sponsorship revenue	59	95
Unearned grant revenue	121	136
	<u>290</u>	<u>840</u>

### 7.3 Provisions

	2019 \$'000	2018 \$'000
<b>Current</b>		
Provision for workers compensation	7	8
	<u>7</u>	<u>8</u>
<b>Non-current</b>		
Provision for workers compensation	9	11
	<u>9</u>	<u>11</u>
<b>Total provisions</b>	<u>16</u>	<u>19</u>

### Movement in provision

	2019 \$'000	2018 \$'000
Carrying amount at the beginning of the period	19	13
Change in provision	1	7
Less: Payments	(4)	(1)
Carrying amount at the end of the period	<u>16</u>	<u>19</u>

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2019 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

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

## 8. Other disclosures

### 8.1 Cash flow

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

## 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:

- 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.

### 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 Department 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.

The adoption of AASB 9 has not had a significant effect on the recognition, measurement or classification of financial liabilities.

On 1 July 2018, the Company has assessed the appropriate AASB 9 categories depending on the business model and contractual cash flow characteristics applying to the asset and determined its financial assets and financial liabilities do not require reclassification. Refer to Note 11.3.

***Impairment of financial assets***

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' model. The following financial assets of the department are subject to AASB 9's new expected credit loss model:

- trade receivables from provision of goods and services
- long term deposits

This model generally results in earlier recognition of credit losses than the previous one.

***Trade receivables***

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The Company has adopted the simplified approach under *AASB 9 Financial Instruments* and measured lifetime expected credit losses on all trade receivables on an individual basis. This resulted in no change to the loss allowance on 1 July 2018 for trade receivables external to Government.

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

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

## 10. Outlook

### 10.1 Unrecognised contractual commitments

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

#### **Operating leases**

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

	2019 \$'000	2018 \$'000
Within one year	145	81
Later than one year but not longer than five years	31	151
<b>Total operating lease commitments</b>	<b>176</b>	<b>232</b>
Representing:		
Cancellable operating leases	-	-
Non-cancellable operating leases	176	232
<b>Total operating lease commitments</b>	<b>176</b>	<b>232</b>

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

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

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

The Company leases facilities for its production facilities from Port Road Developments Pty Ltd, which is due to expire in December 2019. There is no right of renewal and rent is paid in advance.

The Company leases the Drama Centre (workshop, wardrobe, rehearsal space and offices) from the Adelaide Festival Centre Trust which is due to expire in June 2020. There is no right of renewal and rent is paid in advance.

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

### 10.2 Contingent assets and liabilities

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

### 10.3 Events after the reporting period

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

## 11. Measurement and risk

### 11.1 Long service leave liability - measurement

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

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

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

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability. The net financial impact of the change in rate is \$16,000 (\$9,000).

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

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

### 11.2 Fair value

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

#### *Initial recognition*

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

### 11.3. Financial instruments

#### *Financial risk management*

Risk management is managed by the Company's Board and senior management. Risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

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

#### *Liquidity risk*

The Company is funded principally by grants from the SA Government. Refer to Note 4.4 for further information.

#### *Categorisation of financial instruments*

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

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

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

- Held-to-maturity investments
- Receivables
- Financial liabilities measured at cost

State Theatre Company of South Australia  
Financial Year Ended 30 June 2019  
Notes to and forming part of the Financial Statements

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

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) – debt instrument, FVOCI – equity instrument or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions:

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

The Company measures all financial instruments at amortised cost.

Category	Statement of Financial Position line item	Note	2019 \$'000 Carrying/Fair Value	2018 \$'000 Carrying/Fair Value
<b>Financial Assets</b>				
Cash at bank and on hand	Cash and cash equivalents	6.1	86	107
Short term deposits	Cash and cash equivalents	6.1	914	1,630
Receivables	Receivables	6.2	122	350
Reserves Incentive Scheme investments	Other financial assets	6.3	775	760
<b>Financial Liabilities</b>				
Financial Liabilities at cost	Payables	7.1	480	634

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.